



The **PRS REIT** plc

Annual Report & Financial Statements

For the year ended 30 June 2020



The PRS REIT plc

Company Number 10638461

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HIGHLIGHTS

Key points

- › Good progress despite impact of COVID-19 pandemic - with 909 new rental homes added over FY2020 (2019: 768) to take portfolio at year end to 2,082 completed homes (2019: 1,173), with a further 2,803 homes at various stages of the delivery process (30 June 2019: 3,196)
 - national 'lockdown' and resultant delivery disruption is estimated to have delayed the completion of a further 600 homes in FY2020
 - despite this, in Q1 2021, 552 new homes were added to take the portfolio of completed homes at 30 September 2020 to 2,634, with estimated rental value ("ERV") at £24.3m p.a.
- › Rental income and demand for properties remained strong over the year and in Q1 of FY2021
- › Financial position is very robust, with net rental income covering cost base, low gearing of 25% and headroom on committed bank facilities
- › Total dividends paid, 4.0p per share (2019: 5.0p), in line with revised strategy taking into account pandemic impact.



Financial

	Year to 30 June 2020	Year to 30 June 2019	Change
Revenue	£12.9m	£6.0m	+115%
Net rental income	£10.2m	£4.9m	+108%
Operating profit	£19.9m	£14.6m	+36%
Profit after tax	£16.4m	£14.6m	+12%
Basic earnings per share	3.3p	2.9p	+14%
Net assets at 30 June*	£471m	£474m	-1%
IFRS and EPRA NAV* per share at 30 June	95.1p	95.8p	-1%
	95.0p at 31 Dec 2019		

*after dividend payments

Operational

	Q1 FY 2021	At 30 June 2020	At 30 June 2019	Year-on- year change
Number of completed homes	2,634	2,082	1,173	+77%
Estimated rental value ("ERV")	£24.3m p.a.	£19.1m p.a.	£10.7m p.a.	+79%
Number of contracted homes	2,369	2,803	3,196	
ERV	£23.3m p.a.	£27.4m p.a.	£30.5m p.a.	
Completed and contracted sites	64	62	54	+15%
ERV of completed and contracted sites	£47.6m p.a.	£46.6m p.a.	£41.2m p.a.	+13%
Rent collected as a percentage of total rent due	100%	98%	99%	-1%

Outlook

- › **96%** of the Company's net funding has now been deployed, with the portfolio now comprising 5,003 completed and contracted homes, including sites under forward contracts for purchase
- › Rental values have remained strong and at 30 September a further 145 qualified applicants were due to take occupancy
- › Long-term opportunity is strong with family rental housing market remaining critically undersupplied.

Steve Smith, Chairman of the PRS REIT, commented:

"The PRS REIT plc continued to make good progress in its third year of activity, despite the impact of the COVID-19 pandemic. While construction was suspended in the fourth quarter, we reached the milestone of our 2,000th completed rental home by mid-June, and over the year as a whole added 909 new homes. We are now at 2,634 completed homes, with a further 2,369 homes under way as we approach our target of 5,200 rental homes.

"There are significant macroeconomic uncertainties ahead but the Company is well-positioned financially, and our risk-mitigated model and the scale and geographic spread of our portfolio limits our exposures. Demand for our properties remains strong and the undersupply of good quality, well-located and professionally managed homes is significant. We are therefore confident in long-term prospects for The PRS REIT plc."

Strategic Report



STRATEGIC REPORT CHAIRMAN'S STATEMENT

I am pleased to present The PRS REIT plc's ("the PRS REIT", "the Company" or "the Group") audited financial results for the year ended 30 June 2020. While the year was dominated by the impact of the COVID-19 pandemic, the Company made good progress on housing delivery. In mid-June, the Company reached the milestone of its 2,000th new rental home, a little over three years since the launch of the PRS REIT in May 2017. At the year-end, the portfolio stood at 2,082 homes, having added 909 new homes over the year as a whole (2019: 768), including 465 homes in the second half (2019: 398). The Company remains financially and operationally well-positioned.

The delivery model provided significant downside protection when construction activity across all sites was suspended between the end of March and mid-May, as a result of the Government-imposed restrictions. In particular, fixed price design and build contracts limited financial exposure. The Company's financial position continues to be robust, with increased cash flows year on year, net rental income covering the cost base, and low gearing.

Demand for the PRS REIT's properties remained strong, and rental income increased significantly over the year as new homes were added to the portfolio. The amount of rent collected matched 98% of rent invoiced, and rental rates since the reopening of the market in May 2020 have reflected growth from new tenancies whilst rates for renewals have been frozen at pre-pandemic levels.

Construction activity across all sites resumed by the end of May, though social distancing and other safety measures adversely affected the pace of delivery. The 909 new rental homes added to the Company's portfolio during the year (2019: 768) took the number of completed homes at the year-end to 2,082 (30 June 2019: 1,173), increasing the portfolio's estimated rental value ("ERV") by £8.4 million per annum to £19.1 million per annum (30 June 2019: £10.7 million). A further 2,803 homes, with an ERV of £27.4 million per annum, were at various stages of the delivery process at 30 June 2020.

By the end of September, another 552 homes, with an ERV of £4.4 million per annum, had been completed, taking the number of completed homes at that point to 2,634 and the completed portfolio's ERV to £24.3 million per annum. The number of homes contracted at 30 September was 2,369. Once completed, they will take the portfolio to 5,003 homes, providing an ERV of £47.6 million.

This delivery includes development sites that are under forward-purchase agreements with the PRS REIT (125 homes with an ERV of £1.6 million).



Financial Results

The Company's portfolio of assets is geographically widely spread, across 64 sites throughout the major regions of England, including the North West, North East, Yorkshire, the Midlands, the South East (excluding London) and the East of England.

The total gross development cost ("GDC") of delivery by the year end stood at £757 million (2019: £661 million). This figure comprises the cost of the 21 completed sites in the portfolio and the expected cost of the 41 sites that were at various stages of progression at 30 June 2020. It also includes the nine fully-developed and let sites that we have acquired to date.

Approximately 96% of the Company's net proceeds from its gross funding of £900 million (comprising equity and debt), has been deployed to date. The remainder of the Company's available resource is expected to be deployed by the end of 2020.

Following full deployment of funds, the portfolio is expected to comprise approximately 5,200 rental homes, with stabilisation expected to be reached in the second half of calendar year 2022.

The Investment Adviser's report provides further commentary on housing delivery and asset performance over the year.

Revenue increased to £12.9 million for the year to 30 June 2020 as more units were completed and let (2019: £6.0 million) and entirely comprises rental income. After the deduction of non-recoverable property costs, net rental income for the year was £10.2 million (2019: £4.9 million).

Expenses in the year increased to £6.2 million (2019: £5.9 million), in particular independent valuation costs reflecting the growth in the number of the Group's assets. The gain from the fair value adjustment on investment property was slightly up on the prior year at £15.8 million (2019: £15.6 million) due to the delay to construction works during the lockdown period in the current year. Operating profit increased to £19.9 million (2019: £14.6 million) as a result of the increase in completed units being let.

Finance income from short-term deposits was £0.2 million (2019: £0.8 million). Finance costs in relation to bank loans were £3.7 million (2019: £0.9 million). These reflect the drawdown and utilisation of debt funding during the year.

Profit after taxation increased to £16.4 million (2019: £14.6 million) and basic and diluted earnings per share rose to 3.3p (2019: 2.9p) on an IFRS basis.

The Group's net asset value ("NAV") per share at 30 June 2020, on an IFRS basis, was 95.1p (2019: 31 December, 95.0p and 30 June 95.8p) as was the EPRA NAV per share (2019: 31 December, 95.0p and 30 June, 95.8p).

Net assets of the Group at 30 June 2020 stood at £471 million (2019: £474 million) after paying dividends of £19.8 million in the year.

Dividends

The Company's policy is to pay a quarterly dividend during the development phase, even though it is not as yet fully covered by rental income.

For the year to 30 June 2020, aggregate dividends of 4.0p per share were paid to shareholders (2019: 5.0p per share), in line with the revised strategy set by the Board following the uncertainty and disruption caused by COVID-19.

The Board continues to target a minimum total dividend of 4.0* pence per ordinary share for the current financial year ending 30 June 2021.

Corporate Social Responsibility

The creation of high-quality, well-located, professionally-managed rental homes has a long-term social impact. We take this responsibility seriously and the 'Simple Life' brand, through which our properties are marketed and managed, directly connects the Company to the families and individuals who rent its properties, and to the local communities in which developments are situated.

It is important to create homes that tenants will enjoy and in which they feel that they can put down long-term roots. We aim to achieve this through the quality of our properties, the care we take in maintaining them, and through the high standard of customer support provided.

The Investment Adviser's support for schools and institutions close to the Company's developments continued over the financial year. This included the

Salford Foundation, a charity providing opportunities for young people and adults in Greater Manchester and the North West, Salford Loaves and Fishes, which helps homeless and vulnerable people in Manchester, and Park Palace Ponies, an inner-city starter riding school based in Liverpool. However, in the second half, with the onset of the pandemic and lockdown, the Investment Adviser directed additional support to certain charities chosen by residents. Donations were made to Centre Point, which helps homeless young people, Mind UK, the mental health charity, Women's Aid, which combats domestic violence, and The Trussell Trust, which supports a nationwide network of food banks. The Investment Adviser also increased communications with tenants during the lockdown and sought to identify and resolve any financial issues supportively.

Our Investment Adviser will continue with these and other valuable initiatives. We believe that such support fosters a greater sense of community between residents and with the wider neighbourhoods in which our developments are located.

Other Company Matters

At the time of its IPO and launch in May 2017, the Board stated its intention in the medium term to move the Company to the premium segment of the Official List should the Directors consider that such a move would be in the best interests of the Company and its shareholders as a whole. Given the Company's progress since then in delivering an initial portfolio of completed rental homes, the Board is commencing consideration of the benefits of migration to the premium segment.



Outlook

The Company is now in its fourth year, and is very well advanced in its target of creating an initial portfolio of 5,200 build-to-rent homes across most of the major regions of England, excluding London.

While we anticipate that the COVID-19 pandemic will continue to affect the Company's activities in the near term, both housing delivery and lettings are progressing well, within the necessary COVID-19 restrictions. A further 552 new homes were added to the portfolio in the first quarter of the new financial year. This has taken the total number of completed homes as at 30 September to 2,634, with 2,369 homes under way. When completed, this delivery will take the total ERV of the portfolio to £47.6m per annum.

Trading performance has remained robust across the portfolio. The number of units let and occupied now totals 2,337 with a rent roll of £21.6m. In the latest quarter to 30 September 2020, the rent collected matched the rent invoiced during the period. Reservations over the first quarter of the new financial were strong and at 30 September 2020, a further 145 qualified applicants were due to take occupancy.

The underlying structural drivers of demand for the Company's high-quality family rental homes remain strong, and we believe this may have been strengthened by people reassessing their residential needs post-lockdown. We have considered the proposals set out in the Government's Planning White Paper, published in August, and do not anticipate any adverse impact on the prospects or activities of the PRS REIT. We continue to consult with the PRS REIT's advisers and others and expect to provide further comments on the proposals in due course.

We look forward to reporting continued progress, despite the disruption caused by COVID-19, and will declare our next dividend during October 2020.

Steve Smith
Chairman

5 October 2020

* This is a target only and there can be no assurance that the target can or will be met and should not be taken as an indication of the Company's expected or actual future results. Accordingly, potential investors should not place any reliance on this target in deciding whether or not to invest in the Company or assume that the company will make any distributions at all and should decide for themselves whether or not the target dividend yield is reasonable or achievable.



IFRS AND EPRA PERFORMANCE MEASURES

KPI	Explanation	Performance	
		Year to 30 June 2020	Year to 30 June 2019
IFRS NAV (see note 26)	Unadjusted net asset value	95.1p per share	95.8p per share
EPRA NAV (see note 26)	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long term property business model	95.1p per share	95.8p per share
IFRS EPS (see note 14)	Unadjusted earnings per share	3.3p per share	2.9p per share
EPRA EPS (see note 14)	Earnings per share excluding investment property revaluations, gains and losses on disposals, changes in the fair value of financial instruments and associated close out costs and their related taxation	0.1p profit per share	0.2p loss per share



COVID-19 AND GOING CONCERN REVIEW

COVID-19 and Going Concern

This going concern review summarises the risks that the COVID-19 pandemic continues to pose to the Group and the parent Company of the PRS REIT, together with actions we have taken to ensure that the business is well-placed to emerge from the crisis in a position of financial strength.

During the period of the lockdown imposed by the Government from the end of March, house building and letting activity effectively ceased, resulting in delays to homes being completed, let and occupied. The Group's contractual obligations only provide for payment to house builders in respect of work undertaken and independently certified. Accordingly, development expenditure and associated cash outflows during lockdown reduced significantly. However, the knock-on impact of the disruption is that practical completion dates for construction and subsequent letting activity have all been delayed in comparison to original schedules.

The pandemic reduced planned construction activity by approximately 60% during the four month period ended 30 June 2020 reflecting actual construction spend of approximately £40 million during this period. As a result, the 2,000th completed home was not delivered until June

2020 instead of March. Compared to forecasts prior to the pandemic this reflects a reduction of over 600 units which will not be caught up until June 2022, a year later than previously planned.

Although lockdown restrictions began to ease in May, construction activity only began to resume comprehensively from the beginning of June. Even allowing for this, continuing requirements for social distancing and guidance around using public transport mean that construction activity has not fully returned to pre-lockdown levels.

A further complication has been the introduction of localised lockdown restrictions in response to outbreaks of COVID-19 in particular areas.

COVID-19 continues to have the potential to impact the Group and Company as a result of the Government introducing or re-introducing restrictions limiting, either wholly or partly, construction and letting activity on a regional or national basis. This has the potential to impact the Company and Group in the following areas:



Risk factor	Mitigating actions
House builders unable to continue with construction work on sites or forced to limit construction work on sites due to adherence to social distancing or other requirements and staff unable to work or are absent from work.	The PRS REIT has spent time with its construction partners ensuring that their health and safety assessments are correctly applying and complying with the Government's social distancing rules. These new measures mean that work on development sites can continue although at a slower rate than before the crisis. This has reduced the Group and Company's cash outflows during this period but has also delayed practical completion and subsequent letting of units. Continual review of the situation in conjunction with house building partners is in place to monitor the situation on a site-by-site basis.
Letting agents unable to progress activities in respect of lettings, repairs and maintenance. This could arise as a result of tenant and/or, maintenance company issues or because lettings staff are unable to work or absent from work.	The Group has worked with its lettings agents to ensure that the Government's social distancing rules are adhered to. As lockdown restrictions have eased, lettings activity has resumed as have all repair and maintenance services. Weekly reviews of lettings activities are in place.

Risk factor	Mitigating actions
Income reduction and potential bad debt resulting from tenants' financial difficulties because of a loss of income due to individuals being without work, unable to work or absent from work.	The Group carefully vets prospective tenants and typically obtains insurance for at least the first year of new lettings. To date, COVID-19 related arrears are being managed by agreeing payment plans with tenants encountering difficulties. The insurer has been notified of this in order to preserve rights of claim but policies will ultimately pay out in the event that arrears are not recovered through payment plans. This, together with the geographic spread of multiple sites will help mitigate against bad debts. We are working with letting agents to assist and support those tenants encountering difficulty in a responsible and reasonable manner. The adaptation of our technology has meant that tenant interaction and engagement can continue through a variety of channels, including telephone, e-mail and social media.
Disruption to the supply chain in the event of raw materials and construction products not being produced or imported.	Significant efforts and contingencies have already been put in place in respect of Brexit, and additional inventory, including timber has been secured. To date, production and shipment difficulties have not been encountered partly reflecting the reduction in construction activity during the lockdown period.
General disruption to employees, house builders, letting agents and the supply chain due to restrictions on the movement of goods and people.	All of our suppliers have worked quickly to adapt to new ways of working in accordance with government guidelines to enable all areas of the business to continue, although at a slower rate than before.
Impact of the virus on the economy and market sentiment.	During August, announcements indicated that the UK has technically entered a severe recession as a result of two successive quarters of negative GDP growth. However, there is a structural under supply of new family homes in the UK and indications suggest that the pandemic and recession may have increased demand for the Group's high quality but affordable product across multiple regions.
Valuations reduced due to changes in rental levels, bad and doubtful debt risk and sector attractiveness impacting yields.	Independent valuers are advising that the sector is viewed as stable and attractive, tenant demand remains strong and may even be increasing due to changes in consumer requirements for housing during the pandemic, low level of bad and doubtful debts reflecting the procedures surrounding tenant vetting, deposits and insurance.
A second wave of the COVID-19 and potential for another national lockdown.	Having experienced the first lockdown, the Group and Company has a good understanding of how to react quickly to adapt to further lockdowns. New systems are in place, which enable the Company to better support tenants e.g. with online repairs and maintenance assistance. It presently appears that lockdown measures are more likely to be imposed on a localised basis in response to regional outbreaks of the virus rather than on a national level. Given the geographic spread of sites, the Group is likely to be able to continue construction and lettings activity in those regions unaffected by restrictions. As mentioned above, cessation of construction work on development sites would reduce short-term cash outflows although practical completion and lettings schedules would be delayed.

COVID-19 Stress Test

In light of the above, the Group and the parent Company of the PRS REIT have performed a prudent financial stress test geared towards ensuring that it has sufficient cash resources to weather the pandemic and subsequently emerge in a robust condition to continue to implement its build-to-rent strategy. The stress test incorporated the following sensitivities:

- availability of funds pursuant to the terms and conditions of the Group's existing borrowing facilities with Scottish Widows, Lloyds Banking Group / RBS and Barclays Bank PLC;
- cessation of construction activities across all sites for a period of four months from the beginning of October 2020 to the end of January 2021 reflecting the risk of a second lockdown;
- absence of development management fees, which are payable to the Development Manager with reference to independently assessed construction activities during the four month period of the lockdown;
- absence of further asset purchases during this period, in particular aborting the purchase of completed asset sites from both Sigma Capital Group plc ("Sigma") and third parties;
- loss of 15% of rental income in relation to increased hardship and redundancy levels affecting tenant occupancy rates and arrears levels for a period of eight months from October 2020 to the end of May 2021;
- inclusion of only contracted revenue from existing tenancies and exclusion of any additional revenue from new potential sources;
- inability to progress with lettings activity during the four month period from October 2020 to the end of January 2021;
- maintenance of the Group and Company's existing administrative overhead base of approximately £6 million per annum, comprising £4 million of investment advisory fees and £2 million of other overheads, without reduction from cost saving initiatives or mitigating action; and
- continuation of the Company's stated dividend policy of a minimum of 1.0p per quarter and 4.0p per annum.

Conclusion of COVID-19 Stress Test

The conclusion of our stress test is that the parent Company of the PRS REIT and the Group have more than adequate cash resources to sustain an extended cessation of construction and letting activity lasting at least four months together with a longer period of income reduction from tenant hardship resulting from an economic downturn. The Group and Company also has the flexibility to reduce further asset acquisitions from Sigma should it have insufficient funds to complete planned asset purchases.

The Directors therefore believe the parent Company of the PRS REIT and Group are well placed to manage its business risks successfully and have a reasonable expectation that both will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group and parent Company of the PRS REIT's financial statements for the year ended 30 June 2020. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the consolidated and parent Company financial statements for the year ended 30 June 2020 is appropriate.

COVID-19 Conclusion

Overall, COVID-19 remains a risk that requires careful monitoring and management in conjunction with our house building partners and letting agents in order to mitigate the potential issues pending the restoration of a more normal working and living environment. The Group and the parent Company of the PRS REIT will continue to review and assess objectively the impact of the COVID-19 outbreak and government response on both its strategy and focus of activities.

Research Report



MARKET DYNAMICS

Sigma PRS Management Ltd (“Sigma PRS”), a subsidiary of Sigma Capital Group plc (“Sigma”), is Investment Adviser to the PRS REIT. In 2019, Sigma, one of the leading build-to-rent providers in the UK, with a significant track record in family housing, commissioned a report into the Private Rental Sector (“PRS”), with the objective of gaining an up-to-date picture of current consumer behaviour and attitudes towards renting and the rental experience.

The report, *The Rental Experience: Setting the Standard*, is based on qualitative and quantitative data collection and surveyed more than 2,000 tenants across England during the second half of 2019.

KEY INSIGHTS

WHO IS THE MODERN DAY RENTER?



THE AVERAGE AGE OF THE RENTER IS 45



ON AVERAGE PEOPLE SPEND £661 PER MONTH ON THEIR RENT



THE AVERAGE PRIVATE RENTER HAS BEEN RENTING FOR 7 YEARS



50% OF RENTERS HAVE PETS

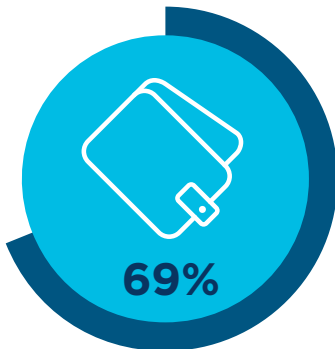


54% OF RENTERS LIVE WITH A PARTNER

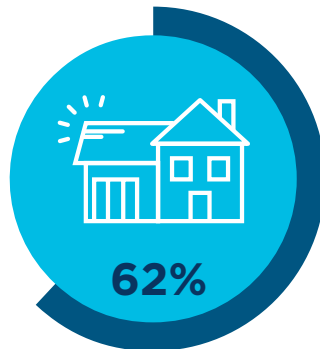


RENTERS ARE AFFLUENT WITH OVER HALF CATEGORISING AS ABC1

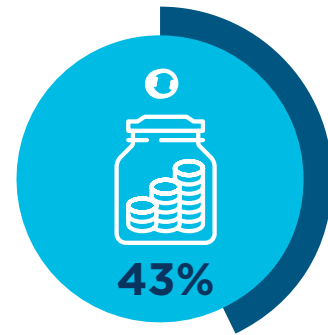
REASONS FOR RENTING



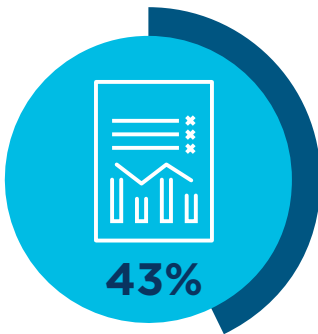
OF RENTERS AGREE THAT THEY ARE RENTING BECAUSE IT IS ALL THEY CAN AFFORD



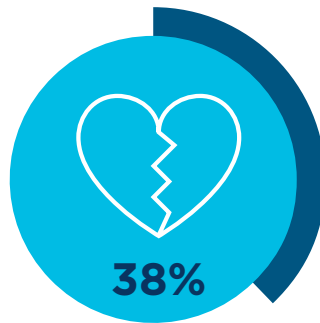
OF RENTERS AGREE THAT THEY CAN'T AFFORD TO BUY THE SIZE OF HOUSE THEY NEED



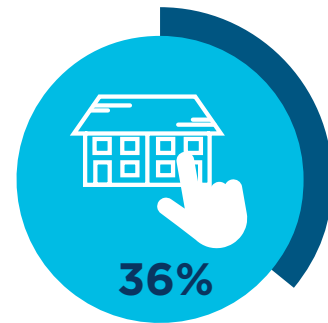
OF RENTERS AGREE THAT THEY ARE RENTING UNTIL THEY CAN AFFORD TO BUY



OF RENTERS AGREE THAT THEY CAN'T GET A MORTGAGE DUE TO THEIR CREDIT RATING OR INCOME



OF RENTERS AGREE THAT THEY ARE RENTING BECAUSE THEIR PERSONAL CIRCUMSTANCES HAVE CHANGED



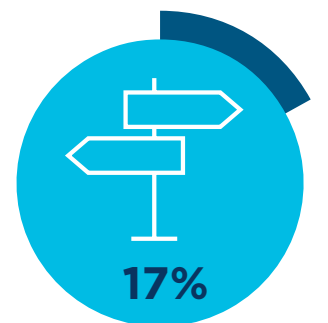
OF RENTERS AGREE THAT THEY LIKE THE FLEXIBILITY OF RENTING



OF RENTERS AGREE THAT THEY ARE NOT INTERESTED IN BUYING A HOUSE



OF RENTERS AGREE THAT RENTING HELPS TO FREE UP MONEY FOR OTHER THINGS



OF RENTERS AGREE THAT RENTING ALLOWS THEM TO GET TO KNOW AN AREA BETTER BEFORE BUYING

Data based on Sigma's The Rental Experience: Setting the Standard market research report published June 2020. Data collected during the second half of 2019 on all renters across the country (not in conjunction with the Simple Life or The PRS REIT portfolio).

WHAT ARE THE BARRIERS TO RENTING?



OF RENTERS WORRY THAT THEIR LANDLORD MIGHT DECIDE TO SELL



RENTING CAN SEEM EXPENSIVE AND INCREASINGLY SO



RESTRICTIONS OF WHAT IS ALLOWED IN RENTAL HOMES E.G. HANGING PICTURES AND DECORATING



RENTING CAN BE SEEN AS DEAD MONEY



RENTAL SECTOR HAS A POOR SERVICE REPUTATION

ATTITUDES TO RENTING



24%



46%



22%



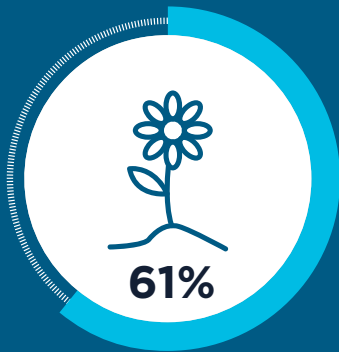
8%



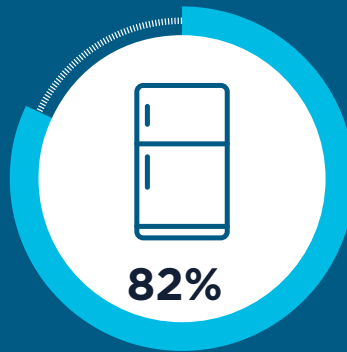
OF RENTERS WOULD PREFER THE SECURITY OF A 2+ YEAR CONTRACT DURATION

Our research showed that almost half of renters (**46%**) are quite happy renting, while **24%** are very happy, **22%** are not very happy and **8%** are not at all happy.

