

Company Number 10638461

THE PRS REIT PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021



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ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2021

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HIGHLIGHTS

Key points

Financial

	Year to 30 June 2021	Year to 30 June 2020	Change
Revenue	£26.6m	£12.9m	+106%
Net rental income	£21.5m	£10.2m	+111%
Operating profit	£53.7m	£19.9m	+170%
Profit after tax	£44.1m	£16.4m	+169%
Basic earnings per share	8.9p	3.3p	+170%
Net assets at 30 June*	£490m	£471m	+4%
IFRS NAV and EPRA NTA* per share	99.0p at 30 June 2021 96.2p at 31 Dec 2020	95.1p at 30 June 2020 95.0p at 31 Dec 2019	+4% +1%

*after dividend payments

Operational

	At 30 Sept 2021	At 30 June 2021	At 30 June 2020	Year- on-year change
Number of completed homes	4,291	3,984	2,082	+91%
Estimated rental value ("ERV")	£41.1m p.a.	£37.5m p.a.	£19.1m p.a.	+96%
Number of contracted homes	764	1,071	2,803	-62%
ERV	£7.0m p.a.	£10.6m p.a.	£27.4m p.a.	-61%
Completed and contracted sites	64	64	62	+3%
ERV of completed and contracted sites	£48.1m p.a.	£48.1m p.a.	£46.6m p.a.	+3%
Rent collected (as a percentage of total rent due)	99%	98%	98%	

- Delivery progressed well, with 4,000th home milestone reached just after financial year-end
 - 1,902 new homes added to the portfolio (2020: 909), taking total at financial year-end to 3,984 homes with an ERV of £37.5m p.a. (2020: £19.1m p.a.). A further 1,071 home were under way (30 June 2020: 2,803)
 - coronavirus-related disruptions reduced activity levels by c.5-10% (2020: c. 40%)
- Total dividends per share declared, 4.0p (2020: 4.0p)
 - post equity placing, current dividend expected to be almost fully covered on a run-rate EPRA EPS basis by the financial year-end

Outlook

- In Q1 2022, a further 307 homes were added, taking the portfolio to 4,291 completed homes, with an ERV of £41.0m p.a. A further 764 homes were under way at 30 September 2021
- Rental demand remains strong; at 30 September 2021, 98% of 4,291 completed homes were occupied, and a further 52 homes reserved for qualified applicants with rental deposits paid
- Gross proceeds of £55.6m were raised on 29 September 2021 through an equity raise. The net funds will support the acquisition of five sites, expected to deliver c. 500 new homes with an ERV of £4.8m p.a. Two of the five sites have now been acquired
- The Company remains on track to reach its 5,000th home in the middle of calendar 2022 and, following the recent equity placing, a higher target of 5,700 homes, with an ERV approaching £55m p.a.
- Long-term growth opportunity is strong underpinned by structural undersupply of high-quality, family rental homes

HIGHLIGHTS (Cont.)

Steve Smith, Chairman of the PRS REIT, commented:

“We are pleased with the continued progress of The PRS REIT plc in its fourth year of activity. We have effectively navigated the ongoing challenges posed by the coronavirus pandemic, delivering almost 2,000 new homes in the year. By the end of the first quarter of the new financial year, the portfolio comprised 5,055 completed and contracted homes, and following the recent equity placing we are firmly on track to deliver a higher target of 5,700 homes.

“Demand for our homes remains strong, and in a recent survey of customers 10 months into their tenancies, 96% of respondents reported that they were happy in their homes.

“The continued undersupply of high-quality, well-managed family rental homes means that we remain highly confident of long-term prospects for the Company. We are very pleased to be playing a role in helping to solve the UK’s housing shortage, providing desirable homes across the country for hard-working families”

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Introduction

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 2021. The Company has continued to make good progress in the delivery of the largest portfolio of single family homes for rent in the UK, despite the continuing challenges presented by the coronavirus pandemic. While we estimate that activity levels decreased by about 5-10% as a result of coronavirus-related disruptions, this was significantly less than in the previous financial year, when the construction industry was shut down completely for some six to eight weeks, which contributed to an estimated decrease in activity levels in that year of about 40%.