WHAT WAS PERCEIVED AS **HIGHLY** IMPORTANT SEARCHING FOR A PROPERTY?



VIEW THE GARDEN AS BEING ONE OF THE REQUIREMENTS AT THE TOP OF THEIR LIST

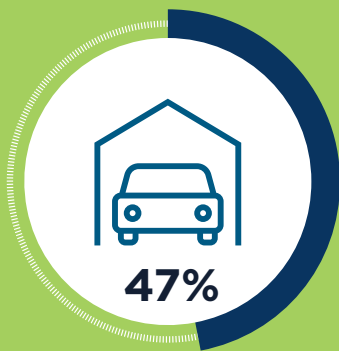


STATED A GOOD QUALITY KITCHEN WAS IMPORTANT

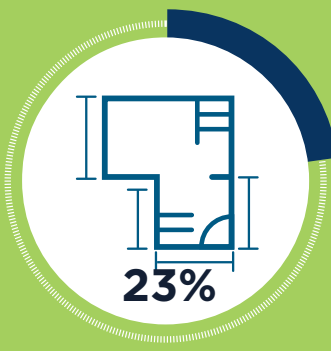


STATED THE PROPERTY LOCATION WAS IMPORTANT

WHAT WAS PERCEIVED AS **LESS** IMPORTANT SEARCHING FOR A PROPERTY?



STATED THE GARAGE WASN'T IMPORTANT



WOULD OPT FOR AN OPEN PLAN KITCHEN, DINING AND LIVING AREA



STATED THAT HAVING AN EN-SUITE WAS IMPORTANT

WHAT ARE THE PERCEIVED BENEFITS OF RENTING?



ACCESS TO DISPOSABLE INCOME



REDUCED FINANCIAL RESPONSIBILITY



MINIMISING COST OF MAINTENANCE



LEVERAGE ON LOCATION & PROPERTY SIZE/ TYPE

Data based on Sigma's The Rental Experience: Setting the Standard market research report published June 2020.
Data collected during the second half of 2019 on all renters across the country (not in conjunction with the Simple Life or The PRS REIT portfolio).

PORTFOLIO ANALYSIS

As at 30 June 2020, the valuation of the Group's property portfolio was £577 million (2019: £362 million) and the investment value of all sites under way at that date was £722 million on completion (2019: £552 million) with their ERV on completion at £42 million (2019: £33 million).

Property Portfolio by Regional Split – at 30 June 2020

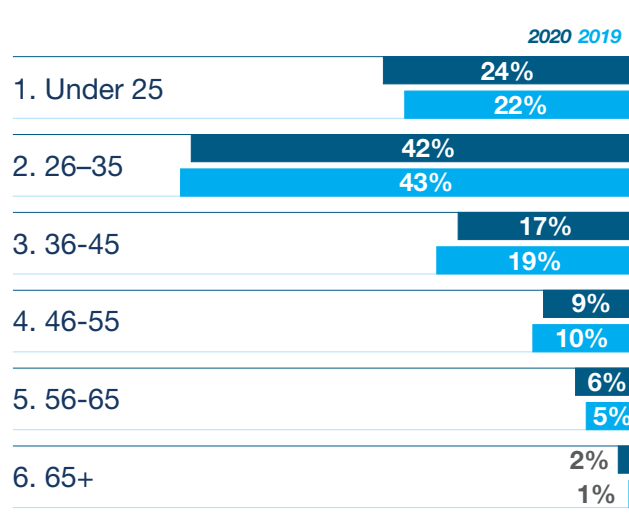
- The regional split by investment value was – North West (NW) 56% (2019: 70%), West Midlands (WM) 20% (2019: 20%), South East (SE) 13% (2019: nil), Yorkshire (Y) 7% (2019: 10%), North East (NE) 3% (2019: nil) and East Midlands (EM) 1% (2019: nil).
- The majority of the portfolio is located in the North West with units in the West Midlands and South East accounting for a growing proportion.

Other Metrics – at 30 June 2020

- The rent roll at 30 June 2020 was £19.1 million (2019: £10.7 million) and the average rent was £9,175 per annum or £765 per month (2019: £9,120 per annum or £760 per month).
- Forecast average rent across the current portfolio when complete is £9,154 per annum or £792 per month (2019: £8,953 per annum or £746 per month).
- The average size of site was 83 (2019: 85) housing units.
- The split between 1, 2, 3 and 4 bed properties was approximately 4%, 26%, 61% and 9% respectively (2019: 5%, 25%, 60% and 10% respectively).
- Contractor split was – Countryside 86%; Engie 10%; Vistry (formerly Galliford Try) 3%; and Seddon 1% (2019: Countryside 84%; Engie 11%; Keepmoat Homes 4% and Vistry (formerly Galliford Try) 1%).
- The deduction from gross to net rent across the portfolio for the year ended 30 June 2020 was 21.1% (2019: 17.6%).
- Bad debt expense stood at £24,000 (2019: £13,000) and bad debt provision was £35,000 (2019: £13,000).

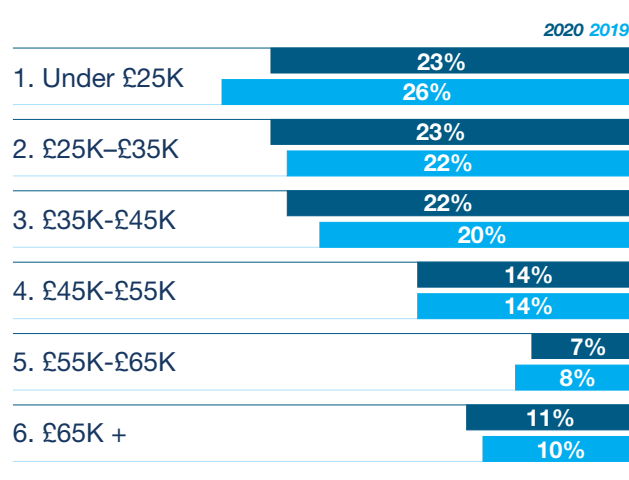
Age Groupings

The percentage split by age of our tenants was consistent with the same point in the prior year. The 26-35 age bracket still accounted for around 42% of our tenants, which demonstrates the Company's young family demographic. There was a small increase in the under 25 age bracket, and a small increase in tenants aged 56 years and over.



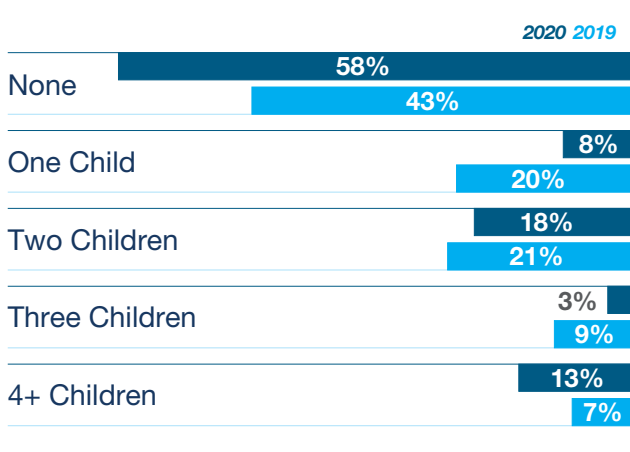
Household Income Bracket

The household income profile remained consistent year-on-year. Households with an income of above £35,000 per year (an increase of about 2%) accounted for 54% of total households, with the balance having an income lower than £35,000. The proportion of households earning under £25,000 has decreased to 23% (2019: 26%). The figures below indicate the wide range of customers.



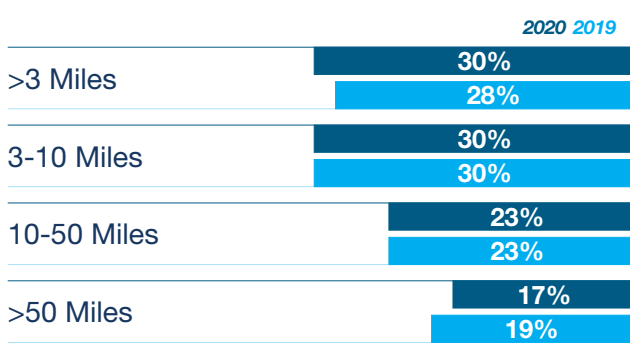
Tenancies with Children

Over the financial year, the number of tenant households without children increased significantly (58%, compared with 43% last year). This could be attributed to the completion of new apartment schemes within the past 12 months. There was an increase in tenancies with 4+ children (7% last year, compared to 13% this year).



Distance Travelled

The data showing distanced travelled from previous address is broadly consistent with the prior year across the segments. Around 30% of households previously lived locally (less than 3 miles away) (2019: 28%) and approximately 17% previously lived over 50 miles away (2019: 19%).



All 2020 statistics are based on new applicant data between July 2019 and June 2020 and include sites acquired from Sigma. The prior year's statistics are based on all successful Simple Life applications referenced between June 2018 and June 2019.



DEVELOPMENT PORTFOLIO

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Baytree Lane, Middleton M24 2EL

NW	110	98,346	2.52%	£18,190,000	£18,190,000	£184.96	£1,080,360	£10.99
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Description: The development comprises a completed site of 110 units with a mix of two, three and four bedroom houses.

Address: Durban Mill, Oldham OL8 4JT

NW	80	69,425	1.71%	£12,365,000	£12,365,000	£178.11	£734,700	£10.58
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Description: The development comprises a completed development of 80 houses, with a mix of two, three and four bedrooms.

Address: Coral Mill, Newhey, Rochdale OL16 3SS

NW	69	54,282	1.44%	£10,390,000	£10,390,000	£191.41	£608,340	£11.21
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Description: The development comprises a completed development of 45 houses with a mix of three and four bedroom houses as well as 24 two bedroom low rise apartments and therefore will provide a total of 69 units.

Address: Woodbine Road (Mackets Lane), Halewood, Liverpool, L25 9PB

NW	50	40,540	1.07%	£7,700,000	£7,700,000	£189.94	£464,940	£11.47
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Description: The development comprises a completed development of 50 houses with a mix of two, three and four bedroom houses.

Address: Woodford Grange (Woodford Lodge Phase 1 & 2), Winsford, CW7 4EH

NW	54	45,505	1.14%	£8,235,000	£8,235,000	£180.97	£489,180	£10.75
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Description: The development comprises a completed site of 54 houses with a mix of two, three and four bedrooms.

Address: Shrewsbury Close (Tintern Avenue), Middleton, M24 6JQ

NW	88	74,322	1.85%	£13,320,000	£13,320,000	£179.22	£791,280	£10.65
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Description: The development comprises a completed site of 88 houses with a mix of two, three and four bedroom houses.

Address: Galton Lock (Mafeking Road), Smethwick, B66 2EG

WM	63	52,874	1.50%	£10,795,000	£10,795,000	£204.16	£605,460	£11.45
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Description: The development comprises a completed development of 63 two, three and four bedroom houses.

Address: Hamilton Square (Howe Bridge Mill), Atherton, M46 0JT

NW	59	51,106	1.32%	£9,560,000	£9,560,000	£187.06	£545,820	£10.68
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Description: The development comprises a completed site of 59 units made up of two, three and four bedroom houses.

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Silkin Green, Hinkshay Road, Telford, TF4 3PF

WM	78	67,266	1.80%	£12,970,000	£12,970,000	£192.82	£727,620	£10.82
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Description: The development comprises a completed development of 78 two, three and four bedroom houses.

Address: Our Lady's (Our Lady's School), M28 OHF

NW	73	62,703	1.68%	£12,125,000	£12,125,000	£193.37	£688,620	£10.98
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Description: The development comprises a completed development of 73 two, three and four bedroom houses.

Address: Juniper Grove (Leach Lane), St Helens, WA9 4PJ

NW	55	46,303	1.19%	£8,620,000	£8,620,000	£186.17	£483,600	£10.44
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Description: The development comprises a completed development of 55 houses with a mix of two and three bedroom homes.

Address: Yew Gardens, Granby Road, Doncaster, DN12 1JU

Y	53	42,010	0.89%	£6,430,000	£6,430,000	£153.06	£411,420	£9.79
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Description: The development comprises a completed development of 53 houses with a mix of two and three bedroom houses.

Address: Park Grange House (Norfolk Park), Sheffield, S2 3RE

Y	24	18,447	0.44%	£3,180,000	£3,180,000	£172.39	£213,360	£11.57
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Description: The development comprises a completed development of 24 two bedroom apartments.

Address: Spirit Quarters, Monkwood Crescent, Coventry, CV2 1FG

WM	29	27,522	0.70%	£5,085,000	£5,085,000	£184.76	£288,000	£10.46
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Description: The development comprises a completed development of 29 houses with a mix of three and four bedroom houses.

Address: Spirit Quarters, Milverton Road, Coventry, CV2 1GN

WM	20	17,140	0.47%	£3,400,000	£3,400,000	£198.37	£197,100	£11.50
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Description: The development comprises a completed development of 20 houses with a mix of three and four bedroom houses.

Address: Highfield Green (Tower Hill 2), Knowsley, L33 1DF

NW	42	37,247	0.85%	£6,160,000	£6,160,000	£165.38	£372,060	£9.99
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Description: The development comprises a completed development of 42 units with a mix of three and four bedroom houses.

DEVELOPMENT PORTFOLIO (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Chase Park, Ellesmere Port, CH65 5DE

NW	40	40,126	0.90%	£6,490,000	£6,490,000	£161.74	£385,380	£9.60
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Description: The development comprises a completed development of 40 houses, with a mix of two, three and four bedroom houses.

Address: Prince's Gardens (Manor Top - Phase 1), Sheffield, S2 1EY

Y	78	78,628	1.66%	£11,990,000	£11,990,000	£152.49	£738,120	£9.39
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Description: The development forms part of a wider development site with 78 units, being a mix of three and four bedroom houses.

Address: Prescott Park (Carr Lane), Prescott, L34 1NS

NW	140	116,016	3.05%	£21,980,000	£21,980,000	£189.46	£1,289,520	£11.12
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Description: The development comprises a part completed development, which comprises 24 one and two bedroom apartments and 116 houses, with a mix of three and four bedroom homes.

Address: Earle Street, Newton le Willows, WA12 9XD

NW	97	80,451	2.04%	£14,755,000	£14,755,000	£183.40	£867,480	£10.78
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Description: The development comprises a part completed development of 24 one and two bedroom apartments and 73 houses, with a mix of three and four bedroom homes.

Address: East Hill Gardens (East Bank Road), Sheffield, S2 3PX

Y	58	59,217	1.35%	£9,750,000	£9,750,000	£164.65	£579,060	£9.78
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Description: The development comprises a completed development of 58 units being a mix of three and four bedroom houses.

Address: Holybrook (Romanby Shaw), Bradford, BD10 0EH

Y	47	39,612	1.00%	£7,215,000	£7,215,000	£182.14	£424,620	£10.72
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Description: The development comprises a part completed development of 47 houses, with a mix of two, three and four bedroom houses. Completed in June 2020.

Address: Prince's Gardens (Manor Top - Phase 2), Sheffield S2 1EY

Y	85	89,916	1.85%	£12,955,000	£13,320,000	£148.14	£817,560	£9.09
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Description: The development forms part of a wider development site with 85 units, being a mix of three and four bedroom houses. Completion is due in November 2020.

Address: Ward's Keep (Heathfield Lane Ph1 & 2), Darlaston, WS10 8QY

WM	109	86,494	2.35%	£16,610,000	£16,975,000	£196.26	£982,500	£11.36
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Description: The development comprises a part completed development which proposes 16 one bedroom apartments and 93 two, three and four bedroom houses. Completion is due in February 2021.

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Canalside (Whitworth Way), Wigan, WN6 7QF

NW	145	118,888	3.15%	£22,125,000	£22,700,000	£190.94	£1,306,500	£10.99
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Description: The development comprises a part completed development which proposes 24 two bedroom apartments and 121 two, three and four bedroom houses. Completion is due in October 2020.

Address: James Mill Way (Cable Street), Wolverhampton, WV2 2QD

WM	164	136,910	3.65%	£24,350,000	£26,345,000	£192.43	£1,532,280	£11.19
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Description: The development comprises a part completed development which proposes 164 two, three and four bedroom houses. Completion is due in January 2021.

Address: Abbotsfield (Reginald Road), St Helens, WA9 4HX

NW	92	77,712	2.00%	£14,460,000	£14,460,000	£186.07	£811,320	£10.44
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Description: The development comprises a part completed development which proposes 102 two, three and four bedroom houses. Completed in August 2020.

Address: Hollystone Bank (Riverside College), Runcorn, WA7 4DS

NW	83	64,513	1.70%	£12,047,500	£12,300,000	£190.66	£704,160	£10.92
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Description: The development comprises a part completed development which proposes 32 two bedroom apartments and 51 two, three and four bedroom houses. Completed in July 2020.

Address: Hilton Park (Chadwick Street), Leigh, WN7 1RL

NW	103	80,108	2.07%	£11,225,000	£14,955,000	£186.69	£888,180	£11.09
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Description: The development comprises a part completed development which proposes 8 one bedroom apartments and 95 two, three and four bedroom houses. Completion is due in May 2021.

Address: Sutherland Grange (Sutherland School), Trench, Telford, TF2 7JR

WM	123	106,521	2.89%	£16,222,500	£20,855,000	£195.78	£1,169,940	£10.98
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Description: The development comprises a part completed development which proposes 123 two, three and four bedroom houses. Completion is due in March 2021.

Address: Havenswood (Newhaven Business Park), Eccles, M30 0HH

NW	84	63,423	1.81%	£11,155,000	£13,055,000	£205.84	£744,120	£11.73
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Description: The development comprises a part completed development which proposes 48 one and two bedroom apartments and 36 three and four bedroom houses. Completion is due in October 2020.

Address: Stonefield Edge (Bilston Urban Village), Wolverhampton, WV14 0LA

WM	123	95,251	2.51%	£14,722,500	£18,095,000	£189.97	£1,074,360	£11.28
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Description: The development comprises a part completed development which proposes 48 two bedroom apartments and 75 two, three and four bedroom houses. Completion is due in May 2021.

DEVELOPMENT PORTFOLIO (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Reynolds Place (Eaton Works), Walkden, M28 3GW

NW	148	122,761	3.09%	£14,110,000	£22,265,000	£181.37	£1,333,200	£10.86
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Description: The development comprises a part completed development which proposes 62 one and two bedroom apartments and 86 two, three and four bedroom houses. Completion is due in September 2021.

Address: Harewood Close (Durham Street), Rochdale, OL11 1AH

NW	38	30,465	0.78%	£5,305,000	£5,640,000	£185.13	£322,380	£10.58
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Description: The development comprises a part completed development which proposes 38 two and three bedroom houses. Completed in August 2020.

Address: Rochwood Rise (Entwisle Road), Rochdale, OL16 2LJ

NW	54	45,001	1.15%	£7,765,000	£8,330,000	£185.11	£472,800	£10.51
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Description: The development comprises a part completed development which proposes 54 two and three bedroom houses. Completed in September 2020.

Address: Norwich Green (Norwich Street), Rochdale OL11 1LL

NW	70	57,166	1.46%	£9,345,000	£10,515,000	£183.94	£596,700	£10.44
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Description: The development comprises a part completed development which proposes 70 two, three and four bedroom houses. Completion is due in October 2020.

Address: Brookside Grange (Roch Street), Rochdale, OL16 2NG

NW	100	72,557	1.86%	£11,335,000	£13,410,000	£184.82	£796,740	£10.98
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Description: The development comprises a part completed development which proposes 48 one and two bedroom apartments and 54 two, three and four bedroom houses. Completion is due in November 2020.

Address: Coppenhall Place (Bombardier), Crewe, CW1 3JB

NW	131	110,875	2.73%	£7,785,000	£19,725,000	£177.90	£1,177,080	£10.62
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Description: The development comprises a part completed development which proposes 24 two bedroom apartments and 107 three and four bedroom houses. Completion is due in August 2021.

Address: Beehive Mill, Bolton BL3 2NF

NW	121	99,167	2.57%	£9,637,500	£18,555,000	£187.11	£1,083,840	£10.93
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Description: The development comprises a part completed development which proposed 121 two, three and four bedroom houses. Completion is due in August 2021.

Address: Queen Victoria Place (Queen Victoria Street), Blackburn, BB2 2QG

NW	68	56,805	1.36%	£8,357,500	£9,790,000	£172.34	£581,460	£10.24
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Description: The development comprises a part completed development which proposes 68 two, three and four bedroom houses. Completion is due in November 2020.

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Emphyrean (Lower Broughton 5), Salford, M7 1GA

NW	298	182,077	5.61%	£31,190,000	£40,505,000	£222.46	£2,596,560	£14.26
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Description: The development comprises a part completed development which proposes 299 one, two and three bedroom apartments. Completion is due in March 2021.

Address: Highfield Place (Tower Hill 3), Knowsley, L33 1DF

NW	92	73,011	1.72%	£11,687,500	£12,430,000	£170.25	£739,140	£10.12
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Description: The development forms part of a wider development site and comprises 92 units, being a mix of two and three bedroom houses. Completion is due in November 2020.

Address: Millard Grange (Houghton Regis - Parcel 6), Houghton Regis, LU6 6JZ

SE	129	119,315	5.31%	£23,795,000	£38,295,000	£320.96	£2,148,360	£18.01
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Description: The development comprises a part completed development site which proposes 129 two, three and four bedroom houses. Completion is due in July 2021.

Address: Millard Grange (Houghton Regis - Parcel 8), Houghton Regis, LU6 6JZ

SE	113	94,023	4.35%	£11,142,500	£31,405,000	£334.01	£1,761,840	£18.74
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Description: The development comprises 113 two and three bedroom houses. Completion is due in March 2022.

Address: Belmont Place (Owens Farm), Hindley Green, WN2 4XS

NW	50	43,992	1.16%	£8,370,000	£8,370,000	£190.26	£470,880	£10.70
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Description: The development comprises 50 two, three and four bedroom houses. This scheme is complete.

Address: Brickkiln Place (Brickkiln Phases 1 & 2), Wolverhampton, WV3 0BS

WM	24	18,956	0.55%	£3,855,000	£3,940,000	£207.85	£226,920	£11.97
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Description: The development comprises 24 two, three and four bedroom houses. Completion is due in October 2020.

Address: Ashfield Park, Station Road, Normanton, WF6 2ND

EM	72	55,834	1.46%	£4,745,000	£10,520,000	£188.42	£607,320	£10.88
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Description: The development comprises 72 two and three bedroom houses. Completion is due in January 2022.

Address: Bracken Grange (Brackenhoe), Middlesbrough, TS4 3AE

NE	80	62,182	1.54%	£4,057,500	£11,140,000	£179.15	£661,860	£10.64
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Description: The development comprises 80 two and three bedroom houses. Completion is due in May 2022.

DEVELOPMENT PORTFOLIO (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
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Address: Base at Newhall (Harlow - Phase 2), Harlow, CM17 9LR

SE	74	63,081	3.12%	£10,627,500	£22,490,000	£356.53	£1,202,340	£19.06
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Description: The development comprises a part completed development site which proposes 74 two, three and four bedroom houses. Completion is due in March 2022.

Address: Kirkleatham Green, Redcar, TS10 4GY

NE	80	62,038	1.47%	£3,430,000	£10,635,000	£171.43	£631,800	£10.18
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Description: The development comprises 80 two and three bedroom houses. Completion is due in March 2022.

Address: Stanley Park (Stanley Potteries), Stoke, ST6 3PP

WM	63	50,880	1.29%	£2,470,000	£9,295,000	£182.68	£528,480	£10.39
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Description: The development comprises 63 two and three bedroom houses. Completion is due in June 2021.

Address: Dutton Fields (Airfields), Deeside, CH5 2RD

NW	99	80,460	2.05%	£8,225,000	£14,800,000	£183.94	£875,100	£10.88
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Description: The development comprises a part completed development site which proposes 99 two, three and four bedroom houses. Completion is due in August 2021.

Address: Bluebell Manor (Dawley Road), Telford, TF1 2LT

WM	31	23,164	0.64%	£1,080,000	£4,645,000	£200.53	£266,220	£11.49
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Description: The development comprises 31 two and three bedroom houses. Completion is due in May 2021.

Address: Brickkiln Place (Brickkiln -Phase 3), Wolverhampton, WV3 0BS

WM	7	6,090	0.17%	£1,207,500	£1,235,000	£202.79	£70,200	£11.53
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Description: The development comprises 7 three and four bedroom houses. Completion is due in October 2020.

TOTALS

	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Development at 30 June 2020	Investment Value of the Development at 30 June 2020	Capital Rate psf	Market Rental Value at 30 June 2020	Rental Rate psf
	4,460	3,668,724	100.00%	£576,100,000	£721,700,000	£196.72	£42,168,180	£11.49

LOCATION KEY:

NW = North West, Y = Yorkshire, WM = West Midlands, SE = South East, NE = North East, EM = East Midlands

Development Portfolio - Mix by Property Size

Site	1 Bed	2 Bed	3 Bed	4 Bed	Total
Baytree Lane	0	8	82	20	110
Durban Mill	0	8	64	8	80
Woodbine Road	0	12	38	0	50
Coral Mill	0	24	39	6	69
Woodford Lodge	0	10	39	5	54
Shrewsbury Close	0	10	76	2	88
Galton Lock	0	11	46	6	63
Hamilton Square	0	10	41	8	59
Silkin Green	0	11	59	8	78
Our Lady's	0	5	62	6	73
Juniper Grove	0	12	43	0	55
Yew Gardens	0	9	44	0	53
Park Grange House	0	24	0	0	24
Spirit Quarters, Monkwood Crescent	0	0	27	2	29
Spirit Quarters, Milverton Crescent	0	0	19	1	20
Highfield Green	0	0	34	8	42
Chase Park	0	3	23	14	40
Princes Gardens Ph 1	0	0	58	20	78
Prescot Park	6	18	107	9	140
Earle Street	6	18	58	15	97
East Hill Gardens	0	0	35	23	58
Holybrook	0	7	33	7	47
Princes Gardens Ph 2	0	0	54	31	85
Wards Keep	16	24	53	16	109
Canalside	0	39	92	14	145
James Mill Way	0	40	105	19	164
Abbotsfield	0	20	64	8	92
Hollystone Bank	0	40	37	6	83
Hilton Park	8	23	68	4	103
Sutherland Grange	0	18	81	24	123
Havenswood	24	24	26	10	84
Stonefield Edge	0	57	50	16	123
Reynolds Place	4	65	59	20	148
Harewood Close	0	10	28	0	38
Rochwood Rise	0	11	43	0	54
Norwich Green	0	17	53	0	70
Brookside Grange	12	42	42	4	100
Coppenhall Place	0	24	93	14	131
Beehive Mill	0	36	78	7	121
Queen Victoria Place	0	17	47	4	68
Empyrean	99	189	10	0	298
Highfield Place	0	28	64	0	92
Millard Grange Parcel 6	0	10	104	15	129
Millard Grange Parcel 8	0	25	88	0	113
Belmont Place	0	6	33	11	50
Brickkiln Place Ph 1&2	0	10	10	4	24
Ashfield Park	0	26	46	0	72
Bracken Grange	0	39	41	0	80
Base at Newhall Ph 2	0	14	49	11	74
Kirkleatham Green	0	40	40	0	80
Stanley Park	0	18	45	0	63
Dutton Fields	0	32	61	6	99
Bluebell Manor	0	17	14	0	31
Brickkiln Place Ph 3	0	0	6	1	7
Total	175	1,161	2,711	413	4,460
%	4%	26%	61%	9%	100.00%

FEATURED DEVELOPMENTS

FEATURED DEVELOPMENT

SHREWSBURY CLOSE (TINTERN), MIDDLETON, GREATER MANCHESTER

88 units, comprising 2, 3 & 4 bedroom houses

Middleton in Greater Manchester is located close to the main motorway networks, the M62 and M60, the main Manchester Outer Ring Road and the A627(M). Shrewsbury Close has excellent bus and rail networks, and is close to the Metrolink line with Mill Hills station located 2.3 miles away.

The site benefits from excellent local amenities and a good range of local schools, including the nearby St Anne's Academy.



FEATURED DEVELOPMENT

SPIRIT QUARTERS, COVENTRY, WEST MIDLANDS

49 units, comprising 3 & 4 bedroom houses

With new-build housing, green spaces, excellent local transport links and employment opportunities, the area has been completely transformed and is now recognised as a very desirable place to make a home.

Situated just 3 miles from the city centre, Spirit Quarters is close to a number of local parks and leisure facilities including Moat House Leisure, Moat House Park, and Woodway Walk.

The development has proved to be very attractive to young families with good local schools nearby, including Moat House Primary, St. Patrick's Catholic Primary and Henley Green Primary schools.



FEATURED DEVELOPMENT

**HIGHFIELD PLACE
(TOWER HILL 3),
KNOWSLEY,
MERSEYSIDE**

🏠 96 units, comprising 2 & 3 bedroom houses

Liverpool city centre is just 10 miles south west of Highfield Place, with links from the station every half an hour. There is also easy access to the M58 and M56 motorways, providing excellent connections to the wider region.

Highfield Place benefits from 23 Good or Outstanding OFSTED rated primary schools within a three mile radius, and three Outstanding secondary schools and colleges are also nearby.

Kirkby town centre is close and Aintree Racecourse is less than 20 minutes' drive away.



FEATURED DEVELOPMENT

**EMPYREAN (LB5),
SALFORD, GREATER
MANCHESTER**

🏠 298 units, comprising 1, 2 & 3 bedroom apartments

This new development of 298 apartments in Salford, is just a 20 minute walk from Manchester's Deansgate.

The apartments are spread across six blocks either side of the newly-renovated Church of Ascension. Situated directly opposite Green Grosvenor Park and a stone's throw away from the river Irwell, these homes are ideal for professionals, young families or couples wanting an easy commute to the city centre.



INVESTMENT STRATEGY AND BUSINESS MODEL

Business Model

Demand for homes continues to outstrip supply in the UK and while the delivery of new homes reached a 13-year high in 2019 at 160,000, the annual construction of new homes remains significantly short of the Government's target of 300,000 new homes per annum. Demand continues to grow, assisted by historically low levels of interest rates (for those with deposits) and a change in household formation. This has further exacerbated house price growth, which has outstripped wage inflation and pushed home ownership out of reach for many.

In the private rental sector itself, where those unable to buy would usually find housing, the number of homes owned by small scale and amateur landlords is falling as changes to taxation make 'buy-to-let' a less attractive investment proposition without scale. It is within this context that the Company is providing a professionally-managed alternative tenure with the creation of accessible, quality family homes to rent.

The Company has developed a scalable business model, which delivers brand new houses across multiple geographies and sites, utilising the Investment Adviser's PRS property platform. New home designs are carefully selected from house builders' standard range of house types and have a consistent specification together with fully costed delivery metrics, including above ground cost and construction time. By standardising the housing types at a portfolio level and the internal specification at the dwelling level, predictability of total delivery cost is improved and the cost of managing assets over the long-term is reduced.

The Company's exposure to development risk has been minimised through the use of fixed price design and build contracts and the acquisition of sites that have detailed planning consent already in place. House building partners, meanwhile, look to maximise their return on capital by building the Company's homes at construction pace rather

than 'for sale' pace. This is at least four times quicker, so generating income flows for partners much more quickly than a traditional build-out of a purely 'for sale' construction site. The modern methods of construction now employed by some of the construction partners further speeds up delivery. At a time of low housing delivery, this delivery methodology is extremely attractive to councils and local authorities, not only because it accelerates council tax receipts, income from 'New Homes Bonus' scheme, and regeneration, but also because it provides a new managed tenure for constituents.

The active management of developments and the creation of communities is key to the long-term success of the Company and all its homes are managed under the 'Simple Life' brand. As the portfolio grows, 'Simple Life' is becoming increasingly familiar to the wider market, and its identity is becoming defined by the Company's high quality properties and professional customer service. Regular communication and customer events foster the creation of thriving neighbourhoods and a satisfied customer base, thereby promoting longer term tenancies.

When planning developments, research drives decisions on the mix and types of houses, and the Company's seeks to create developments that will appeal to a wide range of potential customers, as well as its main demographic of young families. This diversification helps to create a mixed community of ages and mitigates against letting and void risk.

The Company's scale and approach to site locations as well as its focus on houses, rather than apartment blocks, mitigates further risks. By creating a portfolio with geographic diversity and multiple locations the Company's minimises the risks from local factors, such as the failure of major employers. Individual developments are relatively small by comparison to the overall size of the portfolio,



INSIDE HOUSING AWARDS
- Best Partnership 2019
(Shortlisted)



YORKSHIRE INSIDER PROPERTY AWARDS
- Public Private Partnership 2020
- Large Development of the Year 2020

(Shortlisted for both - winner to be announced)



PROPERTY WEEK RESI AWARDS
- Landlord of the Year 2020
(Shortlisted - winner to be announced)

and the Company's large and growing customer base also offsets overall income volatility, especially as average tenancy terms are expected to be three years. Furthermore, the targeted expansion of the Company's geography creates a good mix of sites which, once built, demonstrate both higher yielding profiles (predominantly those in the north) and developments where there is significant headroom between the delivery cost and market value.

This approach has created a robust business which meets an important social need and provides investors with an attractive level of income and the potential for capital growth.

Investment Objectives

The Company seeks to provide investors with an attractive level of income together with the prospect of income and capital growth through investment in a portfolio of newly constructed residential private rented sector sites of multiple units ("PRS units") comprising mainly family homes, to be let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants.

Investment Policy

The Company's investment policy is to pursue its investment objective by investing in PRS units in or near towns and cities in the UK predominantly the Midlands and the North.

The Company is creating a portfolio of homes targeted at the family market, the largest cohort within the private rented sector, and therefore is investing predominantly in housing with the addition of some low rise apartments to provide both choice and wider market appeal, in the major conurbations and larger employment centres in the UK, predominantly England, outside London. The locations are chosen for their accessibility, in that they are situated on

the main road and rail links, with access to good primary schooling and economic activity, promoting long term employment prospects and thereby a strong need for housing. The new build nature of the assets, alongside standardised specifications, means that they benefit from a 10-year building warranty, typically from the NHBC (National House Building Council) as well as manufacturers warranties, providing for a low level of capital expenditure allied to a predictable and low cost maintenance regime.

The sourcing of assets is undertaken by the Investment Adviser ("Sigma PRS") and is done so by two principal methods. In the first instance, development sites ('PRS development sites') are selected and assessed, detailed planning permission achieved and a fixed price design and build contract signed with one of the Sigma PRS's construction partners and the delivery process is managed on behalf of the Company by Sigma PRS. As the assets are acquired with detailed planning consent and fixed price design and build contracts, the Company is exposed to minimal development risk. The construction risk is mitigated with standard design and build contracts containing liquidated damages clauses for non-performance, financial retentions for one year post completion and a parent company guarantee ensuring the satisfactory performance by the contractor and providing an indemnity for losses incurred. The Company will source approximately two thirds of its assets in this way.

To expedite the growth of the Company, the balance of assets are acquired by entering into forward purchase agreements with the Sigma Capital Group plc ("Sigma"), the ultimate holding company of Sigma PRS, which are acquired as completed and stabilised developments using the same construction partners and supply chain, thereby ensuring homogeneity of the housing stock. A variation on this method is the purchase of completed and stabilised developments from third parties using approved construction partners.

Awards



Property Management Awards -
Build to Rent Provider of the Year
2019 (**Winner**)



INSIDER NORTH WEST
RESIDENTIAL PROPERTY AWARDS
- Social Impact Award 2020
(**Shortlisted**)



NORTHERN MARKETING AWARDS -
Property and Construction Campaign
2019
(**Shortlisted**)

Investment Restrictions

The Group is aiming to create a high quality, diversified portfolio and the following investment restrictions are observed:

- › the Group is only investing in private rented residential houses and apartments located in the UK (predominantly in England);
- › no investment in the Group in any completed PRS site or PRS development site will exceed 20 percent of the aggregate value of total assets of the Group at the time of commitment, as determined in accordance with the accounting principles adopted by the Group from time to time (the 'gross asset value'); and
- › the Group is not investing in other alternative investment funds or closed ended investment companies.

Debt Financing and Gearing

The PRS REIT is using gearing to enhance equity returns. The level of borrowing will be on a prudent basis for the asset class, whilst maintaining flexibility in the underlying security requirements and the structure of both the PRS portfolio and the Group. The Group has raised debt from banks, Homes England and the capital markets. The aggregate borrowings of the Group is always subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45% of the gross asset value, although the Investment Adviser expects actual gearing to settle to around 40% following stabilisation of the PRS portfolio.

At the end of June 2019, the Group agreed term debt facilities of £150 million with Scottish Widows in addition to the previous term debt facility of £100 million with Scottish Widows. The £150 million facility is a 25 year fixed rate term loan. Interest is fixed at 1.164% plus a margin. It was drawn on fixed dates between April and October 2020.

The total facilities available to the Group at 30 June 2020 comprise a £150 million revolving credit facility with Lloyds Banking Group / RBS; and two fixed rate term loans with Scottish Widows for £100 million and £150 million respectively. Following the year end, the Company entered into a £50 million development debt facility with Barclays Bank PLC.

Although the aggregate debt facilities total £450 million, £75 million of the Lloyds Banking Group / RBS facility and the £50 million Barclays Bank PLC debt facility can be drawn as development debt facilities to enable a larger number of sites to be developed simultaneously. Following practical completion and stabilisation of lettings on sites partially funded by development debt, the assets are refinanced using the Company's longer-term investment debt facilities. On this basis, the total borrowings will not exceed the maximum gearing level of 45% highlighted above.

Derivatives

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

REIT Status

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

INVESTMENT ADVISER'S REPORT

Sigma PRS Management Ltd ("Sigma PRS"), a wholly-owned subsidiary of Sigma Capital Group plc, is the Company's Investment Adviser, and is pleased to provide a report on the PRS REIT's activities and progress for the year ending 30 June 2020.

Business Activities

The PRS REIT plc is a public limited company incorporated in England on 24 February 2017. Together with its subsidiaries, it is the first quoted Real Estate Investment Trust ("REIT") to focus on the Private Rented Sector ("PRS").

The Company completed its IPO on 31 May 2017, raising initial gross proceeds of £250 million through the issue of 250 million ordinary shares of one pence each at an issue price of £1 each and its shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. The Company has since raised additional funds, through a further placing and through gearing, taking its total available resources to £900 million (gross).

Investment Objective and Business Model

The PRS REIT is seeking to provide investors with an attractive level of income, together with the prospect of income and capital growth, through investment in newly-constructed residential private rented sector sites of multiple units, comprising mainly family homes. The homes are let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants.

The Company is investing in multiple sites in cities and towns across the UK, mainly targeting the largest employment centres in England predominantly the Midlands and North, but outside of London. The locations closely follow the main rail and road infrastructure, and rental homes, being newly-built, come with the benefit of 10 year National House Building Council or equivalent warranties.

The Company is concentrating on traditional housing, which has a broad spectrum of demand, and differing house types for different life stages, including smaller houses for young couples and retirees, and larger houses for growing families. It also invests in some low-rise flats in appropriate locations to broaden its rental offering.

The PRS REIT is building its portfolio of PRS assets in two ways:

- › by acquiring residential development opportunities, with these development sites sourced and managed by Sigma PRS (or another member of Sigma Capital Group plc acting as development manager). When completed, homes on these sites are subsequently let to individual qualifying tenants; and
- › by acquiring already completed and let PRS sites that fulfil the Company's investment objectives, including appropriate return and occupancy hurdles. Completed sites are acquired from Sigma Capital Group plc, pursuant to a forward purchase agreement between the PRS REIT and Sigma Capital Group plc and subject to an independent valuation appraisal. Should the opportunity arise, the PRS REIT may acquire newly-built PRS assets from third party vendors. The Company has the ability to fund up to a maximum of one third of new properties in this manner.

The PRS REIT retains the right of first refusal to acquire and develop any sites sourced by Sigma PRS that meets its investment objective and policy.

There are certain restrictions in the PRS REIT's investment policy, for instance the PRS REIT will not invest in other alternative investment funds or closed-end investment companies.

Achieving Scale and Reducing Risk

The Sigma PRS Platform

The Investment Adviser is utilising Sigma Capital Group plc's well-established PRS property delivery and management platform ("Sigma PRS Platform") to help the PRS REIT achieve scale and to minimise development and operational risks. Specifically, the Sigma PRS Platform facilitates the efficient sourcing and development of investment opportunities.

The Sigma PRS Platform comprises relationships with construction partners, central government, and local authorities. Key construction partners include Countryside Properties, which is the primary house building partner, Engie, Seddon and Vistry. Homes England, an executive non-departmental public body sponsored by the Ministry of Housing, Communities & Local Government, works closely with Sigma in the common goal of accelerating new housing delivery in England.

All pre-development risks are identified and underwritten by Sigma Capital Group plc and its partners, and development sites will have an appropriate certificate of title, detailed planning consent and a fixed price design and build contract with one of Sigma Capital Group plc's housebuilding partners. During the construction phase, many of the properties are pre-let and subsequently occupied as they complete.

Through its wide network of relationships, the Sigma PRS Platform represents a very good source of land for development sites, and is able to deliver a variety of high-quality house types efficiently and in volume. This underpins the PRS REIT's objective to build at scale and across multiple geographies.

Multiple Geographies

By creating assets across multiple locations and regions, we aim to minimise the PRS REIT's concentration risk.

We are targeting a mix of locations that demonstrate both higher yielding profiles (predominantly those in the North of England) and developments where there is greater potential for capital appreciation (often in our Southern opportunities). Proximity to good primary schools is also a key requirement as the Company is focused on the family rental market.

In addition, no investment will be made in any single completed PRS site or PRS development site that exceeds 20 per cent of the aggregate value of the total assets of the Company at the time of commitment.

'Simple Life' Brand

The PRS REIT's rental homes are marketed under the 'Simple Life' brand. The brand has created an identity for the PRS REIT's product and, over time, we would like it to be recognised as a 'gold standard' for the tenant experience, providing a combination of a high-quality, sensibly-priced product together with high customer service levels.

The PRS REIT's long-term approach to the ownership of its assets provides further reassurance to tenants, and the neighbourhood initiatives that we sponsor also help to foster a sense of community within our developments.

Financing Resource

Equity Placing Programme

Two tranches of equity have been raised to date, £250m (gross) at the Company's IPO on 31 May 2017, and a further £250m (gross) in February 2018. Homes England participated in both fundraisings, taking its direct investment in the Company to a total of approximately £30 million.

Debt Facilities

The Company is using gearing to enhance equity returns, and in June 2019, agreed terms with Scottish Widows and Lloyds Banking Group to increase its total debt facilities to £400 million. Further details can be found in the 'Financial Results' segment of this report on page 34. After the financial year end, the Company arranged a further £50 million development debt facility with Barclays Bank PLC. The PRS REIT's aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45 per cent of the value of the assets.

Operational Review

Development Activity and Acquisitions

Delivery of new homes from the development pipeline remains the key focus. However, during the second half of the financial year, the COVID-19 pandemic interrupted delivery when the Government implemented a national lockdown. Construction activity was suspended for approximately six weeks, from the end of March to early May. Sites were reopened with social distancing and other safety measures in place, which has had the effect of slowing the pace of delivery. We estimate that the shutdown and decrease in productivity reduced unit delivery in the year by 600 homes.

Notwithstanding the disruption, a total of 909 homes were completed in the year to 30 June 2020, compared with 768 in the prior year. This reflected the significant increase in the number of sites in the delivery programme and took the total number of completed homes at the end of June 2020 to 2,082 (2019: 1,173) across six of the eight major regions of England.

The Company also acquired one fully-developed and let site, comprising 50 homes from Sigma Capital Group plc. As with previous sites acquired from Sigma Capital Group plc, the site was independently assessed by Savills before acquisition. The site is located in the Wigan and provides an ERV of £0.48 million per annum.

The estimated rental value of the portfolio at 30 June 2020 amounted to £19.1 million per annum, a 79% increase year-on-year (30 June 2019: £10.7 million).

The table below provides further detail in summarised form of our development activity in 2020 and 2019, including activity in the first quarter of the new financial year.

	At 30 September 2020	At 30 June 2020	At 30 June 2019
Number of completed homes	2,634	2,082	1,173
ERV of completed homes	£24.3m p.a.	£19.1m p.a.	£10.7m p.a.
Completed sites	24	21	17
Contracted sites	40	41	37
Number of contracted homes	2,369	2,803	3,196
ERV of contracted homes	£23.3m p.a.	£27.4m p.a.	£30.5m p.a.

Construction Resource

The construction resource provided by the Sigma PRS Platform now has national reach. It underpins the continued expansion of the Company to key population centres in England, supporting the creation of a geographically diverse portfolio.

There are many clear benefits for our construction partners in partnering with us. These include strengthening their ability to bid for land with local councils and improving operational efficiencies with their own housing delivery. This partnership approach is working well and the model we operate of using standard family house types, fixed price design & build contracts, and standardised

specification, helps to ensure that developments are built to budget and that our PRS assets can be maintained and managed efficiently.

In our annual report last year we highlighted that we had started to take delivery of homes produced by Countryside Properties new sectional-building technology. We are delighted to announce that over 530 of our new homes have now been constructed using this system.

Financial Results

Income statement

The Group's revenue (which is wholly derived from rental income) more than doubled over the year to £12.9 million (2019: £6.0 million). After the deduction of non-recoverable property costs, the net rental income was £10.2 million (2019: £4.9 million). Administration expenses were marginally higher at £6.2 million (2019: £5.9 million). The gain from the fair value adjustment on investment property was £15.8 million (2019: £15.6 million), the small increase reflecting the delay to construction works during the lockdown period in the current financial year. Operating profit was £19.9 million (2018: £14.6 million). Finance income for the period from short-term deposits was £0.2 million (2019: £0.8 million), whilst finance costs were £3.7 million (2019: £0.9 million) reflecting the debt utilisation during the year. The profit after finance income and taxation was £16.4 million (2019: £14.6 million).

The basic and fully diluted earnings per share on an IFRS basis for the year was 3.3p (2019: 2.9p).

Dividends

The Company has declared and paid a total of 4.0p per ordinary share for the year under review, which comprised the following:

- › On 31 October 2019, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 July 2019 to 30 September 2019, which was payable on 29 November 2019 to shareholders on the register as at 15 November 2019.
- › On 31 January 2020, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 October 2019 to 31 December 2019, which was payable on 28 February 2020 to shareholders on the register as at 7 February 2020.
- › On 18 June 2020, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 January 2020 to 31 March 2020, which was payable on 17 July 2020 to shareholders on the register as at 26 June 2020.
- › On 7 August 2020, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 April 2020 to 30 June 2020, which was payable on 18 September 2020 to shareholders on the register as at 21 August 2020.

Balance Sheet

The principal items on the balance sheet are investment property of £577.1 million (2019: £362.3 million), cash and cash equivalents of £59.3 million (2019: £229.9 million), long-term loans of £150.0 million (2019: £100.0 million) and trade and other payables of £23.9 million (2019: £23.4 million).

The investment property includes completed assets and assets under construction at fair value. Trade and other payables includes £8.0 million of development expenditure that was paid in July 2020.

Debt Financing

The PRS REIT has the following debt facilities:

- › £150 million revolving credit facility with Lloyds Banking Group / RBS for an initial term of two years, which can be extended further for up to two years. Interest is based on three month LIBOR plus applicable margin and the loan is secured over assets allocated to Lloyds Banking Group. This was undrawn at 30 June 2020 but drawdown commenced shortly after the year-end;
- › £100 million term loan of 15 years with Scottish Widows, which was drawn in two equal instalments in March and April 2019. Interest is fixed at the 15 year swap rate of 1.588% plus applicable margin and the loan is secured over assets allocated to Scottish Widows;
- › £150 million term loan for 25 years with Scottish Widows of which £50 million was drawn in April 2020, a further £60 million was drawn in July 2020 and the remaining instalment is due to be drawn in October 2020. Interest was fixed at the relevant swap rate of 1.164% plus applicable margin and is secured over assets allocated to Scottish Widows; and
- › Subsequent to 30 June 2020, the Company arranged a further £50 million development debt facility with Barclays Bank PLC. Interest is based on three month LIBOR plus applicable margin and the loan is secured over assets allocated to Barclays Bank PLC.

Key performance indicators

The Group's key performance indicators ("KPI") include:

KPI	June 2020	June 2019
Rental income (gross)	£12.9m	£6.0m
Average rent per month per tenant	£766	£760
Non-recoverable property costs as a percentage of gross rent (gross to net)	21.1%	17.6%
Fair value uplift on investment property	£15.8m	£15.6m
Operating profit	£19.9m	£14.6m
Dividends paid per share in relation to the period	4.0p	5.0p
Number of properties available to rent	2,082	1,173

All the KPIs are in line with management expectations. Increases in rental income, non-recoverable property costs, operating profit, and the number of properties available to rent reflect the increased size of the portfolio and the progression of development sites.

Market Overview

New housing delivery over the course of 2019/20 continued to fall short of annual government targets of between 240,000 and 340,000 new homes per annum. It is estimated that the deficit over the year was a minimum of 70,000 new dwellings. The COVID-19 crisis of 2020, which saw the shutdown of all building sites for at least six weeks and reduced activity levels thereafter, has further dampened unit output.

The supply of rented properties has also reduced following tighter regulation and increased tax burdens, which caused large outflows from the 'Buy-to-let' sector. According to Savills, in 2010, 78% of landlords in the private rented sector owned more than one property, but by 2018, this had reduced to 45%. This represents a gross loss of over 40,000 buy to let homes per annum in each of the last three years.

With the average home in the UK now a multiple of 7.7 times gross average salary, the choices available to those who are too economically active to qualify for affordable

housing but without sufficient savings to pay for a minimum deposit (including to qualify for "Help to Buy"), are increasingly limited. The Build-to-Rent ("BTR") sector can absorb some of this demand, although currently there are only 43,000 operational homes, and just 33,500 under construction.

BTR currently accounts for just 1% of all private rented homes in the UK, which when compared to 45% in the US and 35% in Germany, indicates the sector's potential growth. Savills estimates that the sector, currently estimated to be worth £10 billion, could expand to nearer £550 billion at full maturity.

The UK market continues to focus on high-density flatted developments in city centre locations whilst the PRS REIT has maintained its focus on regional family homes. The relevance of the PRS REIT's housing model has been brought into sharp relief this year with COVID-19 and home-working causing tenants to rethink their space requirements and the need for private outdoor space.

Post Period Review

Progress since the start of the new financial year has continued positively, in line with management expectations.

Over the first quarter of the new financial year, 552 new homes were added to the portfolio, taking the number of completed homes at 30 September 2020 to 2,634, providing an ERV of £24.3m. The development pipeline also grew over the first quarter with a number of acquisitions of additional plots from existing sites and further commitments to new sites, including at Hexthorpe in Yorkshire. This increased the development pipeline by a further 124 homes at the end of September 2020, taking contracted homes to 2,369 homes, with an ERV of £23.3 million per annum. The total ERV of contracted and completed homes at 30 September amounted to £47.6 million.

Approximately 96% of the Company's total net funding has now been deployed and the balance is expected to be contracted over the coming months. The total portfolio is anticipated to comprise approximately 5,200 new family homes.

The table below provides further information of delivery activity over the first quarter of the new financial year.

	At 30 September 2020	At 30 June 2020
Number of completed PRS homes	2,634	2,082
ERV of completed homes	£24.3m p.a	£19.1m p.a
Number of contracted homes	2,369	2,803
ERV of contracted homes	£23.3m p.a.	£27.4m p.a.

Summary and Outlook

The growth opportunity available to the PRS REIT remains substantial, driven by the strong underlying supply and demand fundamentals in the housing market. We also believe that PRS housing (at scale) can play a part in accelerating the overall delivery of new homes, a key agenda with local authorities and Central Government.

In addition, the track record that we have established in delivering high quality new homes over multiple sites through our efficient supply chain platform places the Company in a strong position in the PRS market.

Notwithstanding current political uncertainties, we believe that the Company remains firmly on track to invest its full available capital and associated gearing to time and budget.



“MY SIMPLE LIFE STORY”

CHARLIE SAY

Charlie Say is at a pivotal and exciting time in his life – he’s about to get married and wanted to take the hassle out of his living arrangements, opting for a Simple Life home in Walkden, Salford.

IT’S ALL ABOUT THE LOCATION!

“One of the great things about living here is the location. Walkden is an up and coming part of Manchester where a lot of our friends have moved to recently. The centre is undergoing a lot of regeneration and there are plenty of new build homes being built in the area. We are so close to the train station meaning an easy commute for me and my spouse, who will be moving in after we get married.”

AESTHETICALLY PLEASING...

“Something else that we were really attracted to Simple Life was how modern the apartments are. It’s above and beyond the rest of the properties we looked at. The décor and colour scheme is fresh and modern; perfect for relaxing after work in front of the TV!”

COMMUNITY

“The site itself has a nice vibrant community feel, it’s really fun to live in. There’s a good vibe about this apartment block in particular. We also have a Facebook group where everyone talks about the practical things, like bins, parking spaces and things like that which I find really helpful.”

“I COULDN’T RECOMMEND SIMPLE LIFE AS A LANDLORD ANY MORE HIGHLY!”

“Honestly, Simple Life are very caring landlords - you are a person to them, not just money in their books. I’m organising a wedding so I didn’t want the stress of buying a house at the same time and Simple Life make renting easy. It just makes sense at this stage of my life. They’re accessible and easy to talk to and I like that maintenance isn’t my problem, but if I do have any issues they are on-hand to fix them straight away.

“When I first moved in on a Saturday, there was a problem with my toilet and the maintenance team was here on the Sunday to fix it, which is brilliant service.”



I COULDN’T RECOMMEND SIMPLE LIFE MORE; IN FACT, SOME OF MY FRIENDS ARE ALREADY RENTING SIMPLE LIFE PROPERTIES!



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability

The Company recognises that it is a long-term stakeholder in the communities and neighbourhoods it creates, and takes this responsibility very seriously. The Investment Adviser has joined the United Nations Global Compact (“UN Global Compact”), which is a voluntary initiative designed to encourage business leaders to implement universal sustainability principles and in particular the UN Global Compact’s Ten Principles. These are derived from the Universal Declaration of Human Rights, the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

The Company is therefore committed to aligning its strategies and operations with the Ten Principles and to taking action to advance broader societal goals. Most specifically, the Company aims to create residential environments that promote societal and individual well-being through the provision of:

- › high-quality, well-designed, energy efficient homes;
- › the potential for stable, long-term tenancies;
- › well-located developments that offer ready access to centres of employment, good local primary education, public transport and retail centres;
- › professional repair and maintenance;
- › high levels of customer service; and
- › regular community events.

Homes are suitable for a wide range of tenants, levels of affordability and life-stages, offering families and individuals the opportunity to move to larger or smaller homes dependent on their needs. In this way, the Company’s developments support a diverse demographic profile and help to create sustainable neighbourhoods.



Environmental

Many of the Company's developments are part of wider regeneration programmes and utilise brownfield sites, often repurposing former industrial buildings and disused land.

The development process however is under the direct responsibility of the Company's house building partners. As part of the Company's due diligence process when relationships are established, the Company undertakes a thorough examination of house building partner policies regarding environmental practices. The Company requires delivery partners to be able to demonstrate policies on the management and origination of their supply chain, usage of resources and their approach to biodiversity. The Company's two key delivery partners, Countryside Properties and Vistry are both classed as being a 'Low Risk' by Sustainalytics in their overall approach to Environmental, Social and Governance and are both rated in the top 10 out of 76 of their peer group for their approach.

Homes are constructed to relevant building regulations and have a minimum energy performance rating of 'B' and feature energy efficient LED lighting or low energy bulbs, whole house ventilation systems and efficient gas central heating systems. Innovation is important and the Company works with housebuilding partners to improve the performance and future proofing of the homes through regular specification reviews.

The most significant change to housing delivery over the year has been the increasing use of Countryside Properties' new sectional-building technology. This has reduced waste, increased on-site efficiencies and decreased build period. Additionally the system allows for increased control of cost and availability of raw materials, improved quality control, lower transportation usage (and thereby reduced vehicular emissions), and a reduction in Health and Safety risk, due to the controlled internal production environment.

In its use of materials, the system is accredited to PEFC ST 2002:2013, which requires the demonstration of the chain of custody of forest-based products, ensuring the use of sustainable sources. The system recycles 80% of timber waste and 80% of plasterboard waste, which is reused for new plasterboard (the paper lining being used for animal bedding). Plastic wrapping is baled after use and recycled to produce damp proof courses and membranes.

Employees at the factory are drawn from the local workforce and an apprenticeship scheme has been established, which currently employs nine apprentices from Wigan College, who are studying for NVQ's.

The alignment and synergies between the new sectional-building technology and the Company's values is close, and it is intended that the technology's usage is increased.

Additional environmental initiatives

- › The Investment Adviser has continued its commitment to plant 1,000 trees across all developments.
- › The Investment Adviser has launched an electric vehicle scheme as part of its wider initiative to promote more sustainable transport practices. The scheme enables all staff to finance an electric vehicle through salary sacrifice with a proportion of the financing costs being paid by the Investment Adviser.
- › White Rose Clothes Banks continue to be used across all apartment schemes. Clothes are either upcycled, sold or recycled in aid of Aegis Trust. White Rose supports 'Green Fashion.'
- › Customer 'Welcome' boxes have been adapted to include 'green' items, including re-usable shopping bags and reusable flasks.

Social and Charitable

Social and community engagement initiatives are carried out by Investment Adviser on behalf of the PRS REIT and include employment opportunities and programmes with local charities and schools. There is continuous engagement with local authorities to discuss objectives when planning developments.

Schools, Education and Careers

Examples of social and community engagement initiatives are below:

St Theresa's School, Sheffield
PROJECT: Sensory room and IT equipment.

Galton Valley Primary School, Smethwick
PROJECT: Memorial garden, gardening and healthy eating lessons.

Galton Valley Nursery School Smethwick
PROJECT: Regeneration of inside and outside of building.

Mills Hill Primary School, Middleton
PROJECT: Daily Mile running track.

River View Primary School, Broughton, Salford
PROJECT: Pond regeneration.

St Richard's Roman Catholic Primary School, Atherton
PROJECT: Fitness equipment including rowing machine, running machine and ski machine.

Mesne Lea Primary School, Walkden
PROJECT: Playground regeneration including trim trail.

St Peter and Pauls RCP, Tower Hill, Knowsley
PROJECT: Outdoor sheltered play area.

Moat House Primary School, Coventry
PROJECT: Outdoor gazebo and playground equipment.

Bilston C of E, Wolverhampton
PROJECT: Landscaping and adventure park improvements.

Work with the Salford Foundation, a charity dedicated to helping people in Salford, Greater Manchester and the North West, has continued over the year. Five members of staff took part in a mentoring programme designed to assist students to enter the world of work

The Investment Adviser continued to support Park Palace Ponies, the inner city starter riding school in Toxteth, Liverpool, by sponsoring a pony and supporting riding lessons for the pupils at Monksdown School in Knowsley.



Charitable Donations

From August 2019, donations were made by the Investment Adviser to each of the following foodbanks:

- Coventry Foodbank;
- Atherton and Leigh Foodbank;
- The Big Help Project in Knowsley; and
- The Well Wolverhampton.

In an immediate response to the COVID-19 lockdown, an additional amount was donated to each of the above foodbanks to assist through the crisis.

A donation was made to local homeless charity, Loaves and Fishes, in Salford, which enabled the charity to purchase personal alarms for staff.

As part of the Investment Adviser's Christmas donations, a donation was made to homeless charity, Crisis UK, which was used to enable 40 homeless people to enjoy Christmas and benefit from advice about training, education and housing.

During the COVID-19 pandemic, the Investment Adviser participated in residents' efforts to show their appreciation of the NHS, including with donations of 'Simple Life' Easter chocolate to local hospitals and £500 worth of prizes for the Hillingdon Hospital staff raffle.

Children's Sports Clubs

The Investment Adviser continued to support local children's sports clubs close to the Company's developments. These included:

- Sale Girls Football Club
- Sale Rugby Club (under 18's)
- Wolverhampton Tennis Club

COVID-19 Response

It was important to increase communications with residents with the onset of the national lockdown in March 2020, and to engage supportively with those customers concerned about their financial situation. Approximately 80 residents were financially affected by the Government's emergency measures, and a range of solutions were offered. Rental holidays of between 20% and 50% of rent due were provided for up to four months, with payment plans agreed for the repayment of the deferral amounts. This policy has worked well to date.

The Company was pleased to join its customer base in thanking the NHS staff for their work and nearly 150 residents benefitted from the initiative to provide a 20% rental discount for three months.

In June 2020, the Investment Adviser initiated a 'Simple Life' charitable poll in which residents selected four charities to receive a donation of £12,500 each. A further £50,000 was donated across these charities, according to resident preferences. The four charities chosen were:

- Centrepoin (fighting homelessness amongst young people)
- Mind UK (mental health)
- Trussell Trust Foodbanks
- Women's Aid (domestic violence)



FEATURED PROJECTS

MILLS HILL PRIMARY SCHOOL, MIDDLETON

Project: Daily Mile running track

Ian Mason, Head Teacher at Mills Hill Primary School comments:

“The childrens’ daily walks around the playground eventually developed into them running three times a week and it’s brilliant to see that fitness levels have improved.

“We encourage our children to be both active physically and to be creative with their environment. The much-needed money from Sigma has transformed our playground and facilities and allowed our pupils to reap the benefits of keeping fit.”

The running was inspired by the Scottish Daily Mile initiative, created by Elaine Wyllie, a head teacher who was concerned about the pupils’ lack of fitness in her school. Elaine introduced The Daily Mile in 2012 as a sustainable way of combating inactivity, and it was so successful that the Scottish Government wrote to every primary school in the country recommending that they implement the scheme too. In addition, in August 2016 the UK government’s Childhood Obesity strategy identified and supported The Daily Mile’s contribution towards the recommended hour that children should spend taking daily exercise in school.





RIVER VIEW PRIMARY SCHOOL, SALFORD

Project: Regeneration of pond area

Daniel Gauld, Head Teacher at River View Primary School said:

“We’re really grateful for the second donation from Sigma. Nature and being outdoors is brilliant for the children’s mental health and wellbeing and the new pond area is brilliant.”

“The outdoor greenhouse built from the first donation allows us to associate reading time within playtime and has made a huge difference to the school.”





MORE THAN JUST A HOME

All homes built for the PRS REIT portfolios are taken to market through Sigma's build-to-rent brand, 'Simple Life'.

Since launching 'Simple Life', and in particular over the last year, there has been an increased level of community engagement between residents both on and off-line.



On-site events

All developments with apartment blocks enjoyed an Autumn visit from The Wood Fired Pizza Company, giving neighbours an opportunity to meet and socialise over a slice of pizza.



At Christmas, visits from Santa, elves and reindeer, continued across 20 completed developments. Over the course of five weekends, Santa visited children across sites in Manchester, Merseyside, Cheshire, West Midlands, Shropshire and South Yorkshire, exchanging 2,000 bags of chocolate money for some carefully composed Christmas lists!

During the COVID-19 lockdown period earlier this year, the festive Easter Egg Hunt took on a virtual guise, with 12 eggs hidden across the 'Simple Life' website. Residents followed clues that took them to the four corners of the site, with a mix of 'quick wins' and 'brain teasers' to keep the hunt interesting. There were over 130 entries over the course of the week and while all entrants were rewarded with a branded chocolate bar, 10 winners received a chocolate hamper from Love Cocoa, a sustainable chocolate company.



The Summer 2020 ice-cream dash was bigger than ever before. Over the course of six days the 'Simple Life' branded ice-cream van visited 29 sites across England.



Online community

As properties numbers have grown, so has residents' engagement with 'Simple Life' on social media.

The annual 'Peace of Mind' month took place in April 2020. Residents were encouraged to nominate a loved one whom they felt deserved a little 'peace of mind'. In total, over 50 entries were received, and eight deserving winners received a spa day for two, and a 'peace of mind' prize tailored to their preferences. Prizes included shopping vouchers, holiday cottage vouchers, DJ equipment, football tickets and motorbike lessons.

During lockdown, 'Peace of Mind' month was extended with a special 'health and wellbeing' series aimed at helping residents to keep mentally and physically healthy. A great sense of community developed as residents were encouraged to stay connected online. A number of videos were posted on social channels, created for 'Simple Life' by professionals, partners and even residents, across a range of themes, including meditation, make-up, Pilates and baking.

There was a significant increase in resident 'Simple Life' Instagram home accounts being set up, all dedicated to making their 'Simple Life' rental house their home. This has encouraged residents to form a community online, sharing their best home-style tips.





MEET EMILY

Emily @insidenumber5_ who shares her Simple Life home on Silkin Green with her boyfriend. Emily talked us through her take on Home inspiration and shared some fabulous tips.



What made you choose a Simple Life Home?

I chose my home because it's a nice modern new build. It's very spacious and in a great location surrounded by beautiful walkways. I also love that it's a blank canvas to work with which made it really easy to apply our sense of style when we first moved in.



What's your favourite room in the house?

My favourite room is the kitchen because it's the main hub of the house when we have visitors. It's spacious, bright and the big patio doors open up to our garden, which is great in the summer! Another great thing is that it came equipped with fitted appliances which saved us lots of money.



Best home-hacks to personalise your space?

My home hacks would be to add pops of colour throughout the house and have a few house plants dotted around, I think these help bring the outside in. I also like to fill my house with photos and souvenirs from when we travel.

How would you describe your interior style? Does this reflect your personality?

I would say my style is very modern and simple. I like to include lots of plants and colours such as yellow and pink within each room and I like to include photographs of family and travelling to give it a real personal touch.

Where do you go for interior design inspiration?

There are some great places online for interior inspiration. I follow a lot of home accounts on Instagram and a few blogs. Another great site is Pinterest, on there you can find anything from cupboard organisation to whole room transformations.

Which rooms do you find the hardest to get 'right'? What are your specific tricks to get around this?

I'd say one of the spare bedrooms we have. It's very easy to just make spare rooms a storage room, which can get messy very quickly. We've turned our spare rooms into places where we can each chill. My boyfriend has his consoles in his, and I have a separate place where I get ready and can have some me-time.





MEET ASHLEY

Ashley, @oursimplelifehome shares her Simple Life home with her partner Chris. She fills us in on her unique and evolving style as well as revealing her love of grey.



What made you choose a Simple Life Home?

We love new builds, and everything about them. With Chris's job, his next step in work may have meant moving far away, so to buy a new build wouldn't have been a good step for us. When we heard about Simple Life and the different styles of homes they offer we knew instantly it was the best option for us. The process was really easy and quick, and the offer they had on at the time was great. They also have so many locations to choose from! We loved how the kitchen came fully fitted with all appliances. Best decision we ever made.

What's your favourite room in the house?

I love every room in our home! It's tough to pick my favourite between the lounge and the kitchen. I'd probably say the kitchen because we spend most of our time in there and it's so spacious, great for having people over and the lounge because on a lovely sunny day to have the doors wide open is amazing! Both are great sizes and have been so fun to design.

Which space did you have the most fun designing and why?

I have to say the lounge. It's not your typical lounge, it's different/quirky. It's grey & oak pretty much like the rest of our house! I love a blank canvas so our simple life home was perfect for that. The patio doors are beautiful. I loved how light it made the room, and where our home is, we're not looked over at the back which is wonderful so when I didn't want to have huge curtains I went for white voile which made it look so beautiful but didn't take away any light!

Where do you get your home inspiration from?

So many places! I absolutely love Chris's mum's house, which is grey and that's where I got my love of grey from! Of course the fabulous Mrs Hinch has a beautiful home and some of her ideas are wonderful! I love walking round B&M, The Range, Ikea and so many more shops that aren't expensive but sell the most beautiful little bits.

How would you describe your interior design style? Does this reflect your personality?

Grey .. grey & more grey is pretty much my style! I love flowers and making things look pretty, Chris says putting flowers on the hob is ridiculous but now he loves it so they're even on the bed too! I like things that are simple but look so effective. I love doing things differently and if I can do it on a budget then even better. Like the voile, to do a whole window including the pole and tie costs £18 but it looks beautiful, and it's something you don't see very often.

I don't like following the crowd too much and I don't care what other people think, if I think it makes my home look nice and it makes me happy, then it's staying!

What are your tips for decorating your home on a budget?

Your home can be wonderful no matter what your budget, as I said about the curtains. A company wanted £500 to do my patio doors and by the time I'd finished it cost me £40 and I've had lots of compliments. When saving money and wanting to improve your home it can be really difficult, we wanted a new dining table because we didn't like the chairs anymore so I went online and found some beautiful grey and white chair covers for £13 and now it's like a whole new table! I love finding little bargains and making them look stylish!



What our residents have to say...

All tenants receive an automated tenant satisfaction survey email one week into their tenancy and then 10 months later. This helps the Investment Adviser to monitor tenants' experience with the lettings and move-in team and their later experience as settled residents.

The following stats are based on tenant satisfaction results for a 12 month period from July 2019 to the end of June 2020.

Move in survey	10 month survey
97% said the team made it easy to apply	96% said they are still happy with their home
89% said they were kept well-informed during the application process	89% said they are happy with the service provided
96% said they received all the information they required	73% said they felt they have been kept well-informed
91% said they found the process of moving in to their home straight forward	94% said the communal areas are well maintained
87% said the quality of the home met with their expectations	85% said they feel part of a community
94% said they would recommend 'Simple Life'	95% said they would recommend Simple Life

All results are based on responses from neutral - strongly agree

Resident Focused Initiatives and Tech

Understanding that pets are important to residents, the Investment Adviser undertook an analysis of end-of-tenancy works from households with pets and those without pets. This established that there was very little variance in the costs of end-of-tenancy rectification works. The Investment Adviser therefore decided to cease applying the standard pet premium charge from tenancy agreements. This makes 'Simple Life' and the Company one of the first BTR landlords to make such a move.

The second 'Simple Life' Annual Resident Newspaper was delivered to all residents in June. The publication gives residents a roundup of the previous 12 months, including events, competitions, campaigns, testimonials, charitable donations and school initiatives. It also informs tenants of plans for the rest of the year.



The 'Simple Life' resident portal went live in August. It enables residents to access: online payments; tenancy documents; 'how-to' guides; news; affiliate offers; and an open forum with other residents. The portal also incorporates an online maintenance reporting tool, FixFlo. As well as enabling residents to access online tutorials, it offers a simple, streamlined approach for residents to report, discuss and remain updated about any maintenance issues they may have.

Human Rights

The obligations under the Modern Slavery Act 2015 (the 'Act') are not applicable to the Company given its size.

To the best of its knowledge, the Group is satisfied that its principal suppliers and advisors comply with the provisions of the Act.

Health and Safety

In order to maintain high standards of health and safety for those working on sites, monthly checks by independent project monitoring surveyors are commissioned to ensure that all potential risks have been identified and mitigated. These checks supplement those undertaken by development partners. The data is reported to the Board on a quarterly basis in the event of a nil return, and immediately in the event of an incident. There were no reportable incidents over the year.

Governance

Strong governance is essential to ensuring that risks are identified and managed, and that accountability, responsibility, fairness and transparency are maintained at all time.

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange and the Financial Conduct Authority. The Board has a balanced range of complementary skills and experience, with independent non-executive directors who provide oversight, and challenge decisions and policies as they see fit. The Board believe in robust and effective corporate governance structures and are committed to maintaining high standards and applying the principles of best practice.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors recognise that there are a number of risks which could have an impact on the Company's strategy and investment objectives.

The prospectus issued in May 2017, which is available to download on the Company's website at www.theprsreit.com, includes details of what the Company and the Directors consider to be the principal risks and uncertainties. Additional risks and uncertainties relating to the Group that are not currently known to it or the Directors or the Company does not consider to be material may also have a material effect on the Group. The Board continually consider emerging risks and during the year under review the COVID-19 pandemic has been identified, see further information on pages 9 to 11.

The below list sets out the current identifiable principal risks and uncertainties which the Board are monitoring:

Strategic Risk

The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns

The Company's targeted returns as set out in the IPO Prospectus are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, purchase price, yield and performance of the Company's investments, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targeted returns. The Company may not be able to implement its investment objective and investment policy in a manner that generates returns in line with the targets. Furthermore, the targeted returns are based on the market conditions and the economic environment at the time of assessing the targeted returns, and are therefore subject to change. In particular, the targeted returns assume no material

changes occur in Government regulations or other policies, or in law and taxation, and that the Company is not affected by natural disasters, terrorism, social unrest or civil disturbances or the occurrence of risks described elsewhere in this document. There is no guarantee that actual (or any) returns can be achieved at or near the levels set out in this document. Accordingly, the actual rate of return achieved may be materially lower than the targeted returns, or may result in a partial or total loss, which could have a material adverse effect on the Company's profitability, the Net Asset Value and the price of the Ordinary Shares.

Risks relating to investment decisions

There is a risk that investment decisions are made that deviate from the investment strategy and investment objectives that may result in lower rental income and capital growth returns to shareholders.

This risk is mitigated by a regular review by the Board of the Company with regard to investment strategy and investment decisions. The Investment Adviser has a defined investment appraisal process which is authorised by key personnel. In addition, the investment in multiple geographical areas of the UK mitigates concentration risk and provides a more balanced portfolio.

Risk relating to the Company's ability to deploy capital effectively

There is strong competition in the housing market for the supply of land across all tenures which may affect the Company's ability to deploy capital in a timely and effective manner which could adversely affect the returns to shareholders.

This risk is mitigated due to the strong links that the Company and Investment Adviser has with its house building partners across the various regions and conurbations across the UK. There is a significant pipeline of future development sites and the Board reviews this on a regular basis.

Political Risk

Risks relating to Brexit

The extent of the impact on the Company will depend in large part on the nature of the arrangements that are put in place between the United Kingdom and the European Union following Brexit. Although it is not possible to predict fully the effects of the exit of the United Kingdom from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Company, its opportunities for investments, its construction activities due to supply chain disruptions and the workforce of house builders. In addition, it could potentially make it more difficult for the Company to raise capital.

The Board mitigates this risk by keeping up to date on the UK's current position on its exit from the European Union whilst also taking advice from the Investment Adviser and other Advisers. The Board acts on this advice accordingly. In addition, the Company is operating in the residential property market where current demand is high and expects this to continue for the foreseeable future

Operational Risk

Risks relating to the Company's reliance on the Investment Adviser

The Company has the benefit of access to the Sigma PRS platform through the Investment Adviser. If the Investment Advisory Agreement is terminated it is likely that the Company will cease to have access to the platform and to the relationships and contractual frameworks with Approved Contractors, Local Authorities and the Approved Letting Agents and favourable terms and economies of scale that have taken years to establish. The Company would also need to identify replacement sources of PRS Development Sites and Completed PRS Sites.

In accordance with the Investment Advisory Agreement, the Investment Adviser is responsible for providing certain management and investment advisory services to the Company. Accordingly, the Company will be reliant upon, and its success will depend on, the Investment Adviser and its key personnel, services and resources. Consequently, the future ability of the Company to successfully pursue its investment objective and

investment policy may, among other things, depend on the ability of the Investment Adviser to retain its existing staff and/or to recruit individuals of similar experience and calibre. Whilst the Investment Adviser has endeavoured to ensure that the principal members of its management team are suitably incentivised, the retention of key members of the team cannot be guaranteed. Furthermore, in the event of a departure of a key employee of the Investment Adviser, there is no guarantee that the Investment Adviser would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of the Company. Events impacting but not entirely within the Investment Adviser's control, such as its financial performance, it being acquired or making acquisitions or changes to its internal policies and structures, could in turn affect its ability to retain key personnel.

Under the terms of the Investment Advisory Agreement, the Investment Adviser is required to devote such time and have all necessary competent personnel and equipment as may be required to enable the Investment Adviser to carry out its obligations properly and efficiently. However, if the Investment Adviser fails to allocate the appropriate time or resources to the Company's investments, the Company may be unable to achieve its investment objectives. In addition, although the Investment Advisory Agreement requires the Investment Adviser to dedicate competent personnel to the Company's business they may not be able to do so.

The Board mitigates these risks by holding regular Board meetings (at least four times per financial period) whilst also having regular informal meetings with the key members of Investment Adviser on a more regular basis. The Board actively engages with key personnel of the Investment Adviser and assesses its key man risks to ensure that it is adequately staffed with suitably qualified personnel and that succession planning is in place.

Risks relating to tenant default

Dividends payable by the Company will be dependent on the income from the Completed PRS Sites it owns. Failure by tenants to comply with their rental obligations could affect the ability of the Company to pay dividends to shareholders.

The Company develops private rented sector residential housing across multiple sites and across multiple locations across the UK and therefore some of this risk is mitigated. A rigorous tenant vetting process has been implemented and, in addition, the Investment Adviser holds regular weekly meetings focusing on lettings and outstanding debtors. The letting agent is compensated only when rent has been received.

Business disruption relating to the Investment Adviser and its Information Technology Environment

There is risk associated and the potential of business disruption in relation to the IT systems utilised by the Investment Adviser which are hosted off-site by a third party.

The third party IT provider are Cyber Essential Certified and have been utilised by the Investment Adviser since 2015 for maintaining all hardware, software and backups. There has been limited downtime during normal working hours.

The third party provider has significant controls in place in respect of the IT environment including that of physical security, site availability, network security, backups, disaster recovery and the monitoring of IT systems.

The Investment Adviser employs an IT Manager who is in regular contact with the third party and ensures compliance.

Economic Environment

Risks relating to the economic environment

Global market uncertainty and, in particular, the restricted availability of credit, may reduce the value of the Company's portfolio once it has been acquired, and may reduce liquidity in the real estate market. The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields.

The Company mitigates this risk by building a high quality portfolio of residential assets across multiple locations of the UK where there is demand and a requirement for housing which provides access to strong travel links and good educational facilities.

Financial Risk

Risks relating to the REIT status of the Group

There is a risk that the Company may fail to remain qualified as a REIT and therefore its rental income and capital gains will be subject to UK corporation tax. Any change in the tax status of the Company or a change in tax legislation could adversely affect the investment return of the Company.



The Company has been structured to be REIT compliant and the Board will continue to monitor the tax status using professional taxation advisers.

Risks relating to the development costs of investment properties under construction

There is a risk that the development costs of investment properties under construction are higher than that originally forecast perhaps due to unforeseen costs or the availability of suitable labour.

Risks relating to investment valuation

The valuation of the Group's property assets is primarily based on four key drivers being land purchase, cost to build, rent, gross to net income deductions and yield. Small variations in these can have a material impact on the valuation of property.

Valuation risk is mitigated by a combination of factors including detailed site selection and appraisal process, fixed price building contracts at competitive rates to control costs, quality product from house builders, tenant selection and management by Lettings Agents, geographic spread of sites / assets, mixture of asset size and portfolio spread. The sector is considered attractive to investors and debt providers with some defensive attributes in relation to recessionary risk. Notwithstanding the above mitigating factors, the Board constantly monitors risk around these factors in conjunction with the Investment Adviser.

Risks relating to compliance

The Group has a wider variety of compliance risks ranging from factors including status as a Real Estate Investment Trust on the specialist segment of the London Stock Exchange, number of companies, Companies House requirements, HMRC obligations, planning requirements, Health & Safety, statutes and legislation.

Compliance risks are mitigated by the Board and the Investment Adviser utilising and employing qualified professionals and professional advisers to ensure compliance with current legislation and requirements including – auditors, tax advisers, Nominated Advisor, recognised house builder partners and legal advisers.

The Company is able to mitigate this risk by securing fixed design and build contracts before development commences.


The Company's Section 172 statement is included on pages 54 to 57.

By order of the Board

Steve Smith
Chairman

5 October 2020





Stakeholder Engagement And Section 172 Statement

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT

Stakeholder engagement

The PRS REIT is focused on delivering new homes for private rental across the UK, with family homes its key target market. The Group's PRS activities bring together a network of formal and informal relationships, which include construction partners, central government, local authorities, customers and communities. As a sustainable business, the Company is providing an innovative build-to-rent solution to address a national, market and societal demand for quality family homes.

Across the UK, the PRS REIT engages with a range of interest groups to ensure that it listens to and understands the interests and concerns of all stakeholders, as well as seeking to deliver sustainable value for them.

Effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling the Company's goal to deliver family PRS homes across the UK. While the importance of giving due consideration to our stakeholders is not new, we are taking the opportunity this year to explain in more detail how the Board engages with our stakeholders. We continue to be collaborative with all stakeholder groups including customers, partners, house builders, suppliers, local authorities, regulators, funders and investors. This approach necessarily involves listening to and taking account of their views and feedback, while also being open to change.

Section 172 statement

The following serves as our section 172 statement and should be read in conjunction with the Strategic Report on pages 4 to 53. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. The Directors are therefore fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

To ensure the PRS REIT continues to operate in line with good corporate practice, all Directors are frequently provided with refresher guidance on the scope and

application of section 172 from the Company's legal and financial advisors. This allows Board members to reflect on how the Company engages with its stakeholders and identify opportunities for enhancement in the future.

The Board regularly reviews the Company's principal stakeholders and how we engage with them. The stakeholder voice is constantly brought into the boardroom through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making.

Throughout these financial statements, we provide examples of how this engagement with stakeholders takes place to ensure that we can appropriately consider their interests in decision-making. Of particular note for the period under review, the Board's decision to defer the 3rd quarter dividend following the outbreak of COVID-19, the tenant survey undertaken, focused activities around proactive tenant engagement during the COVID-19 pandemic through social media platforms and a responsible approach towards managing tenant difficulties resulting from outbreak. The Board and the Investment Adviser intend to use the outputs from the survey and other tenant interaction in shaping the portfolio moving forward. In addition, the Board's engagement with funders resulted in funders volunteering a reduction in the covenant test relating to interest coverage by net operating income to specifically allow for tenant payment plans deferring rental income as a result of the COVID-19 pandemic.

Employees

The PRS REIT does not have any employees. Instead, Sigma PRS Management Ltd ("Sigma PRS") is the appointed Investment Adviser to the PRS REIT.

Investment Adviser

The Company carefully considers the conditions under which Sigma PRS interacts with its employees and other stakeholders.

Customers and communities

The new homes that the PRS REIT is delivering form new neighbourhoods and communities and we recognise our responsibility towards ensuring that these communities function well. Our vision is to create homes that people will enjoy living in and neighbourhoods that they feel a part of. In order to help to forge the social links that underpin these communities and create a sense of neighbourhood, we organise regular events across our developments that help to bring people together. We also build links with the wider community, and, over the past year we have supported a number of local primary schools, with projects including a library refurbishment and the provision of outdoor play equipment. We intend to continue to build on these initiatives, and are moving forward with ideas, big and small, which will help to create a better environment for our customers and their local communities. These measures are facilitated by direct customer engagement with the utilisation of technology, particularly social media, to enable two-way interaction.

Environment

Whilst the Company's activities do not directly impact the environment, it takes account of the potential impact of its key business partners. The house builder with whom we work most closely, Countryside Properties, has a strong track record in sustainable development. In its last reporting year, Countryside Properties diverted 99.4% of its waste away from landfill.

Countryside opened a new modular panel factory in Warrington during 2019 capable of manufacturing up to 1,500 homes per year. The homes are produced with sustainable timber from certified forests and the factory does not generate any landfill.

The Company planted a substantial number of trees over the course of 2019 and intends to plant a further 1,000 trees per site moving forward. The initiative makes a positive environmental contribution as well as enhancing our developments and the local neighbourhood. We are also working with landscapers to commence a programme of wildflower planting in our developments that will promote a greater volume of invertebrate life, which will support the wild bird population and greater overall biodiversity.

These actions all demonstrate practical measures geared towards benefitting the environment in the long-term.

Local Authorities, house builders and funders

The Group's objectives are to provide investors with an attractive level of income together with the prospect of income and capital growth through investment in a portfolio of newly constructed residential private rented sector sites of multiple units comprising mainly family homes. It aims to do this utilising its property and capital raising expertise to further its PRS activities and deliver family housing. The geographies in which we deliver assets has steadily expanded, and we have also diversified the financial instruments that we manage to deliver those assets.

This requires four separate parties involving local authorities, house builders and funding partners, with the Investment Adviser performing the roles of facilitator and co-ordinator. Regular and collaborative communication and dialogue is essential with all of these parties to ensure success. Without this, Sigma PRS could not develop, establish and maintain the partnership relations it has as Investment Adviser.

The creation of new partnerships is also key. Given that sites will typically take well in excess of 24 months to identify, plan, develop and let, it is imperative that the Investment Adviser constantly has a focus on future sites through regular dialogue with multiple parties.

Regulators

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange and the Financial Conduct Authority. The Board has a balanced range of complementary skills and experience, with independent non-executive directors who provide oversight, and challenge decisions and policies as they see fit. The Board believe in robust and effective corporate governance structures and is committed to maintaining high standards and applying the principles of best practice.

Compliance is maintained through the utilisation of recognised professional advisers and the Board would not hesitate to seek input in this regard from the listing authority.

Shareholders

The Board welcomes the opportunity to engage with our shareholders and with the capital markets more generally. We have a high level of investor communication through our financial calendar activity, through investor meetings, roadshows, site visits and our AGM.

The Company's Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board and that our Directors are made aware of shareholders' issues and concerns so these can be fully considered. The Board achieves this through:

- › active dialogue with shareholders, prospective shareholders and analysts; and
- › the Chairman and the Chair of the Audit Committee being available to meet institutional shareholders.

Feedback from any such meetings would be shared with all Board members.

The Chairman and the Board consider that there are appropriate mechanisms in place to listen to the views of shareholders and communicate them to the Board without it being necessary for the Chairman or Chair of the Audit Committee to attend all meetings with shareholders. The Board believes that this approach is consistent with the 2018 Code" (UK) "2019 Code" (AIC) on dialogue with shareholders and is in line with good corporate governance.

Major investor relations engagement activities carried out during the year are set out below:

- › numerous meetings, presentations and conference calls hosted with institutional investors or prospective investors; and
- › regular site visits

Investors, prospective investors and analysts can contact the Chairman or access information on our corporate website. The Board believes that appropriate steps have been taken during the year so that all members of the Board have an understanding of the views of major shareholders.

Dividend

The Board's proposal on the final total dividend for the 2020 financial year of 4.0p per share (2019: 5.0p) reflects a combination of factors in relation to the Company's finances and operations both in the short and long-term. This includes the Company's revenue and earnings together with the Board's confidence in the PRS REIT's growth prospects. As outlined in the Chairman's Statement, this decision on the dividend for the 2020 financial year was not made lightly in view of the current situation surrounding the COVID-19 pandemic. The Going Concern Review detailed on pages 9 to 11 of these financial statements formed part of these dividend deliberations. As the conclusion to this review states, although the duration of the pandemic is unknown it will ultimately pass and the Company is well placed to thrive thereafter. The dividend proposal therefore reflects the Board's confidence in the Company's long-term financial health and growth prospects and provides a return to the shareholders who have invested funds with the Board and the Company.

Corporate Governance

DIRECTORS

Steve Smith, Non-Executive Chairman (Age 66)

Steve Smith has over 40 years of experience in the real estate industry. Steve is currently non-executive Chairman of Starwood European Real Estate Finance Limited and non-executive Chairman of AEW Long Lease REIT plc. Previously, he was the Chief Investment Officer of British Land Company PLC, the FTSE 100 real estate investment trust from January 2010 to March 2013 with responsibility for the group's property and investment strategy. Prior to joining British Land, Steve was Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed end funds. Before joining AXA in 1999, he was Managing Director at Sun Life Properties for five years. Steve has recently completed his time as non-executive Director of Gatehouse Bank Plc and of Tritax Big Box REIT plc.

Steffan Francis, Non-Executive Director (Age 65)

Steffan Francis has more than 40 years of experience in the real estate industry. Until 2016, Steffan was Director of Fund Management at M&G Real Estate where he was responsible for the £6 billion "Long Income" business. He was also involved in creating and ensuring the long term success of a number of real estate funds, including the M&G Secured Property Income Fund, which, within 10 years of being launched, became the largest property fund on the AREF/MSCI UK quarterly Property Fund Index. Currently, Steffan is a non-executive Director of M&G (Guernsey) Limited and is also an independent adviser to the British Steel Pension Trustees. Steffan is a Fellow of the Royal Institution of Chartered Surveyors.

Roderick MacRae, Non-Executive Director (Age 56)

Rod has over 20 years of experience in the financial services sector. Latterly, he was an Executive Director at Aberdeen Asset Management PLC as the Group Head of Risk with responsibility for UK and Global operational risk and regulatory compliance. He was also Chairman of the Aberdeen Asset Management group executive risk management committee, the senior risk oversight function of the group. He has extensive involvement in corporate activity including transformational acquisitions and defence strategies. Previously he was Chief Operating Officer at Edinburgh Fund Managers, which he joined in 1991 and was acquired by Aberdeen in 2003. Rod is a member of the Institute of Chartered Accountants of Scotland having qualified with Coopers & Lybrand and is the Chairman of the Audit Committee.

Jim Prower, Non-Executive Director (Age 65)

Jim, a Chartered Accountant, has nearly 30 years of experience in senior financial roles. For the major part of his career he was Group Finance Director at Argent Group plc, the UK-based property developer, then Finance Partner of Argent (Property Development) Services LLP and Argent Investments LLP, which specialise in mixed-use developments with a focus on place-making and regeneration. Jim was involved in major development and regeneration projects in Manchester, Birmingham and the City of London, and from 2008 to 2015 he worked on the King's Cross Central joint venture, which was one of Europe's largest regeneration projects. Prior to that, he was Group Finance Director at NOBO Group plc, a leading European manufacturer of visual presentation products and at Creston Land & Estates plc, the property developer. Jim is currently Senior Independent Director at Empiric Student Property plc and a non-executive Director at AEW UK Long Lease REIT plc. In addition, until March 2019, Jim was Senior Independent Director at Tritax Big Box REIT plc.

ADVISERS

<p>Registered Office Floor 3, 1 St. Ann Street Manchester M2 7LR</p>	<p>Company Secretary Sigma Capital Property Ltd 18 Alva Street Edinburgh EH2 4QG</p>
<p>Auditor RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB</p>	<p>Financial Adviser and Broker N+1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX</p>
<p>Financial PR KTZ Communications No. 1 Cornhill London EC3V 3ND</p>	<p>Investment Adviser Sigma PRS Management Ltd Floor 3, 1 St. Ann Street Manchester M2 7LR</p>
<p>Legal and Tax Adviser Dentons UK and Middle East LLP One Fleet Place London EC4M 7WS</p>	<p>Depository Crestbridge Property Partnerships Limited 8 Sackville Street London W1S 3DG</p>
<p>AIFM and Manager G10 Capital Limited 136 Buckingham Palace Road London SW1W 9SA</p>	<p>Valuers Savills (UK) Limited 33 Margaret Street London W1G 0JD</p>

REPORT OF THE DIRECTORS

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 30 June 2020.

Principal activity

The principal activity of the Company is the investment in and management of private rented sector (“PRS”) residential housing which is located in the regions of England. The Company commenced trading on 31 May 2017 after the successful initial raising of £250 million gross proceeds through its IPO. Its shares are listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

Results and dividends

The financial results for the year can be found in the Consolidated Statement of Comprehensive Income on page 93. The following dividends were paid during the year:

31 August 2019	2.0p per ordinary share
29 November 2019	1.0p per ordinary share
28 February 2020	1.0p per ordinary share

Since the year-end, a dividend of 1.0p per ordinary share was paid on 17 July 2020 and a dividend of 1.0p per ordinary share was paid on 18 September 2020.

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the period and their positions at the end of the period. This requirement is met by the Strategic Report on pages 4 to 53.

Directors

The current Directors of the Company are listed on page 58, all of whom held office throughout the year. The Board consists solely of non-executive Directors, each of whom is independent of the Investment Adviser and the Company. The Company therefore has no executive Directors or employees. In accordance with the Articles of Association, every person appointed as an additional director during the course of the year must stand for re-election at the next Annual General Meeting (“AGM”). The Board follows the revised AIC Code of Corporate Governance that applies to financial periods commencing

after 1 January 2019 and requires that all Directors will stand for re-election annually. The details of the Directors’ remuneration along with the Director’s beneficial interest in securities of the Company are given in the Directors’ Remuneration Report on pages 82 to 84.

Directors’ interests in shares

The Directors’ interests in the Company’s shares are disclosed in the Directors’ Remuneration Report.

Directors’ indemnity insurance

The Group held a Directors and Officers insurance policy in place throughout the year and prior year in respect of the Company and the Group’s subsidiaries.

Share capital

At the AGM held on 25 November 2019, the Directors were authorised to:

- › issue securities up to an aggregate nominal amount of £1,650,924 representing approximately 33.33% of the Company’s issued share capital at the time of the annual general meeting;
- › dis-apply pre-emption rights in respect of securities and to issue securities for cash up to an aggregate nominal amount equal to £990,556 which represented 20% of the Company’s issued share capital at that time; and
- › allow the PRS REIT to buy back up to 14.99% of the issued share capital of the Company at that time, provided the Directors believed it to be in the best interests of shareholders where to do so would likely result in an increase in earnings per share.

As at 30 June 2020, the Company had 495,277,294 ordinary shares in issue (30 June 2019: 495,277,294), none of which were held in treasury.

Substantial shareholdings

As at 30 June 2020, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital.

Investor	Number of ordinary shares	% holding of issued share capital
Invesco High Income Fund	48,009,758	9.69
Homes & Communities Agency	29,878,047	6.03
Aviva Life & Pensions UK	26,169,336	5.28
Invesco Income Fund	24,987,568	5.05
Smithfield Alternative Investment Fund	16,015,000	3.23

As at 30 September 2020 the following substantial shareholdings were held:

Investor	Number of ordinary shares	% holding of issued share capital
Invesco High Income Fund	46,413,468	9.37
Homes & Communities Agency	29,878,047	6.03
Aviva Life & Pensions UK	26,169,336	5.28
Invesco Income Fund	24,987,568	5.05
Smithfield Alternative Investment Fund	16,015,000	3.23

Restrictions on the transfer of shares

There are no restrictions on the transfer of securities in the Company, except as a result of:

- › the FCA's Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and
- › the Company's Articles of Association, which allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company or Investment Adviser breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on transferring securities in the Company.

Greenhouse gas emissions reporting

The Board has considered the requirement to disclose the Company's measured carbon sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

During the year ended 30 June 2020:

- › any emissions from the Group's development of investment properties have been the contractors' responsibility rather than the Group's so the principle of operational control has been applied;
- › any emissions from the Group's completed assets have been the tenants' responsibility rather than the Group's so the principle of operational control has been applied;
- › any emissions from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Investment Adviser's responsibility; and
- › the Group does not lease or own any vehicles which fall under the requirements of Mandatory Emissions reporting.

As such, the Board believes that the Company has no reportable emissions for the period ended 30 June 2020.

Management Arrangements

Investment Adviser

The Board appointed Sigma PRS Management Ltd ("Sigma PRS") as the Company's Investment Adviser. Sigma PRS are responsible for the management of the assets of the Company and advise the Company on a day-to-day basis in accordance with the Company's investment policy. Sigma PRS may transact on the Company's behalf in relation to the acquisition of PRS development sites and completed PRS sites in accordance with the Company's investment objectives and investment policy. The Investment Advisory Agreement ("the Agreement") is terminable on 12 months' written notice, which can be served at any time after the fifth anniversary of First Admission. The Agreement may be terminated by the Company and the Company's Alternative Investment Fund Manager ("AIFM") immediately if the Investment Adviser is in material breach of the Agreement or is the subject of insolvency proceedings. The Investment Adviser fee arrangement in respect of Sigma PRS is detailed in note 9 of the financial statements, in addition the Investment Adviser is entitled to a development management fee of 4.0% of gross development spend.



AIFM

G10 Capital Limited has been appointed as the Company's AIFM with overall responsibility for the portfolio management and providing alternative investment fund manager services ensuring compliance with requirements of AIFMD, risk management of the Group's investments subject to the overall supervision of the Directors. The AIFM manages the PRS REIT's investments in accordance with the policies laid down by the Board and in accordance with the investment restrictions referred to in the AIFM agreement. The AIFM Agreement provides that the Company will pay to the AIFM an asset management fee as follows:

- (a) an initial one off fee of £12,000;
- (b) a monthly fee of £6,000;
- (c) £1,000 per investment committee meeting; and
- (d) Ad-hoc work as required.

The AIFM Agreement is terminable by any of the parties to them on six months' written notice. The AIFM Agreement may be terminated by the Company immediately if the AIFM ceases to maintain its alternative investment fund manager permission or fails to notify the Company of a regulatory investigation which is relevant to the AIFM's ongoing appointment as alternative investment fund manager, is in material breach of the agreement or is the subject of insolvency proceedings. The AIFM Agreement may be terminated immediately if a member of Sigma Capital Group plc ("Sigma"), the parent company of Sigma PRS, is directly appointed as alternative investment fund manager of the Company.

Depositary

Crestbridge UK Limited (formerly Kingfisher Property Partnerships Limited) are the appointed Company's depositary for the purposes of the AIFMD. Under the terms of the Depositary Agreement, the Depositary was paid an initial one off fee of £5,000. Provided that the assets under management of the Company exceed £100 million, the Company shall also pay the Depositary an annual fee. The annual fee shall start at £20,000 per annum with an additional fee of 0.667 basis points of any increase above £100 million, subject always to a maximum fee of £40,000 per annum. The Company's assets under management are reviewed quarterly. The Depositary is entitled to be reimbursed by the Company for all costs and expenses properly and reasonably incurred in the performance of duties under the Depositary Agreement.

Administration and secretarial services

Sigma Capital Property Ltd, also a subsidiary of Sigma, has been appointed as the Company's Administrator to provide day-to-day administration of the Company and acts as secretary and administrator to the Company development and production of statutory annual accounts, interim accounts and reports to shareholders of the Company in accordance with IFRS and EPRA. The Administrator is also responsible for calculating the Net Asset Value of the Ordinary Shares based on information provided to the Administrator by Sigma PRS. The Administration and Secretarial Agreement provides that the Company will pay the Administrator an annual fee of £90,000 plus VAT, payable monthly in arrears.

Financial risk management

The principal risks and uncertainties faced by the Company and the Group are set out on pages 50 to 53. Information on the financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 2 to the financial statements.

Treasury activities and financial instruments

The Group's financial instruments comprise cash and cash equivalents, equity investments plus other items such as trade and other receivables, trade and other payables and borrowings that arise directly from its operations. At 30 June 2020, the Group had positive cash balances of £59.3 million (2019: £229.9 million).

The Group's policy is to keep surplus funds on short term and instant access deposit to earn the prevailing market rate of interest. At 30 June 2020, the Group had borrowings of £150 million with Scottish Widows and an undrawn revolving credit facility with Lloyds Banking Group plc of £150 million. In addition, the Group has secured a further £100 million term loan with Scottish Widows and a £50 million revolving credit facility with Barclays Bank PLC. Further information with regard to the Group's cash and cash equivalents is provided in note 19 of the financial statements and borrowings in note 21.

Political donations

No political contributions were made during the year (2019: nil).

Going concern

The Board confirms that it has a reasonable expectation that the Company and the Group have adequate resources to manage their business risks successfully, allow it to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. The assumptions utilised in preparing the prudent financial stress test geared towards ensuring that the Company has sufficient cash resources to weather the COVID-19 pandemic outlined on pages 9 to 11 provide additional support for this expectation. Accordingly, the Board of Directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Viability statement

The Directors have assessed the prospects of the Group and Company and future viability over a three-year period, being longer than the twelve months required by the going concern provision.

The Board confirms that it has a reasonable expectation that the Group and Company will continue to operate and meet its liabilities as they fall due over the next three years, taking account of the principal risks and uncertainties as set out on pages 50 to 53.

The three-year period chosen by the Board is based upon the Group's and Company's detailed forecasting model which shows that within three years all investment property acquisitions are forecast to have been completed, all assets under construction have been developed and rent stabilisation thereon has been achieved.

The Board's expectation is further underpinned by regular dialogue with the Investment Adviser which considers market conditions, the availability of investment opportunities, principal risks and uncertainties and any change in the regulatory framework. The principal and emerging risks and uncertainties continue to be monitored closely by the Board. Please see details of the COVID-19 and going concern review on pages 9 to 11.

Environmental, Social and Governance

The Board's report on Environmental, Social and Governance is on pages 38 to 49.

Corporate Governance Statement

The corporate governance statement is set out on pages 67 to 75.

Stakeholder engagement and Section 172 statement

The Groups' stakeholder engagement and Section 172 statement are set out on pages 54 to 57.

Diversity

The Company does not have any employees. In respect of the Board of Directors, we consider that each candidate should be appointed on merit to make sure the best candidate for the role is appointed every time. We support diversity at Board level and encourage candidates from all educational backgrounds and walks of life. What is important to us is professional achievement and the ability to be a successful non-executive Director based on the individuals skills set and experience. Qualifications are considered when necessary to ensure compliance with regulation such as in relation to the Audit Committee. We regularly review the Company's policy on diversity and consider the Board of Directors has a balance of skills, qualifications and experience which are relevant to the Company. We value the importance of diversity in the boardroom but we do not consider it appropriate or in the interests of the Company and its Shareholders, to set prescriptive diversity targets for the Board.

Auditor

A resolution to reappoint RSM UK Audit LLP as Auditors will be proposed at the Annual General Meeting.

Audit information

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish the Company's Auditor are aware of that information.

Post balance sheet events

Details of any significant post balance sheet events are detailed on page 122 of these financial statements.

By order of the Board

Steve Smith
Director

5 October 2020



“MY SIMPLE LIFE STORY”

KELLY WOOD

Kelly Wood and her partner, daughter and family cat live in a three-bedroom Simple Life home in Telford. Kelly needed a home close to her daughter’s school and fell in love with the homes on the Silkin Green site and had to have one...

LOVE AT FIRST SIGHT

“A friend of ours had purchased a property on the site and as we had a look around, we fell in love and knew that we had to have one too.

“What struck me was as a brand-new build, it was a blank canvas to make our own and much more spacious than anything that we’ve rented before.”

DANCING IN THE KITCHEN

“We spend most of our time in the family kitchen as it’s so big and airy. I can be cooking while my daughter is doing her homework or crafting – there’s usually glitter everywhere. We stick the radio on and there’s plenty of dancing around.

“We love the Velux windows especially, and we have double doors that open out to the garden which feels like an extra room – everything is so big. Having all new appliances is brilliant – if anything breaks we know we don’t need to fork out thousands of pounds to fix it.

“The front room is nice and cosy and now that the winter months are coming too, we have been spending a bit more time there but the kitchen is our favourite place to be.”

GREAT TRANSPORT LINKS

“The area we are in is fab! We are right by the park, off the main road and the transport links are really good – we can walk into town and everything is on our doorstep.”

RECOMMEND TO A FRIEND

“One of my friends is just across the road, then another friend lives on the site too and I’ve recommended another Simple Life property to a colleague.

“The actual process of organising moving in was so easy, the contact was great, and we were always updated on progress. We’re not on top of one another like with some new builds, everyone has at least one car parking space and the garden is nice.”

PEACE OF MIND

“One of the main perks for me is the peace of mind we have. We don’t have to worry if there’s any issues in the house, maintenance are straight there and just get it done, get it fixed, whereas with a normal private landlord it could take weeks.

“It’s a really satisfying feeling knowing our landlord is looking after our needs, we don’t have to worry about if they are going to sell or them taking months to get something fixed – they care about the property.”



IT’S A REALLY SATISFYING FEELING KNOWING OUR LANDLORD IS LOOKING AFTER OUR NEEDS.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Directors Remuneration Report, the Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

- › select suitable accounting policies and then apply them consistently;
- › present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- › state whether they have been prepared in accordance with IFRS's adopted by the EU;
- › make judgements and accounting estimates that are reasonable and prudent; and
- › prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions, and disclose with reasonable accuracy at any time, the financial position of the Group and Company, and enable them to ensure that the financial statements and Directors Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Each of the Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report confirm that, to the best of their knowledge:

- › the financial statements, prepared in accordance with the applicable set of accounting standards. Give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- › the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the PRS REIT website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

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

Steve Smith
Chairman
 5 October 2020

CORPORATE GOVERNANCE STATEMENT

Statement of Compliance

The Company is committed to maintaining high standards of corporate governance and considers that reporting against the principles and recommendations of the AIC Code of Corporate Governance issued in February 2019 (the 'AIC Code'), provides better information to shareholders as it addresses all the principles set out in the 2018 UK Corporate Governance Code (the 'UK Code'), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts, and is endorsed by the Financial Reporting Council (the 'FRC'). The AIC Code has been voluntarily followed by the Company. The AIC Code is available from the AIC website at theaic.co.uk. A copy of the UK Code can be obtained at frc.org.uk. It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate.

The UK Code includes provisions relating to:

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

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

The Board has reviewed the principles and recommendations of the AIC Code and considers that the Company has complied with these throughout the year, except as disclosed below:

- › given the size of the Board, it is not considered necessary to appoint a senior independent director.
- › given the structure and size of the Board, the Board does not consider it necessary to appoint separate remuneration and nomination committees. The roles and responsibilities normally reserved for these committees are matters for the Board.

Responsibilities

The Board is responsible for ensuring compliance with the Group's investment policy and has oversight of the management and conduct of the Group's business, strategy and development.

The Board is also responsible for the control and supervision of the AIFM and the Investment Adviser and compliance with the principles and recommendations of the AIC Code. The Board ensures the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of the systems in place throughout the year and no problems have been identified. The Board is responsible for approval of any changes to the capital, corporate and/or management structure of the Group.

The Board's main focus is the sustainable long-term success of the Group to deliver value for shareholders. The Board does not routinely involve itself in day to day business decisions.

The AIFM is responsible for portfolio management (including compliance with the Group's investment policy) and risk management of the Group pursuant to the AIFMD, including the implementation and review of adequate risk management systems. The AIFM has delegated the day to day portfolio management of the Group to the Investment Adviser, including the acquisition of PRS development sites and completed PRS sites and appointing and liaising with third parties providing services to the Group. The Investment Adviser also provides certain development management services to the Group, in connection with the construction and delivery of new PRS units.

The key matters reserved to the Board are:

- › Board membership and powers including the appointment and removal of Board members;
- › establishing the overall control framework, Stock Exchange related matters, including the approval of communications to the Stock Exchange, and communications with shareholders, other than announcements of a routine nature;
- › the appointment, termination, and regular assessment of the performance of the principal advisers, including the AIFM, Investment Adviser, legal and tax advisers, administrator, valuer, financial adviser and broker, registrar and Auditor;
- › the approval of annual and half yearly financial reports, to 31 December and 30 June respectively, dividends, accounting policies and significant changes in accounting practices;
- › the review of the adequacy of corporate governance procedure;
- › the review of the risk management systems and the effectiveness of internal controls;
- › approval of changes to the Group's capital structure, dividend policy, treasury policy, borrowing facilities and any banking relationships;
- › approval of any related party transactions subject to further regulatory requirements; and
- › oversight of the Group's operations ensuring compliance with statutory and regulatory obligations.

The Investment Adviser has autonomy for investment decisions within the terms of the Investment Agreement.

The Board has carried out a robust assessment of the emerging principal risks affecting the business, including those which would threaten its business model, future performance, solvency or liquidity. Details of these risks and their management are set out in this report on pages 50 to 53.

The Board has reviewed the effectiveness of the AIFM and Investment Adviser's compliance and control systems in operation insofar as they relate to the affairs of the Group and further reviews the arrangements with the Depository to ensure the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.

As the Company principally invests in property assets, the Board does not consider that there is any need to determine a separate remit for the Investment Adviser regarding voting and corporate governance issues in respect of investee companies. While the Company has a number of subsidiary undertakings these are all special purpose vehicles set up for the purposes of holding property assets and are all wholly owned and controlled by the Company.

Internal Control Review

The Board is responsible for the systems of internal controls relating to the Company, including the reliability of the financial reporting process, and for reviewing the systems' effectiveness. The Directors have reviewed and considered the guidance supplied by the FRC on risk management, internal control and related finance and business reporting and an ongoing process is in place for identifying, evaluating and managing the principal and emerging risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of this report.

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the Annual Report and Financial Statements. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified. The internal control systems do not eliminate risk and can only provide reasonable assurance against misstatement or loss.

Internal Control Assessment Process

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective.

The following are the key internal controls which the Company has in place:

- › a risk register has been produced against which identified and emerging risks and the controls in place to mitigate those risks can be monitored;
- › a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT;
- › the Investment Manager and the Administrator prepare forecasts and management accounts which allow the Board to assess performance;
- › the controls employed by the Investment Manager and other third party service providers, are periodically reviewed by the Audit Committee; and there are agreed and defined investment criteria, specified levels of authority and exposure limits in relation to investments, leverage and payments.

The risks of any failure of internal controls are identified in the risk register, which is regularly reviewed by the Board which also assesses the impact of such risks. The principal and emerging risks and uncertainties identified from the risk register can be found on pages 50 to 53.

Investment Adviser

The Board appointed the Investment Adviser, Sigma PRS Management Ltd ("Sigma PRS"), in May 2017 to provide investment advice and to manage the property portfolio and the associated day to day activities of the Company. The Investment Adviser is part of the Sigma Capital Group, a leading provider of PRS properties in the UK. As a wholly owned subsidiary of Sigma Capital Group plc, the Investment Adviser benefits from the extensive experience and expertise of the Sigma Capital Group with access to its PRS property platform to source investment opportunities that meet the investment objectives of the Company, management of all properties within the portfolio, and providing marketing and investor relations services to the Company.

The agreement with the Investment Adviser is terminable on not less than 12 months' notice by either party, such notice not to expire earlier than 31 May 2023. The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the period by the Board at its quarterly meetings. The Board considers a number of factors including investment performance, the skills and experience of key staff and the capability and resources of the Investment Adviser to deliver satisfactory performance for the Company in accordance with its Investment Objective. The Board is satisfied with the performance of the Investment Adviser and considers its continued appointment on the terms agreed to be in the best interests of the Company and its shareholders as a whole.

Annual report and financial statements

The Directors have responsibility for preparing the annual report and financial statements. Each of the Directors considers that, taken as a whole, the annual report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Board has a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due over the next twelve months from the date of this report. The going concern and viability statements of the Group are set out on page 63.

Board membership and meeting attendance

During the year to 30 June 2020, the number of scheduled Board meetings attended by each Director was as follows:

Director	Attendance*	Date of Appointment	Length of Service at 30 June 2020
Steve Smith	6/6	24 April 2017	38 months
David Steffan Francis	6/6	24 April 2017	38 months
Roderick MacRae	6/6	24 April 2017	38 months
Jim Prower	6/6	20 May 2019	13 months

*Number of scheduled meetings attended/maximum number of meetings that the Director could have attended.

Composition

The Group has a non-executive Chairman and three other non-executive Directors all of whom were considered independent on and since their appointment. All of the Directors are independent of the Investment Adviser and the AIFM. Although certain of the Directors share non-executive roles in another organisation this is not considered a risk to their independence in respect of the PRS REIT as there is not a significant link.

Steve Smith is the Chairman of the Company. The Chairman is responsible for leadership and oversight of the Board to ensure that it functions effectively. Steve ensures that accurate, timely and clear information is received and sufficient time is given in meetings to review all agenda items thoroughly. He promotes constructive debate and facilitates a supportive, co-operative and open environment between the Investment Adviser and the Directors. He is also responsible for ensuring that the Company's obligations to its shareholders are understood and met.

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

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

Directors are selected and appointed by the Board as a whole. There is no separate nomination committee as the Board is considered small relative to listed trading companies. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business succession planning or to maintain a balanced Board.

In accordance with the Articles of Association, every person appointed as an additional Director during the course of the year must stand for re-election at the next Annual General Meeting ("AGM"). The Board follows the revised AIC Code of Corporate Governance that applies to financial periods commencing after 1 January 2019 and requires that all Directors will stand for re-election annually and that all Directors will not serve for a period of more than nine years in accordance with the UK Code.

Remuneration

Given that the Company has no executive Directors or other employees, the Board does not consider it necessary to establish a separate remuneration committee. The Board takes responsibility for reviewing the levels of remuneration set.

Board Committees

The Board has established a Management Engagement Committee and an Audit Committee.

The Audit Committee meets at least twice a year and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external Auditors, including the provision of non-audit services. The Audit Committee comprises 3 of the non-executive Directors given the size of the Board and to benefit from the broad range of financial, commercial and property sector experience which enables them to provide better oversight of financial and risk matters. Rod MacRae is Chairman of the Audit Committee.

The Management Engagement Committee comprises the full Board and keeps the terms of engagement with the AIFM and Investment Adviser under review and examines the effectiveness of the Company's internal control systems and the performance of the AIFM, Investment Adviser, Administrator, Depositary, Company Secretary, valuer and other service providers. There were no changes to the terms of these engagements. The Management Engagement Committee comprises all of the Directors given the size of the Board but each member is independent of the AIFM and the Investment Adviser. Steve Smith is the Chairman of the Management Engagement Committee. The Management Engagement Committee receives reports and analyses from each of the Investment Adviser and AIFM and reviews these, making recommendations for change or requests for additional information where appropriate to ensure ongoing performance under the terms of their respective contractual arrangements. There were 2 Management Engagement Committee meetings during the year attended by all of the Directors.

The agreement with the Investment Adviser is terminable on not less than 12 months' notice by either party, such notice not to expire earlier than 31 May 2023. The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the period by the Board at its quarterly meetings. The Board considers a number of factors including investment performance, the skills and experience of key staff and the capability and resources of the Investment Adviser to deliver satisfactory performance for the Company in accordance with its Investment Objectives. The Board is satisfied with the performance of the Investment Adviser and considers its continued appointment to be in the best interests of the Company and its shareholders.

Board Meetings

During a full financial period, the Board will meet formally at least on a quarterly basis with additional meetings as the Board may decide from time to time dedicated to specific events. There were four meetings during the year, attended by those Directors available at the time. The additional meetings in the year were in connection with the approval of the 2019 Annual Report and Financial Statements, and the debt facilities with both Scottish Widows Limited and Lloyds Banking Group / RBS.

Board papers are circulated by the Investment Adviser prior to each meeting to ensure that the Directors receive accurate, clear and timely information to help them to discharge their duties. For this purpose, the Board receives periodic reports from the AIFM and the Investment Adviser detailing the performance of the Group. The primary focus at the meetings are a review of investment opportunities, investment performance and associated matters such as gearing, asset allocation, level of the share price discount or premium, marketing and investor relations and industry issues.

Discussions of the Board

During the year, the Board spent time discussing the following items:

- › health and safety
- › investment policy and objectives
- › the approval of debt facilities with Scottish Widows and Lloyds Banking Group / RBS
- › the Group's corporate structure
- › the Group's communication strategy
- › the key performance indicators by which the Group measures success
- › updates on relevant government or regulatory developments
- › review of quarterly management accounts
- › review of the Company's share price rating, performance and trading and the Group's NAV performance
- › analysis of the Company's shareholder register
- › review of corporate governance compliance, Group subsidiary activity and Depositary report

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

Performance Evaluation

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

The Board has undertaken an internal performance evaluation by way of a questionnaire designed to assess the strengths and effectiveness of the Board and its committees. The evaluation considered (amongst other things) the composition, balance and effectiveness of the Board, the quality of management information, the independence and the overall performance of the Board and its Committees. Each of the Directors completed a questionnaire which was then used to hold constructive discussions led by the Chairman.

Having conducted the evaluation, the Board considers that it has performed effectively and that it demonstrates a good balance of skills, performance and knowledge. The Board is also satisfied that the Chairman remains independent of the Investment Adviser and the AIFM and has exhibited a good leadership style, promoting effective decision-making, constructive debate and ensuring the board functions well as a unit. Whilst the Board recognises it could be more diverse, it does not consider it is in the best interests of shareholders to force diversity by imposing fixed criteria or quotas. The Board will continue to make appointments based on merit, having regard to a number of factors including gender, ethnicity, skills and experience. The Board will continue to monitor and encourage diversity.

Culture

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

The Group has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board regularly through Board meetings and in particular during the annual evaluation process. The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis.

The Board considers the culture of the Investment Adviser and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Conflicts of interest

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

The Group reserves the right to withhold information relating, or relevant, to a conflict matter from the Director concerned, and/or to exclude the Director from any Board information, discussions or decisions which may or will relate to that matter of conflict, or where the Chairman considers that it would be inappropriate for a Director to take part in such discussion or decision, or receive such information. Procedures have been established to monitor

actual and potential conflicts of interest on a regular basis and the Board is satisfied that these procedures are working effectively.

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

- › the Investment Adviser's obligation to provide the Group with a right of first refusal on every investment opportunity meeting the Group's investment policy with the intention that the Group undertakes not less than two-thirds of all such opportunities with the balance being developed by the Investment Adviser and forward sold to the Group
- › the Investment Adviser's obligation to sell all stabilised investment assets to the Group on pre-agreed terms at a price equal to the market value determined by an independent valuation expert
- › other conflict matters, in particular regarding the value, quality or other terms relating to the acquisition of assets by the Group.

Professional development

All Directors received a comprehensive induction programme on joining the Board that covered the Investment Adviser's investment approach, the role and responsibilities of a Director and guidance of corporate governance and applicable regulatory and legislative landscape. The Chairman regularly reviews and discusses the development needs with each Director. Each Director is fully aware that they should take responsibility for their own individual development needs and take the necessary steps to ensure they are wholly informed of regulatory and business developments.

Health and safety

Health and safety is of prime importance to the Group, and is considered equally with all other business management activities to ensure protection of stakeholders be they tenants, advisers, suppliers, visitors or others. The Board regularly discusses health and safety issues with the Investment Adviser. The Group is committed to fostering the highest standards in health and safety as it believes that all unsafe acts and unsafe conditions are preventable. All our stakeholders have a responsibility to support the aim of ensuring a secure and safe environment, and all our stakeholders are tasked with responsibility for achieving this commitment.

Transparency

The Company aims to be transparent, and to ensure that it communicates with its shareholders and other stakeholders in a manner that enhances their understanding of its business. The Company engages Sigma PRS to maintain accounting documentation that clearly identifies the true nature of all business transactions, assets and liabilities, in line with the relevant regulatory, reporting, accounting, and legal requirements. No record or entry is knowingly false, distorted, incomplete, or suppressed. All reporting is fair, reasonable, complete and in compliance in all material respects with stated accounting policies and procedures.

The Company does not knowingly misstate or misrepresent management information for any reason, and the Company expects the same to apply to its suppliers. The Company may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments, as well as to the media. The Company ensures that such statements or reports are correct, timely, and not misleading, and that they are delivered through the appropriate channels. Through its website the Company provides its Annual Report, other statements and any appropriate information to enable shareholders and stakeholders to assess the performance of its business. The Company complies with the applicable laws and regulations concerning the disclosure of information relating to the Company.

Shareholder engagement

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

The Investment Adviser and the Group's financial advisers regularly meet and receive calls from shareholders and analysts in order to understand their views, and the Group's broker speaks to shareholders regularly, ensuring shareholder views are communicated to the Board. The Board takes responsibility for, and has a direct involvement in, the content of communications regarding major corporate issues.

Shareholders are encouraged to attend and vote at the Company's shareholder meetings, so they can discuss governance and strategy and the Board can enhance its understanding of shareholder views. The Board attends the Company's shareholder meetings to answer any shareholder questions and the Chairman makes himself available, as necessary, outside of these meetings to speak to shareholders.

The Board believes that sufficient information is available to shareholders to understand the balance of risk and reward to which they are exposed by holding shares in the Company. The publication of the Key Information Document on the Company's website, which is prepared by the AIFMD in conjunction with the Investment Adviser, provides the nature and key risks of the Company to shareholders. The Board is committed to providing investors with regular announcements of significant events affecting the Group and all investor documentation is available on the Group's website www.theprsreit.com.

As a demonstration of the Company's commitment to sustainability, it is proposing to move to electronic communications for all shareholders and a letter notifying this change was sent to all shareholders on 18 September 2020.



AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee (the "Committee") report of The PRS REIT plc covering the financial year ended 30 June 2020.

The Committee, which reports to the Board, has governance responsibilities to oversee the Company's financial reporting processes, which include the risk management and internal financial controls of the Investment Adviser.

The Committee members consist of 3 Board Directors who have a broad range of financial, commercial and property sector expertise which enables them to provide oversight of both financial and risk matters.

Role of the Audit Committee

The principal duties of the Audit Committee are:

Financial reporting

- › consider the integrity of the interim and full year financial statements which includes the preliminary results announcement of the Company;
- › report to the Board on any significant financial reporting issues and judgments having regard to any matters communicated to it by the Auditor; and
- › as requested by the Board, to review the contents of the annual report and financial statements and advise the Board on whether the report and financial statements provide a true and fair view of the Company's financial position as at 30 June 2020 and further provides shareholders with sufficient information to assess the financial position of the Company and Group, and the Group's performance, investment strategy and investment objectives.

Risk management and control

- › review the adequacy of the internal controls and risk management systems of the Company's Investment Adviser; and
- › report to the Board on the Company's procedures for detecting fraud.

External audit

- › to manage the relationship with the Company's external Auditor, including reviewing the Auditor's remuneration, independence and performance and making recommendations to the Board as appropriate;
- › to review the policy on the engagement of the Auditor; and
- › to safeguard the Auditor's independence and objectivity.

External property valuation

- › to review the quality and appropriateness of the half-yearly and full year external valuations of the Group's property portfolio.

Other

- › review the Committee's terms of reference and performance effectiveness.

The Committee is to meet at least twice annually and its quorum is two members. The Audit Committee reports and makes recommendations to the Board, after each meeting.

Matters considered by the Audit Committee

There are at least two scheduled Audit Committee meetings per any financial period. For the period from 1 July 2019 to 5 October 2020, the Committee has met five times. The attendance at these meetings was as follows:

Director	Attendance *
Rod MacRae (Chairman)	5/5
Steve Smith	3/3
Steffan Francis	4/5
Jim Prower	3/3 *

*Number of scheduled meetings attended/maximum number of meetings that the Director could have attended.

At these meetings, the Audit Committee has:

- › reviewed the internal controls and risk management systems of the Company;
- › reviewed financial results;

- › agreed the audit plan with the Auditor, including the agreement of the audit fee;
- › reviewed the annual valuation reports from the independent valuation expert, Savills (UK) Limited;
- › reviewed the provision of non-audit services by the Auditor;
- › reviewed the independence of the Auditor; and
- › reviewed the Group's financial statements and advised the Board accordingly.

The Company's principal risks can be found on pages 50 to 53. The Administrator and the Investment Adviser update the Audit Committee on changes to accounting policies, risk, legislation and areas of significant judgement by the Investment Adviser.

Significant matters considered by the Audit Committee in the year

Acquisition of subsidiaries

During the year the Group acquired six property owning special vehicles. The Directors considered whether these acquisitions met the definition of a business or the acquisition of a group of assets and liabilities. It was concluded that the subsidiaries met the criteria for the acquisition of a group of assets and liabilities as outlined in IFRS 3. The Committee considered the accounting treatment of the acquisitions of these property owning special purpose vehicles. The Administrator and the Investment Adviser provided advice to the Audit Committee in this regard. The Committee was satisfied that these acquisitions were appropriately treated as asset acquisitions.

Property portfolio valuation

Investment property is held in the financial statements at fair value. There are independent valuations which are carried out by a qualified independent valuation expert. The valuations depend on some data provided by the Investment Adviser and the independent valuation expert makes decisions and assumptions on criteria, some of which are subjective. As the valuation of the properties within the Group's portfolio is central to the Company's business the Directors consider that the value of investment properties is a significant issue due to the magnitude of the total amount, the potential impact on the movement in value on the reported results and the subjectivity of the valuation process.

The investment properties are independently valued by an external valuation expert, Savills (UK) Limited. The valuations are prepared in accordance with RICS Valuation Professional Standards 2014. The valuations are compliant with International Valuation Standards. The Investment Adviser has held open discussions with the valuers throughout the period on the valuation process to discuss various elements of the property valuations and the Auditor also has direct access to them as part of the audit process. Given the audit risks related to the valuation of the property portfolio, the Auditor engaged its own independent valuation expert to review the Group's valuation. Since the year-end, the Committee has reviewed the valuation reports and has discussed these reports with the Investment Adviser and the Auditor. The Audit Committee were satisfied with the valuation reports.

External audit process

Before the commencement of the audit, the Audit Committee met with the Auditor, to discuss the scope of the audit plan. After completion of the external audit, the Committee met again with the Auditor to discuss the findings of the external audit and consider and evaluate any findings.

True and fair view

After the consideration of the above matters and detailed review, the Audit Committee was of the opinion that the annual report and financial statements, represent a true and fair view of the Company as a whole and in addition provides the information necessary for shareholders to assess the Company's performance, strategy and investment objectives.

Audit fees and non-audit services

An audit fee of £98,000 has been agreed in respect of the audit of the Company for the year ended 30 June 2020 (2019: £80,000). The audit fees of the Group for the period ended 30 June 2020 totalled £182,000 (2019: £130,000).

The cost of non-audit services provided by the Auditor to the Company for the financial period ended 30 June 2020 was £19,000 (2019: £18,000) of which £19,000 related to the interim financial statements review (2019: £18,000). BDO LLP have been engaged to advise on taxation compliance matters. To safeguard the external Auditor's independence and objectivity there was prior approval of a detailed scope and no additional safeguards were considered necessary due to the nature of procedures involved.

Independence and objectivity of the Auditor

RSM UK Audit LLP (“RSM”) were appointed as Auditor to the Company since IPO on 31 May 2017, during which time Mr Euan Banks, Partner at RSM, has been the audit partner on the audit. No tender for the audit of the Company has been undertaken. In evaluating RSM’s performance, the Audit Committee considered the effectiveness of the audit process, quality of delivery, staff expertise, audit fees and the Auditor’s independence, along with matters raised during the audit. The Committee received confirmation from RSM that they maintain appropriate internal safeguards in line with applicable professional standards. In accordance with new requirements relating to the appointment of Auditors, the Company will need to conduct an audit tender no later than for the accounting period beginning 1 June 2026. Having considered the Auditor’s independence in respect of the year ended 30 June 2020, the Audit Committee is satisfied with the Auditor’s performance, objectivity and independence.

Review of Auditor appointment

Following consideration of the performance of the Auditor, the service provided during the year and a review of their independence and objectivity, the Audit Committee has recommended to the Board the continued appointment of RSM UK Audit LLP as the Company’s external independent Auditor.

Internal audit

The Audit Committee has determined that there is no need for an internal audit function given the limited size and complexity of the Company and its business.

Rod MacRae
Audit Committee Chairman

5 October 2020





DIRECTORS' REMUNERATION POLICY

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

The Directors' Remuneration Policy of the Company is to pay its non-executive Directors fees that are appropriate for the role and the amount of time spent in discharging their duties, that are broadly in line with those of comparable real estate investment companies and that are sufficient to attract and retain suitably qualified and experienced individuals which therefore supports the long term strategic objectives of the Group.

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

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

Directors' Remuneration Components

Component	Director	Annual Fee £'000	Purpose of Remuneration
Annual fee	Chairman	45	Commitment as Chairman of a public company
Annual fee	Non-executive Directors	30	Commitment as non-executive Directors of a public company
Additional fee	Chairman of the Audit Committee	5	For additional responsibilities and time commitment
Additional fee	All Directors	Discretionary	For extra or special services performed in their role as a Director
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director

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

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

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

Letters of appointment

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

Approach to recruitment remuneration

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

Views of shareholders

Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing levels of remuneration. No views have been expressed to date.

Voting at the AGM

The Directors' remuneration report for the year ended 30 June 2019 and the Directors' remuneration policy were approved by shareholders at the AGM held on 25 November 2019. The results taken on a poll were as follows:

Directors' Remuneration Report

For - number of votes cast	386,124,106
Against - number of votes cast	5,600
Total votes cast	386,129,706
Number of votes withheld	-

Directors' Remuneration Policy

For - number of votes cast	386,124,106
Against - number of votes cast	5,600
Total votes cast	386,129,706
Number of votes withheld	-

DIRECTORS' REMUNERATION REPORT

The Board presents its Directors' Remuneration Report in respect of the year ended 30 June 2020. The Board has prepared this report in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended). An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the next AGM of the Company.

The law requires the Company's Auditor to audit certain of the disclosures required. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Auditor's Report on pages 83 to 91.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2020.

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

Companies are required to seek shareholder approval of the Remuneration Report each year and of the Directors' Remuneration Policy on at least a three-yearly basis. The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Resolutions to approve the Remuneration Policy, as outlined on page 80 of this

report, and the Directors' Remuneration Report will be put before shareholders at the forthcoming AGM of the Company. Any change to the Directors' Remuneration Policy following its approval would require shareholder approval. There will be no significant change in the way the Directors' Remuneration Policy will be implemented in the course of the next financial year.

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

The Directors' fees have been set at a rate of £45,000 per annum in respect of the Chairman and £30,000 per annum in respect of the other Directors, with an additional £5,000 to the Chairman of the Audit Committee. No person provided advice or services to the Board in respect of the consideration of Directors' remuneration.

Following a review of Directors' fees subsequent to the year-end, no changes are currently being proposed. There were no other payments for extra services in the period ended 30 June 2020 (2019: £nil).

Directors' fees for the period (audited)

The Directors who served during the year and prior period received the following total fixed fee remuneration:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000	% change
Steve Smith (Chairman)	45	45	-
Steffan Francis	30	30	-
Rod MacRae (Audit Committee Chairman)	35	35	-
Jim Prower (appointed 20 May 2019)	30	4	+650%
	140	114	

During the year and prior year, no taxable benefits were received by any of the Directors.

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

Under the Company's Articles of Association, the total aggregate remuneration and benefits in kind of the Directors of the Company is subject to a maximum of £300,000 in any financial year. Any change to this would require shareholder approval.

Relative importance of spending on pay

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Directors' aggregate remuneration	140	114
Dividends paid to all shareholders*	19,812	24,765

*includes all dividends paid in relation to the year ended 30 June 2020 and year ended 30 June 2019.

Total shareholder return

The graph below shows the total shareholder return (as required by company law) of the Company's Ordinary Shares relative to a return on a hypothetical holding over the same period in the FTSE 250, FTSE All Share REITS and FTSE 350 REITS. Total shareholder return is the measure of returns provided by a Company to shareholders reflecting share price movements and assuming reinvestment of dividends.



Loss of office

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

Directors' interests (Audited)

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

As at 30 June 2020, the following Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	Number of ordinary shares 2020	Number of ordinary shares 2019
Steve Smith (Chairman)	80,000	80,000
Steffan Francis	60,000	50,000
Rod MacRae (Audit Committee Chairman)	100,000	100,000
Jim Prower	22,000	-

There have been no changes to Directors' share interests between 30 June 2020 and the date of this report.

The shareholdings of the Directors are not significant and therefore do not compromise their independence.

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

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

Statement of voting at general meetings

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

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

Approval

The Directors' Remuneration Report was approved by the Board on 5 October 2020.

On behalf of the Board.

Steve Smith
Chairman

5 October 2020



Independent Auditors
Report to the members
of The PRS REIT Plc



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC

Opinion

We have audited the financial statements of The PRS REIT Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity and Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- › the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- › the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- › the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS regulations.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- › the disclosures in the annual report set out on pages 50 to 53 that describe the principal risks and explain how they are being managed or mitigated;
- › the Boards' confirmation set out on page 68 in the annual report that it has carried out a robust assessment of the Group's principal risks, including those that would threaten its business model, future performance, solvency or liquidity;
- › the Boards' statement set out on page 63 in the financial statements about whether the Board considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Board's identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- › whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- › the Boards' explanation set out on page 63 in the annual report as to how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Summary of our audit approach

Key audit matters	<p>Group</p> <ul style="list-style-type: none"> - Valuation of Investment Property <p>Parent Company</p> <ul style="list-style-type: none"> - No key audit matters
Materiality	<p>Group</p> <ul style="list-style-type: none"> - Overall materiality: £7,860,000 (2019: £4,490,000) - Performance materiality: £5,890,000 (2019: £2,245,000) <p>Parent Company</p> <ul style="list-style-type: none"> - Overall materiality: £6,070,000 (2019: £3,152,000) - Performance materiality: £4,550,000 (2019: £1,576,000)
Scope	Our audit procedures covered 100% of Group rental income, Group profit before tax, and Group total assets, and was performed to the materiality levels set out above.

Key audit matters

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

We have determined that there are no key audit matters to communicate in our report in relation to the Parent Company.

Valuation of investment properties

This is detailed in the Audit Committee report on pages 76 to 78; the significant accounting judgements and estimates on pages 106 to 107; significant accounting policies on pages 104 to 106 and notes to the financial statements on pages 112 to 113.

Risk of material mis-statement

The Group owns or controls through a portfolio of Special Purpose Vehicles (SPV's) a portfolio of investment properties which includes residential properties only. The

total value of the portfolio at 30 June 2020 was £577 million. The Group either acquires completed sites or sites that are ready to develop with full planning consent having been granted, the latter form investment properties under construction. The properties are predominately located in the north of England and the Midlands.

The Directors' assessment of the value of the investment properties at year end date, is considered a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity and complexity of the valuation process.

The valuation is carried out by external valuers, Savills (UK) Limited, in line with the methodology set out in note 16.

How the matter was addressed in the audit

We audited the independent valuations of investment properties to ensure that where appropriate they had been prepared on a consistent basis for all properties, including those under construction, and in accordance with RICs standards and are considered to be appropriate and correctly recorded in the financial statements and in line with the Accounting Standards. We assessed the external valuer's qualifications and expertise and considered their terms of engagement. We also considered their objectivity and any other existing relationships with the group and concluded that there was no evidence that the valuer's objectivity had been compromised.

We engaged a property valuation specialist as our auditor expert to assist in the review of the valuations. They provided us with sector specific data to assist in our challenge of the assumptions applied by the valuer. In addition, we selected a sample of 8 sites that were either individually material or had valuation or yield movements that were higher or lower than expected from our overall review of the portfolio and requested they complete a detailed valuation review.

We discussed with the Investment Adviser and the valuer the overall movement in property values giving consideration to whether properties were fully developed or under construction and recognising the similarity of tenant profiles. We also specifically discussed any properties whose movement was not consistent with overall movements of the entire portfolio, to gain an understanding of why these exceptions were reasonable.

All sites were valued at fair value using a methodology consistent with the previous year. We discussed both methodologies with the Investment Adviser, the valuer, and the auditor's expert to ensure these were the most appropriate valuation methodologies for each property type.

For assets under construction we assessed the stage of development by reference to the stage of works completed to date and the amount still to be completed to the underlying documentation and forecasts.

We tested inputs provided by the asset manager to the valuer to ensure these reflected the key observable inputs for each property and considered whether market data for a sample of properties was consistent with the valuation report.

Key observations

We concluded that the fair values of the investment properties being adopted by the group were appropriate.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£7,860,000 (2019: £4,490,000)	£6,070,000 (2019: £3,152,000)
Basis for determining overall materiality	1.2% of Total assets	1.3% of Total assets
Rationale for benchmark applied	Total assets used as a benchmark as assessed that the shareholders will be primarily interested in the growth in the value of property, represented by the property valuation.	Total assets used as a benchmark as assessed that the shareholders will be primarily interested in the growth in the value of property, represented by the investments held by the parent company in its property holding subsidiaries.
Performance materiality	£5,890,000 (2019: £2,245,000)	£4,550,000 (2019: £1,576,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Materiality levels for transactions where materiality levels are lower than overall materiality	The income statement was tested to the lower Performance Materiality figure of £487,500 to reflect that the income statement values are significantly lower than those in the Statement of Financial Position.	The income statement was tested to the lower Performance Materiality figure of £487,500 to reflect that the income statement values are significantly lower than those in the Statement of Financial Position.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £50,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £50,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of 47 active components, all of which are based in the UK. All 47 entities were subject to full scope audit procedures by RSM UK Audit LLP.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 85, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- › Fair, balanced and understandable set out on page 69 - the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- › Audit committee reporting set out on pages 76 to 78 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- › Directors' statement of compliance with the UK Corporate Governance Code set out on page 67 - the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors'.

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

- › adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- › the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- › certain disclosures of Directors' remuneration specified by law are not made; or
- › we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 66 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of our audit, we will consider the susceptibility of the Group and parent company to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the

financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 25 April 2017 to audit the financial statements for the period ending 30 June 2018 and subsequent financial periods.

The period of total uninterrupted engagements is three years covering the periods ending 30 June 2018 to 30 June 2020.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Euan Banks (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
WC1B 3ST
 5 October 2020



Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
Rental Income	5	12,945	5,970
Non-recoverable property costs	6	(2,728)	(1,054)
Net rental income		10,217	4,916
Administrative Expenses			
Directors' remuneration	7	(140)	(123)
Investment advisory fee	9	(4,339)	(4,402)
Other administrative expenses	10	(1,681)	(1,354)
Total administrative expenses		(6,160)	(5,879)
Gain from fair value adjustment on investment property	16	15,806	15,609
Operating profit		19,863	14,646
Finance income	11	220	789
Finance cost	12	(3,676)	(864)
Profit before taxation		16,407	14,571
Taxation	13	-	-
Total comprehensive income for the year attributable to the equity holders of the Company		16,407	14,571
Earnings per share attributable to the equity holders of the Company:			
IFRS earnings per share (basic and diluted)	14	3.3p	2.9p

All of the Group activities are classed as continuing and there were no comprehensive gains or losses in the period other than those included in the statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**Company No. 10638461****As at 30 June 2020**

	Notes	30 June 2020 £'000	30 June 2019 £'000
ASSETS			
Non-current assets			
Investment property	16	577,119	362,275
		577,119	362,275
Current assets			
Trade receivables	18	191	89
Other receivables	18	3,463	5,379
Cash and cash equivalents	19	59,304	229,946
		62,958	235,414
Total assets		640,077	597,689
LIABILITIES			
Non-current liabilities			
Accruals and deferred income	20	4,598	2,954
Interest bearing loans and borrowings	21	145,244	100,000
		149,842	102,954
Current liabilities			
Trade and other payables	20	19,314	20,410
Total liabilities		169,156	123,364
Net assets		470,921	474,325
EQUITY			
Called up share capital	23	4,953	4,953
Share premium account	24	245,005	245,005
Capital reduction reserve	25	186,748	206,559
Retained earnings		34,215	17,808
Total equity attributable to the equity holders of the Company		470,921	474,325
IFRS net asset value per share (basic and diluted)	26	95.1p	95.8p

As at 30 June 2020, there is no difference between IFRS NAV per share and the EPRA NAV per share.

These consolidated group financial statements were approved by the Board of Directors and authorised for issue on 5 October 2020 and signed on its behalf by:

Steve Smith
Chairman



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Attributable to equity holders of the Company

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2018	4,943	244,025	233,800	3,237	486,005
Profit for the year	-	-	-	14,571	14,571
Share capital issued	10	961	-	-	971
Share capital issue credit	-	19	-	-	19
Dividend paid	-	-	(27,241)	-	(27,241)
At 30 June 2019	4,953	245,005	206,559	17,808	474,325
Profit for the year	-	-	-	16,407	16,407
Dividend paid	-	-	(19,811)	-	(19,811)
At 30 June 2020	4,953	245,005	186,748	34,215	470,921

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
Cash flows from operating activities			
Profit before tax		16,407	14,571
Finance income	11	(220)	(789)
Finance costs	12	3,676	864
Fair value adjustment on investment property	16	(15,806)	(15,609)
Cash generated by / (used in) operations		4,057	(963)
Increase in trade and other receivables		(1,680)	(1,684)
(Decrease) / Increase in trade and other payables		(3,677)	3,026
Net cash (used in) / generated from operating activities		(1,300)	379
Cash flows from investing activities			
Purchase of investment property at fair value through profit and loss		(193,772)	(216,292)
Finance income		236	823
Net cash used in investing activities		(193,536)	(215,469)
Cash flows from financing activities			
Bank and other loans	21	50,000	100,000
Finance costs	21	(5,995)	(2,877)
Issue of shares		-	971
Cost of share issue		-	(156)
Dividends paid	15	(19,811)	(27,241)
Net cash generated from financing activities		24,194	70,697
Net decrease in cash and cash equivalents		(170,642)	(144,393)
Cash and cash equivalents at beginning of year		229,946	374,339
Cash and cash equivalents at end of year	19	59,304	229,946

The accompanying notes are an integral part of this cash flow statement.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	17	456,349	325,701
		456,349	325,701
Current assets			
Other receivables	18	86,164	34,317
Cash and cash equivalents	19	2,012	88,945
		88,176	123,262
Total assets		544,525	448,963
Current liabilities			
Trade and other payables	20	121,409	647
Total liabilities		121,409	647
Net assets		423,116	448,316
EQUITY			
Called up share capital	23	4,953	4,953
Share premium account	24	245,005	245,005
Capital reduction reserve	25	186,748	206,559
Retained earnings		(13,590)	(8,201)
Total equity attributable to the equity holders of the Company		423,116	448,316

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The loss attributable to the Parent Company for the year ended 30 June 2020 amounted to £5.4 million (year ended 30 June 2019: loss of £4.7 million).

These financial statements were approved by the Board of Directors on 5 October 2020 and signed on its behalf by:

Steve Smith
Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2018	4,943	244,025	233,800	(3,469)	479,299
Loss for the year	-	-	-	(4,732)	(4,732)
Share capital issued in the year	10	961	-	-	971
Share capital issue credit	-	19	-	-	19
Dividends paid	-	-	(27,241)	-	(27,241)
At 30 June 2019	4,953	245,005	206,559	(8,201)	448,316
Loss for the year	-	-	-	(5,389)	(5,389)
Dividends paid	-	-	(19,811)	-	(19,811)
At 30 June 2020	4,953	245,005	186,748	(13,590)	423,116



COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
Cash flows from operating activities			
Loss before tax		(5,389)	(4,732)
Finance income		(58)	(686)
Cash used in operations		(5,447)	(5,418)
Increase in trade and other receivables		(51,863)	(4,638)
Increase / (Decrease) in trade and other payables		120,762	(489)
Net cash generated from / (used in) operating activities		63,452	(10,545)
Cash flows from investing activities			
Investment in subsidiaries	17	(130,648)	(221,429)
Finance income		74	731
Net cash used in investing activities		(130,574)	(220,698)
Cash flows from financing activities			
Issue of shares		-	971
Cost of share issue		-	(156)
Dividends paid	15	(19,811)	(27,241)
Net cash used in financing activities		(19,811)	(26,426)
Net decrease in cash and cash equivalents		(86,933)	(257,669)
Cash and cash equivalents at beginning of year		88,945	346,614
Cash and cash equivalents at end of year	19	2,012	88,945



Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The PRS REIT plc (“the PRS REIT”, “the Company” or “the Group”) is a public limited company incorporated on 24 February 2017 in England and having its registered office at Floor 3, 1 St. Ann Street, Manchester, M2 7LR with Company Number 10638461. The Company did not commence trading until 31 May 2017 when the IPO was completed. The Company is quoted on the Specialist Fund Segment of the Main Market of the London Stock Exchange. The nature of the Group’s operations and its principal activities are set out in the Chairman’s statement.

2. Financial risk management

The Group’s business activities are set out in the Strategic Report on pages 4 to 53. These activities expose the Group to a number of financial risks. The following describes the Group’s objectives, policies and processes for managing these risks and the methods used to measure them. The Group only operates in the UK and transacts in sterling. It is therefore not directly exposed to any foreign currency exchange risk. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

Capital risk management

The Group’s objectives for managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. The capital structure of the Group consists of cash and cash equivalents, equity and debt. The Group meets its objectives by aiming to achieve a steady growth by mitigating risk, which will generate regular and increasing returns to the shareholders. The Group also seeks to minimise the cost of capital and optimise its capital structure. At 30 June 2020 the Group had no short term debt (2019: nil). There were no changes in the Group’s approach to capital management during the year.

Financial instruments

The Group’s principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents. The Group’s other financial liabilities are loans, the main purpose of which is to finance the acquisition and development of the Group’s investment property portfolio.

	Amortised cost	
	2020 £’000	2019 £’000
<i>Financial assets</i>		
Trade and other receivables	3,654	5,468
Cash and other cash equivalents	59,304	229,946
Total financial assets	62,958	235,414
<i>Financial liabilities</i>		
Trade and other payables	23,912	23,364
Interest bearing loans	145,244	100,000
Total financial liabilities	169,156	123,364

Market risk

Risk relating to investment property

Investment in property is subject to varying degrees of risk. Some factors that affect the value of the investment in property include:

- › changes in the general economic climate;
- › competition from available properties; and
- › government regulations, including planning, environmental and tax laws.

Interest rate risk

The Group has limited interest rate risk on its loan from Scottish Widows. At 30 June 2020, the amount of loan drawn amounted to £150 million and carries a fixed rate interest of 3.138%. From time to time, certain of the Group's cash resources are placed on short-term fixed deposits or on short-term notice accounts to take advantage of preferential rates otherwise cash resources are held in current, floating rate accounts.

Credit risk

Credit risk is that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk both from its property activities and financing activities.

Credit risk relating to property activities

The Group receives property rental income from its investments in PRS assets. Risk is mitigated as PRS assets consist of residential family housing with multiple tenants in multiple locations. Rental income is paid monthly in advance. Rental income outstanding and due to the Group as at 30 June 2020 amounted to £191,000 (2019: £89,000).

Credit risk arising related to financial instruments including cash deposits

Risk arises as a result of the cash deposits with banks and financial institutions. The Board of Directors believe the credit risk on short-term deposits and current account balances are limited as they are held with banks with high credit ratings. As at 30 June 2020, short-term deposits and current account balances were held with the following banks:

Royal Bank of Scotland plc
Barclays Bank PLC
Lloyds Banking Group plc

Company credit risk relating to amounts due from Group undertakings

All balances are considered to be recoverable and are not past due. The total expected credit loss ("ECL") provision relating to loans and receivables for the Company is £nil (2019: £nil).

Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure that there are sufficient resources for capital expenditure and working capital requirements. As at 30 June 2020, the Group's amount of current financial assets was in excess of its current financial liabilities by £44 million (2019: £210 million). The table below summarises the maturities of the Group's non-derivative financial liabilities as at 30 June 2020 and 30 June 2019.

	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2020						
Trade and other payables	5	11,608	7,701	4,598	-	23,912
Loans	-	1,130	3,390	18,080	196,193	218,793
	5	12,738	11,091	22,678	196,193	242,705
2019						
Trade and other payables	5	12,948	7,457	2,954	-	23,364
Loans	-	784	2,354	12,552	123,728	139,418
	5	13,732	9,811	15,506	123,728	162,782

3. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The Company has prepared its financial statements in accordance with IFRS as adopted for use in the European Union and in compliance with the applicable provisions of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to investment properties (IAS40) which are measured as fair value through profit and loss.

The financial information is presented in Pounds Sterling, which is also the functional currency, and all values are rounded to the nearest thousand pounds except where otherwise stated.

3.1 Going concern

The consolidated and Company financial statements have been prepared on a going concern basis. The Group's cash balances at 30 June 2020 were £59 million of which £6 million has been accessed since the year end. The Group had debt borrowing as at 30 June 2020, of £150 million, and has secured further facilities of £300 million comprising £175 million of investment debt and £125 million of development debt facilities. A portion of the development debt facilities were utilised subsequent to the year-end to enable the Group to continue to develop asset to completion and enabling the letting of these to tenants. Following stabilisation on a site, which comprises practical completion and substantial letting, investment debt is drawn down to replace the development debt facilities utilised.

Capital commitments outstanding as at 30 June 2020 were £172 million. The Group's ERV as at 30 June 2020, was £19.1 million from 2,082 homes and has increased to £24.3 million from 2,634 homes as at 30 September 2020. This has increased the Company's recurring income and at this level is more than sufficient to cover monthly cash costs. Based on the prevailing run-rate of monthly cash costs and average rent levels, only 1,850 homes require to generate income to cover monthly cash outlays.

As a result of the COVID-19 crisis we are monitoring closely the effects of the lockdown imposed during April and May 2020 and the potential for a further lockdown later in 2020 and the potential impact on our suppliers and customers. For further information see the COVID-19 and Going concern review on pages 9 to 11.

Therefore, the Directors believe the Group and Company are well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's consolidated financial statements and the Company's financial statements for the year ended 30 June 2020.

3.2 Business combinations

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

3.3 Adoption of new and revised standards

Other than as disclosed below, the accounting policies applied are the same as those applied in the financial statements for the period ended 30 June 2019.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements the following standards, which have not been applied in these financial statements, were in issue but not yet effective. These standards, which are effective for annual periods beginning on or after 1 January 2020, unless otherwise stated, have been adopted by the EU.

- › Amendments to References to the Conceptual Framework in IFRS Standards;
- › Amendments to IFRS 16, Covid-19 rent concession;
- › Amendments to IFRS3, definition of a business as key; and
- › IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

The Company is currently assessing the impact of these amendments to the accounting standards. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases. The new standard results in almost all leases held by a lessee being recognised on the balance sheet as an asset and liability, with the historical distinction between operating and finance leases removed. IFRS 16 applies to leases previously classified as operating leases where the Group is lessee. IFRS 16 has not impacted operating leases held by the Group where the Group is lessor, therefore the standard does not have a material impact on the Group. The accounting for lessors has not significantly changed.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no comparative period restatement.

As a lessor

The Group leases residential property to individual qualifying tenants on assured short-hold tenancies which are no longer than twelve months. The tenancy agreements do not contain any non-lease elements such as insurance or common area maintenance.

As a lessee

The Group has entered into ground leases on some of its sites. The impact of IFRS 16 is a £1 million increase in investment property and a corresponding increase in liabilities of £1 million.

The adoption of IFRS 16 has an immaterial impact on net assets and underlying profit before tax. Therefore, the adoption of IFRS 16 will have an immaterial impact on alternative performance measures.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application, 1 July 2019.

Right-of-use (“ROU”) assets

The Group recognises ROU assets at the commencement date of the lease. ROU assets are measured at fair value. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, lease payments are allocated between the liability and finance cost with the amount of the lease liability being increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, change in the lease term or change in the in-substance fixed lease payments.

4. Summary of significant accounting policies

Basis of Consolidation

The financial statements comprise of the financial information of The PRS REIT plc and its subsidiary undertakings. Subsidiaries are all entities over which the Group has control. The financial information of the subsidiaries is included in the consolidated financial statements from the date that control commences. All intra group transactions are eliminated on consolidation.

Segmental reporting

For the current year and prior year, the Directors regard the Group as having just one reportable segment, Property, and the business only operates in the United Kingdom. Segmental information is not therefore disclosed in these financial statements.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment

property under IAS 40. Investment property, is measured initially at its cost including related transactions costs. After initial recognition, investment property is carried at fair value. Investment properties under construction are initially recognised at cost including related transaction costs. Subsequently, the assets are re-measured at fair value at each reporting date by where:

- › Fair value (at the date of valuation) = total development cost plus expected final uplift in valuation multiplied by % of site development completed; where
- › Expected final uplift = Expected Investment value on completion less gross development cost

This method of valuation is the same as that reported at 30 June 2019 and the Board believes this is a much simpler and more transparent method of valuation than the residual approach historically adopted. Importantly, it provides a true worth and fair value of the assets during the construction phase.

The investment properties are externally valued by Savills. Savills are qualified external valuers who hold a recognised and relevant professional qualification. Gains or losses arising from changes in the fair value of the Group's investment properties are included in profit from operations in the income statement of the period in which they arise. Investment property falls within level 3 of the fair value hierarchy as defined by IFRS 13. Further details are provided in note 16.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost using the effective interest method. Impairment provisions are recognised based on the expected credit loss model detailed within IFRS 9. The expected credit losses on financial assets are estimated based on the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general and, where material, local economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. We have engaged with tenants who have encountered financial difficulties during the COVID-19 pandemic and entered into payment plans where appropriate. Rent and legal insurance policies are in place and we currently consider the risk of bad debts to be immaterial, although the situation remains under constant review. As at 30 June 2020 the Group's loss allowance for expected credit losses on trade receivables was £24,000 (2019: £13,000).

The receivables due to the Company from subsidiaries are loans, these are stated at cost less any allowance for expected credit losses.

Cash

Cash and cash equivalents comprise cash in hand, cash at bank, cash held in treasury deposits and restricted cash. Further details are provided in note 19.

Trade and other payables

Trade and other payables are not interest bearing and are stated at their amortised cost.

Taxation

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be recognised.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Revenue Recognition

Rental income arises from assured shorthold tenancies on investment properties with a period no longer than 12 months and is accounted for on an accruals basis.

Expenses

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

Finance income

Finance income is recognised as it accrues on cash balances and treasury deposits held by the Group.

Finance costs

Interest is charged as it accrues on bank loans held by the Group.

Costs of borrowing

Borrowing costs including legal and professional fees are capitalised and are amortised over the debt term.

Share issue costs

The costs of issuing equity instruments are accounted for as a deduction from equity.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial information requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Acquisition of subsidiaries – as a group of assets and liabilities

During the period, the Group acquired a further six property owning special purpose vehicles. The Directors considered whether these acquisitions meet the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that acquisitions did not meet the criteria for the acquisition of a business as outlined in IFRS 3 as they did not have an integrated set of activities and assets that were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. Furthermore, a business consists of inputs and process applied to those inputs that have the ability to create outputs. The fair value of identifiable assets and liabilities is allocated on the basis of their relative fair values at the date of purchase.

The Directors have reviewed the fair value of the assets and liabilities as at the date of the acquisitions which were as follows:

	Investment properties acquired £'000	Other receivables £'000	Other payables £'000	Total consideration paid £'000
Sigma PRS Investments (Houghton Regis II) Limited	5,360		-	5,360
Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	4,954	-	-	4,954
Sigma PRS Investments (Houghton Regis Parcel 8 II) Limited	1,405	-	-	1,405
Sigma PRS Investments (Brackenhoe) Limited	2,757	-	-	2,757
Sigma PRS Investments (Owens Farm II) Limited	8,170	17	(49)	8,138
Sigma PRS Investments (Dawley Road II) Limited	388	-	-	388
	23,034	17	(49)	23,002

- Investment property is measured at fair value as at the date of the acquisition of the subsidiary by an independent valuation expert.
- Other receivables and other payables are taken as being the value recorded in the accounts of the company acquired, being the amounts actually recoverable or payable.

(ii) Fair value of investment property

The fair value of any property, including investment property under construction is determined by an independent property valuation expert to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. The valuation experts use recognised valuation techniques applying principles of both IAS40 and IFRS13.

The key assumptions that are used in the fair value assessment of completed assets are estimated rental value, net investment yield and gross to net deductions. The key assumptions that are used in the fair value assessment of assets under construction are investment value on completion and, gross development costs, taking into account construction costs spent and forecast costs to completion.

The valuations are prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 ("Red Book").

5. Rental income

	2020 £'000	2019 £'000
Gross rental income from investment property	12,945	5,970
	12,945	5,970

The Group's investment property consists of residential housing for the private rented sector and therefore has multiple tenants across multiple sites. As a result, it does not have any significant customers.

6. Non-recoverable property costs

	2020 £'000	2019 £'000
Other property expenses and irrecoverable costs	2,728	1,054
	2,728	1,054

Non-recoverable property costs represent direct operating expenses in relation to rental income arising on investment properties.

7. Directors' remuneration

	2020 £'000	2019 £'000
Directors' emoluments	140	123
	140	123

The Directors are remunerated for their services at such rate as the Board shall from time to time determine.

8. Particulars of employees

The Group had no employees during the year or prior year other than the Directors.

9. Investment advisory fees

	2020 £'000	2019 £'000
Advisory fee	4,339	4,402
	4,339	4,402

Sigma PRS Management Ltd is appointed as the Investment Adviser of the Company. Under the current Investment Management Agreement, the Advisory Fee shall be an amount calculated in respect of each month, in each case based upon the Adjusted Net Asset Value on the following basis:

- (a) 1 per cent per annum of the Adjusted Net Asset Value up to, and including, £250 million;
- (b) 0.90 per cent per annum of the Adjusted Net Asset Value in excess of £250 million and up to, and including, £500 million;
- (c) 0.80 per cent per annum of the Adjusted Net Asset Value in excess of £500 million and up to, and including, £1 billion; and
- (d) 0.70 per cent per annum of the Adjusted Net Asset Value in excess of £1 billion.

The appointment of the Investment Adviser shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 31 May 2023.

10. Administrative expenses

	2020 £'000	2019 £'000
Legal and professional fees	133	210
Administration and secretarial fees	117	151
Audit and tax fees	313	157
Valuation fees	365	227
Depositary fees	51	43
Financial adviser and broker	60	60
Insurance	37	27
Public relations	124	66
Regulatory fees	172	169
Sundry expenses	23	12
Subscriptions	29	26
Write off of receivables	24	13
Costs of acquisition of subsidiaries	30	28
Disallowed VAT	203	165
	1,681	1,354

Services provided by the Group's Auditors and its associates

The Group has obtained the following services from its Auditor and its associates:

	2020 £'000	2019 £'000
Audit of the Group financial statements	98	80
Audit of the subsidiary financial statements	84	50
Agreed upon procedures on the half year financial statements	19	18
	201	148

11. Finance income

	2020 £'000	2019 £'000
Interest on short term deposits	220	789
	220	789

12. Finance cost

	2020 £'000	2019 £'000
Amortisation of debt legal costs and arrangement fees	242	69
Interest on bank loans	3,434	795
	3,676	864

13. Taxation

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the current year and prior year, 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. No deferred tax asset has been recognised in respect of the unutilised residual current period losses from non-qualifying activities as it is not anticipated that sufficient residual profits will be generated from these in the future.

	2020 £'000	2019 £'000
Current and deferred tax		
Corporation tax charge/(credit) for the period	-	-
Total current income tax charge/(credit) in the income statement	-	-

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

	2020 £'000	2019 £'000
Profit before tax	16,407	14,571
Tax at UK corporation tax standard rate of 19%	3,117	2,768
Change in value of exempt investment properties	(3,003)	(2,966)
Exempt REIT income	(470)	(719)
Amounts not deductible for tax purposes	8	5
Unutilised residual current period tax losses not recognised in deferred tax	348	816
Difference in deferred tax rates	-	96
	-	-

From 1 April 2017 to 30 June 2020, the standard rate of corporation tax in the UK was 19%.

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

14. Earnings per share

Earnings per share (“EPS”) amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are no dilutive instruments, only basic earnings per share is quoted below.

The calculation of basic and diluted earnings per share is based on the following:

	2020 £'000	2019 £'000
Net profit attributable to ordinary shareholders	16,407	14,571
EPRA adjustments:		
Changes in value of investment properties	(15,806)	(15,609)
EPRA Net profit / (loss) attributable to ordinary shareholders	601	(1,038)
Weighted average number of ordinary shares	495,277,294	495,180,547
Earnings per share (pence)	3.3	2.9
EPRA profit / (loss) per share (pence)	0.1	(0.2)

15. Dividends

The following dividends were paid during the current year and prior year:

	2020 £'000	2019 £'000
Dividends on ordinary shares declared and paid:		
Dividend of 2.5p for the 3 months to 30 June 2018	-	12,382
Dividend of 1.0p for the 3 months to 30 September 2018	-	4,953
Dividend of 1.0p for the 3 months to 31 December 2018	-	4,953
Dividend of 1.0p for the 3 months to 31 March 2019	-	4,953
Dividend of 2.0p for the 3 months to 30 June 2019	9,905	-
Dividend of 1.0p for the 3 months to 30 September 2019	4,953	-
Dividend of 1.0p for the 3 months to 31 December 2019	4,953	-
	19,811	27,241
Proposed dividends on ordinary shares:		
3 months to 30 June 2019: 2.0p per share	-	9,905
3 months to 31 March 2020: 1.0p per share	4,953	-
3 months to 30 June 2020: 1.0p per share	4,953	-
	9,906	9,905

See note 32 for further information on proposed dividends.

16. Investment property

The freehold, leasehold and part freehold part leasehold interests in the properties held within the PRS REIT were independently valued as at 30 June 2020 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the PRS REIT as defined by the Alternative Investment Fund Managers Regulations 2013). Savills (UK) Limited are an accredited External Valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The valuations accord with the requirements of IFRS 13 and the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards (the "RICS Red Book"). The valuation basis conforms to International Valuation Standards and is based on market evidence of investment yields, expected gross to net income deduction rates and actual and expected rental values.

The valuations are the ultimate responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

	Completed Assets £'000	Assets under Construction £'000	Total £'000
At 30 June 2018	43,635	77,474	121,109
Properties acquired on acquisition of subsidiaries	34,665	11,787	46,452
Property additions - subsequent expenditure	-	179,105	179,105
Change in fair value	1,605	14,004	15,609
Transfers to completed assets	73,020	(73,020)	-
At 30 June 2019	152,925	209,350	362,275
Right of use assets	1,019	-	1,019
Properties acquired on acquisition of subsidiaries	8,170	14,864	23,034
Property additions - subsequent expenditure	-	174,985	174,985
Change in fair value	2,290	13,516	15,806
Transfers to completed assets	66,898	(66,898)	-
At 30 June 2020	231,302	345,817	577,119

The historic cost of completed assets and assets under construction as at 30 June 2020 was £540.2 million (2019: £341.2 million).

The carrying amount of investment property pledged as security as at 30 June 2020 was £ 212.1 million (2019: nil).

During the current financial year, the Group adopted the new accounting standard IFRS 16, Leases, and has recognised a right-of-use asset within investment property in relation to ground rents payable on certain investment property sites.

Fair Values

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

- Level 1** quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3** unobservable inputs for the asset or liability.

Investment property falls within Level 3.

The investment valuations provided by the external valuation expert are based on RICS Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions. The significant unobservable inputs and the range of values used are:

Type	Range
Investment yield	4.05% to 4.85%
Gross to net assumption	22.5% to 25.0%

Development assets are valued based on total development cost plus expected final uplift in valuation multiplied by % of site development completed. The range of % completions was from 24% to 99%. The final investment value uses the assumptions stated above.

The impact of changes to the significant unobservable inputs for completed and development assets are:

	2020 Impact on statement of comprehensive income £'000	2020 Impact on statement of financial position £'000	2019 Impact on statement of comprehensive income £'000	2019 Impact on statement of financial position £'000
Improvement in yield by 0.125%	16,780	16,780	10,411	10,411
Worsening in yield by 0.125%	(15,856)	(15,856)	(9,934)	(9,934)
Improvement in gross to net by 1%	7,973	7,973	4,647	4,647
Worsening in gross to net by 1%	(6,938)	(6,938)	(4,742)	(4,742)

17. Investment in Subsidiaries**Company**

	2020 £'000	2019 £'000
Cost at the start of the period	325,701	104,273
Additions during the period	130,648	221,428
Cost at the end of the period	456,349	325,701

NOTES TO THE FINANCIAL STATEMENTS

The Group comprises a number of companies, all subsidiaries included within these financial statements are noted below:

Ownership Name of Entity	Principal Activity	Country of Incorporation	%
The PRS REIT Development Company Limited	Property Investment	England	100%
The PRS REIT Development Company II Limited	Property Investment	England	100%
The PRS REIT Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT Investments LLP	Property Investment	England	100%
The PRS REIT Investments II LLP	Property Investment	England	100%
The PRS REIT Memberco Limited	Property Investment	England	100%
The PRS REIT Memberco II Limited	Property Investment	England	100%
The PRS REIT (LBG) Borrower Limited	Property Investment	England	100%
The PRS REIT (LBG) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (LBG) Investments LLP	Property Investment	England	100%
The PRS REIT (LBG) Memberco Limited	Property Investment	England	100%
The PRS REIT (SW) Borrower Limited	Property Investment	England	100%
The PRS REIT (SW) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (SW) Investments LLP	Property Investment	England	100%
The PRS REIT (SW) Memberco Limited	Property Investment	England	100%
The PRS REIT (SW II) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (SW II) Borrower Limited	Property Investment	England	100%
The PRS REIT (SW II) Memberco Limited	Property Investment	England	100%
The PRS REIT (SW II) Investments LLP	Property Investment	England	100%
The PRS REIT (Barclays) Memberco Limited	Property Investment	England	100%
The PRS REIT (Barclays) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (Barclays) Borrower Limited	Property Investment	England	100%
Sigma PRS Investments I Limited	Property Investment	Scotland	100%
Sigma PRS Investments II Limited	Property Investment	England	100%
Sigma PRS Investments VI Limited	Property Investment	England	100%
Sigma PRS Investments IV Limited	Property Investment	England	100%
Sigma PRS Investments VIII Limited	Property Investment	England	100%
Sigma PRS Investments (Baytree II) Limited	Property Investment	England	100%
Sigma PRS Investments (Brackenhoe) Limited	Property Investment	England	100%
Sigma PRS Investments (Cable Street II) Limited	Property Investment	England	100%
Sigma PRS Investments (Carr Lane II) Limited	Property Investment	England	100%
Sigma PRS Investments (Darlaston II) Limited	Property Investment	England	100%
Sigma PRS Investments (Darlaston Phase 2 II) Limited	Property Investment	England	100%
Sigma PRS Investments (Dawley Road II) Limited	Property Investment	England	100%
Sigma PRS Investments (Newton Le Willows II) Limited	Property Investment	England	100%
Sigma PRS Investments (Our Lady's) Limited	Property Investment	England	100%
Sigma PRS Investments (Owens Farm) Limited	Property Investment	England	100%
Sigma PRS Investments (Sutherland School II) Limited	Property Investment	England	100%
Sigma PRS Investments (Whitworth Way II) Limited	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis) Limited	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis II) Limited	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8II) Limited	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	Property Investment	England	100%
The PRS REIT (Airfields II) Limited	Property Investment	England	100%
The PRS REIT (Airfields) Limited	Property Investment	England	100%
The PRS REIT (Bilston Urban Village) Limited	Property Investment	England	100%

Ownership Name of Entity	Principal Activity	Country of Incorporation	%
The PRS REIT (Brickkiln Place) Limited	Property Investment	England	100%
The PRS REIT (Cable Street) Limited	Property Investment	England	100%
The PRS REIT (Durham Street) Limited	Property Investment	England	100%
The PRS REIT (East Hill) Limited	Property Investment	England	100%
The PRS REIT (Eaton Works) Limited	Property Investment	England	100%
The PRS REIT (Entwistle Road) Limited	Property Investment	England	100%
The PRS REIT (Heathfield Lane) Limited	Property Investment	England	100%
The PRS REIT (LB 5) Limited	Property Investment	England	100%
The PRS REIT (Newhaven) Limited	Property Investment	England	100%
The PRS REIT (Norwich Street) Limited	Property Investment	England	100%
The PRS REIT (Potteries) Limited	Property Investment	England	100%
The PRS REIT (QVS) Limited	Property Investment	England	100%
The PRS REIT (Redcar) Limited	Property Investment	England	100%
The PRS REIT (Reginald Road) Limited	Property Investment	England	100%
The PRS REIT (Riverside College) Limited	Property Investment	England	100%
The PRS REIT (Roch Street) Limited	Property Investment	England	100%
The PRS REIT (Romanby Shaw) Limited	Property Investment	England	100%
The PRS REIT (Sutherland School) Limited	Property Investment	England	100%
The PRS REIT (Tower Hill 3) Limited	Property Investment	England	100%
The PRS REIT (Whitworth Way) Limited	Property Investment	England	100%
Sigma PRS Investments (Baytree II) Limited	Dormant	England	100%
Sigma PRS Investments (Cable Street II) Limited	Dormant	England	100%
Sigma PRS Investments (Carr Lane II) Limited	Dormant	England	100%
Sigma PRS Investments (Dawley Road) Limited	Dormant	England	100%
Sigma PRS Investments (Darlaston II) Limited	Dormant	England	100%
Sigma PRS Investments (Darlaston Phase 2 II) Limited	Dormant	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8) Limited	Dormant	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8A) Limited	Dormant	England	100%
Sigma PRS Investments (Newton LE Willows II) Limited	Dormant	England	100%
Sigma PRS Investments (Owens Farm II) Limited	Dormant	England	100%
Sigma PRS Investments (Sutherland School II) Limited	Dormant	England	100%
Sigma PRS Investments (Whitworth Way II) Limited	Dormant	England	100%
Sigma PRS Investments III Limited	Dormant	England	100%
Sigma PRS Investments V Limited	Dormant	England	100%
Sigma PRS Investments VII Limited	Dormant	England	100%
Sigma PRS Investments IX Limited	Dormant	England	100%
The PRS REIT (Beehive) Limited	Dormant	England	100%
The PRS REIT (Bombardier) Limited	Dormant	England	100%
The PRS REIT (Bullcote Lane) Limited	Dormant	England	100%
The PRS REIT (Christopher Street) Limited	Dormant	England	100%
The PRS REIT (Harlow Phase II) Limited	Dormant	England	100%
The PRS REIT (Hexthorpe Phase A) Limited	Dormant	England	100%
The PRS REIT (Hexthorpe Phase B) Limited	Dormant	England	100%
The PRS REIT (Hilton Park) Limited	Dormant	England	100%
The PRS REIT (Manor Boot) Limited	Dormant	England	100%
The PRS REIT (Minky Works) Limited	Dormant	England	100%
The PRS REIT (Rugby) Limited	Dormant	England	100%
The PRS REIT (Station Road) Limited	Dormant	England	100%
The PRS REIT Investments Holding Company Limited	Dormant	England	100%

The registered office for the subsidiaries across the Group is: Floor 3, 1 St. Ann Street, Manchester, M2 7LR, except for Sigma PRS Investments I Limited whose registered office is: 18 Alva Street, Edinburgh, EH2 4QG.

18. Trade and other receivables

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Trade receivables	191	-	89	-
Receivables from group undertakings	-	85,723	-	34,076
Accrued income	65	5	132	21
Social security and other taxes	691	-	1,037	-
Prepayments and other receivables	2,707	436	4,210	220
	3,654	86,164	5,468	34,317

Trade and other receivables are shown after deducting a provision for bad and doubtful debts of £35,000 (2019: £13,000). The provision for doubtful debts is calculated as an expected credit loss on trade and other receivables in accordance with IFRS 9. The charge to the income statement in relation to write-offs and provisions made against doubtful debts was £24,000 (2019: £13,000). The expected credit loss provided for and written off is determined on an individual basis. In the current reporting period, an additional review of tenant debtors was undertaken to assess recoverability in light of the COVID-19 pandemic.

At the end of the reporting period, the Company had no provision for expected loss allowances (2019: £nil) in relation to balances receivable from subsidiaries as recovery of the amounts due is considered probable.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group's maximum exposure on credit risk is the carrying value of trade receivables as presented above. As at 30 June 2020, £109,000 of trade receivables are more than thirty days old (2019: £55,000). The Group has no pledge as security on trade receivables.

19. Cash and cash equivalents

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Restricted cash	54,315	-	125,000	-
Cash held with solicitors	-	-	7,569	-
Cash at bank	4,989	2,012	97,377	88,945
	59,304	2,012	229,946	88,945

Restricted cash comprises £54.3 million (2019: £125 million) in funds held in a bank account controlled by one of the Group's lenders and are released to free cash once certain loan conditions are met.

20. Trade and other payables

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Current Liabilities				
Trade payables	8,849	1,007	12,953	499
Payables to group undertakings	-	119,716	-	-
Accruals and deferred income	10,460	679	7,438	141
Other creditors	-	2	14	2
Social security and other taxes	5	5	5	5
	19,314	121,409	20,410	647
Non-Current Liabilities				
Accruals and deferred income	4,598	-	2,954	-
	23,912	121,409	23,364	647

21. Interest bearing loans and borrowings

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Non-current liabilities				
Bank loans at 1 July	100,000	-	-	-
Loans advanced in the year	50,000	-	100,000	-
Capitalised loan costs*	(5,774)	-	-	-
Bank loans at 30 June	144,226	-	100,000	-
Lease liability	1,019	-	-	-
Total loans and borrowings	145,244	-	100,000	-

*Included in prepayments in prior year.

Bank loans

Through its subsidiaries the Company has granted fixed and floating charges over certain investment property assets to secure the loans. At 30 June 2020 and 30 June 2019, the only other asset secured was £25 million of cash collateral.

The Group's borrowing facilities are with Scottish Widows and Lloyds Banking Group plc. At 30 June 2020, these comprised two fixed-rate term facilities from Scottish Widows for an aggregate of £250 million with a weighted average maturity of 17.6 years and a revolving credit facility with Lloyds Banking Group plc for £150 million.

At 30 June 2020, the Company had drawn down £150 million from the fixed rate term facilities with Scottish Widows, which can be utilised when investment property is pledged as security. The Group's maximum loan to value ratio can be no more than 45%. As at 30 June 2020 the Group's loan to value was 25% (2019: nil).

Reconciliation of movements of borrowings to cash flows arising from financing activities:

	2020 £'000	2019 £'000
Balance as at 1 July	100,000	-
Proceeds from borrowings	50,000	100,000
Interest paid	(3,360)	(675)
Arrangement and commitment fees	(2,635)	-
Other - non cash movement	221	675
	144,226	100,000

22. Leases

Lease liabilities as lessee

During the current financial year, the Group adopted the new accounting standard IFRS 16, Leases. The lease liabilities recognised as a result of IFRS 16 are shown in the table below, the Group has no other leases.

	Group 2020 £'000	Group 2019 £'000
Lease liabilities	1,019	1,051
Amounts recognised in the income statement in non-recoverable property costs	32	32

Lease liabilities as lessor

The future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's property portfolio are as follows:

	Group 2020 £'000	Group 2019 £'000
Receivable within 1 year	9,350	5,352
	9,350	5,352

The Group's receivable leases are assured shorthold tenancies usually for periods for up to one year.

23. Share capital

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

Group and Company	2020 No. of shares	2020 Share capital £'000	2019 No. of shares	2019 Share capital £'000
Balance at the beginning of year	495,277,294	4,953	494,348,018	4,943
Shares issued in relation to management contract	-	-	929,276	10
Balance at end of year	495,277,294	4,953	495,277,294	4,953

The Company was admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange on 31 May 2017.

24. Share premium reserve

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

Group and Company	2020 £'000	2019 £'000
Balance at beginning of year	245,005	244,025
Share premium arising on shares issued in relation to management contract	-	961
Share issue credit/(expense) in relation to the Placing Programme	-	19
Balance at end of year	245,005	245,005

25. Capital reduction reserve

The capital reduction reserve is a distributable reserve to which the value of share premium, as a result of the IPO, has been transferred. Dividends can be paid from this reserve.

	2020 £'000	2019 £'000
Balance at beginning of year	206,559	233,800
Dividend paid of 2.5p per share for the period ended 30 June 2019	-	(12,382)
Dividend paid of 1.0p per share for the period ended 30 September 2018	-	(4,953)
Dividend paid of 1.0p per share for the period ended 31 December 2018	-	(4,953)
Dividend paid of 1.0p per share for the period ended 31 March 2019	-	(4,953)
Final dividend paid of 2.0p per share for the year ended 30 June 2019	(9,905)	-
Dividend paid of 1.0p per share for the period ended 30 September 2019	(4,953)	-
Dividend paid of 1.0p per share for the period ended 31 December 2019	(4,953)	-
Balance at end of year	186,748	206,559

26. IFRS Net Asset Value per share

Basic NAV per share is calculated by dividing net assets in the 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. As there are no dilutive instruments, only basic NAV per share is quoted below.

Net asset values have been calculated as follows:

	2020	2019
Net assets at end of year (£'000)	470,921	474,325
Shares in issue at end of year	495,277,294	495,277,294
Basic IFRS NAV per share (pence)	95.1	95.8

The NAV per share calculated on an EPRA basis is the same as the IFRS NAV per share for the year ended 30 June 2020 and the year ended 30 June 2019.

27. Controlling parties

As at 30 June 2020 and 30 June 2019, there was no ultimate controlling party.

28. Consolidated entities

The Group consists of a parent company, The PRS REIT plc, incorporated in the UK and a number of subsidiaries held directly and indirectly by The PRS REIT plc, which operate and are incorporated in the UK.

The Group owns 100% equity shares of all subsidiaries as listed in note 17 and has the power to appoint and remove the majority of the Board of Directors of those subsidiaries. The relevant activities of the subsidiaries are determined by the Board of Directors based on simple majority votes. Therefore the Directors of the Group concluded that the Group has control over all these entities and all these entities have been consolidated within the financial statements.

29. Capital commitments

The Group has entered into contracts with unrelated parties for the construction of residential housing with a total value of £628.5 million (2019: £525.8 million). As at 30 June 2020, £172.3 million (2019: £260.2 million) of such commitments remained outstanding.

30. Related party disclosure

The number of shares owned by the Directors of the Company as at 30 June 2020 along with dividends they received during the period is as follows:

Company Director	No. of shares held		Dividends received	
	2020	2019	2020	2019
Roderick MacRae	100,000	100,000	£4,000	£5,500
Steffan Francis	60,000	50,000	£2,300	£1,650
Steve Smith	80,000	80,000	£3,200	£4,400
Jim Prower	22,000	-	£880	-

For the current year, Directors' fees of £140,000 (2019: £114,000) were incurred.

31. Transactions with Investment Adviser

On 31 March 2017, Sigma PRS Management Ltd ("Sigma PRS") was appointed as the Investment Adviser of the Company.

For the year ended 30 June 2020, fees of £4.3 million (2019: £4.4 million) were incurred and payable to Sigma PRS in respect of investment advisory services. At 30 June 2020, £1.1 million (2019: £0.4 million) remained unpaid.

For the year ended 30 June 2020, development fees of £7.3 million (2019: £7.3 million) were incurred and payable to Sigma PRS. At 30 June 2020, £0.7 million (2019: £0.7 million) remained unpaid.

For the year ended 30 June 2020, administration and secretarial services of £90,000 (2019: £90,000) were incurred and payable to Sigma Capital Property Ltd, a fellow subsidiary of the ultimate holding company of the Investment Adviser. At 30 June 2020, £23,000 (2019: £23,000) remained unpaid.

For the year ended 30 June 2020, Sigma PRS acquired 750,000 (2019: 3,194,274) shares in the Company. The shares purchased during the year were acquired in the market at an average price of 94.9 pence per share. Of the 3,194,274 shares acquired in the prior year, 929,276 were new shares issued by the Company at a price of 104.5 pence per share. The remaining 2,264,998 shares acquired in the prior year were purchased in the market at an average price of 100 pence per share. Sigma PRS's shareholding as at 30 June 2020 was 4,389,852 (2019: 3,639,852), which represents 0.73% (2019: 0.89%) of the issued share capital in the Company. All the shares acquired in the year and prior year were in accordance with the Development Management Agreement between the Company and Sigma PRS.

For the year ended 30 June 2020, Sigma PRS received dividends from the Company of £179,000 (2019: £99,000).

During the year, the Company acquired the following subsidiaries from Sigma Capital Group plc, the ultimate holding company of the Investment Adviser:

Name of Entity	Consideration
Sigma PRS Investments (Houghton Regis) Limited Sigma PRS Investments (Houghton Regis II) Limited	£5.4 million
Sigma PRS Investments (Houghton Regis Parcel 8) Limited Sigma PRS Investments (Houghton Regis Parcel 8 II) Limited	£1.4 million
Sigma PRS Investments (Houghton Regis Parcel 8A) Limited Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	£5.0 million
Sigma PRS Investments (Brackenhoe) Limited	£2.8 million
Sigma PRS Investments (Owens Farm) Limited & Sigma PRS Investments (Owens Farm II) Limited	£8.2 million
Sigma PRS Investments (Dawley Road) Limited & Sigma PRS Investments (Dawley Road II) Limited	£0.4 million

32. Post balance sheet events

Dividends

On 18 June 2020, the Company declared a dividend of 1.0p per ordinary share in respect of the third quarter of the current financial year. The dividend was paid on 17 July 2020 to shareholders on the register as at 26 June 2020.

On 7 August 2020, the Company declared a dividend of 1.0p per ordinary share in respect of the fourth quarter of the current financial year. The dividend was paid on 18 September 2020 to shareholders on the register as at 21 August 2020.

Acquisition of Investment Properties

Since the year end and to the date of this report, the Company acquired 100% of the ordinary share capital of the following subsidiaries for total consideration of £11.8 million, from Sigma Capital Property Ltd for development of investment property:

Sigma PRS Investments (Bury St Edmunds) Limited
 Sigma PRS Investments (Bury St Edmunds II) Limited
 Sigma PRS Investments (Lea Hall) Limited
 Sigma PRS Investments (Lea Hall II) Limited

Subsequent to the year end in September 2020, the REIT acquired two development sites with planning permission for the construction of 188 homes once completed at Hexthorpe in Doncaster from a third party house builder for consideration of £2.2 million.

Additional debt facilities

In September 2020, an additional £50 million of development debt facilities were approved with Barclays Bank PLC.

COVID-19

Subsequent to the year end, the COVID-19 pandemic has led to uncertainty in all walks of life. The impact on the Group and Company and how it is placed is discussed throughout these financial statements. The Directors believe that the business is resilient, the delivery model and processes substantially mitigate the Group's exposure to construction and other operational risks, and we have a robust balance sheet and low gearing. Our customer base is diversified and the underlying demand for good quality rental housing is strong.

The Directors continue to carefully monitor the COVID-19 situation and are responding appropriately. The Group's partnership with Countryside Properties, as well as preparations for Brexit, means that we had already undertaken significant advance bulk-purchasing of building materials before the current crisis, which will help to ensure cost stability and supply. Countryside Properties' new factories, producing modular homes, also improves efficiencies in the delivery process. The delivery model, including fixed price contracts, also substantially reduces the PRS REIT's exposure to development risk. During construction suspension, the Group bears little cash flow exposure with spend being tied to work undertaken and independently certified.



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