Instead, construction continued throughout the year, and by the financial year-end we were very close to reaching 4,000 new rental homes in our portfolio, having achieved the milestone of 3,000 new homes in December 2020. In total, 1,902 new homes were added to the portfolio over the financial year (2020: 909). This took the size of the portfolio at 30 June 2021 to 3,984 completed homes, with an estimated rental value ("ERV") of £37.5 million per annum (30 June 2020: 2,082 homes with an ERV of £19.1 million per annum). A further 1,071 homes, with an ERV of £10.6 million per annum, were at various stages of the delivery process at 30 June 2021. The total gross development cost ("GDC") of the 44 completed sites and the 20 additional sites under way at 30 June 2021 amounted to £789 million (2020: £757 million).

The Company's portfolio of assets across its now 66 sites, as of 11 October 2021, is geographically widely spread, with sites located 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, and now Scotland.

During the first quarter of the new financial year, we added a further 307 new homes to the portfolio, taking it to 4,291 new homes at 30 September 2021, with an ERV of £41.0 million per annum. The number of homes contracted at this point was 5,055. This includes development sites that are under forward-purchase agreements. Following the equity placing at the end of September 2021, the Company's initial target of 5,200 homes with an ERV of approximately £50.0 million has been revised upwards to 5,700 homes with an ERV of approximately £55.0 million.

Demand for the PRS REIT's properties remained strong, and rental income has more than doubled year-on-year, reflecting the volume of new homes added to the portfolio and let. Rent collected (relative to rent invoiced) over the year stood at 98% (2020: 98%). While we froze rental rates for tenant renewals at pre-pandemic levels from March to December, rental rates from new tenancies show annual growth of approximately 6.2% for re-let properties and 4% for those properties whose occupiers renewed their tenancy, since the re-opening of the market in May 2020. Of the 3,984 completed homes at 30 June 2021, 3,888 (98%) were occupied with a further 80 homes reserved to qualified applicants, and data for the end of September shows a similar occupancy rate of 98% on completed homes.

We completed some important steps in the second half of the financial year. In January 2021, we extended our Investment Advisory Services contract with Sigma PRS Management Ltd, agreeing a reduced fee structure as the net asset value increases. This extension has enabled us to plan for the next stage of the Company's development with greater clarity. In March 2021, we completed the transfer of the Company from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange. The migration facilitates our eligibility for inclusion in FTSE's EPRA and UK Index Series and should help to broaden the share register.

As the Company's activities grow our social impact increases commensurately. Aside from the contribution the Company is making to creating high-quality new homes for families across the country, we continue to strive to foster a sense of community within our developments. Through our Investment Adviser we are also focusing on making a wider societal and environmental contribution.

In March 2021, we were pleased to welcome Geeta Nanda to the Board as a Non-executive Director. She is Chief Executive Officer of Metropolitan Thames Valley Housing Association and brings significant relevant experience.

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

STRATEGIC REPORT

CHAIRMAN'S STATEMENT (Cont.)

Financial Results

Revenue, which is generated wholly from rental income, more than doubled year-on-year to £26.6 million (2020: £12.9 million). This reflected the substantial increase in the number of rental homes making up the portfolio. After the deduction of non-recoverable property costs, net rental income for the financial year was £21.5 million (2020: £10.2 million).

Expenses in the year increased to £7.1 million (2020: £6.2 million), however this included £0.5 million of one-off expenses relating to the Company's migration to the Main Market. The gain from the fair value adjustment on investment property increased significantly from the prior year to £39.0 million (2020: £15.8 million). This was due to a combination of higher rents and yield compression. Operating profit increased by 170% to £53.7 million (2020: £19.9 million) as a result of the increase in completed and let units together with the rise in the portfolio valuation.

Finance costs amounted to £9.6 million (2020: £3.7 million). These reflect the drawdown and utilisation of debt funding during the year. There was no finance income from short-term deposits in the year (2020: £0.2 million) reflecting the very low interest rate environment.

Profit after taxation increased by 169% to £44.1 million (2020: £16.4 million) and basic and diluted earnings per share rose by 170% to 8.9p (2020: 3.3p) on an IFRS basis.

The Group's net asset value ("NAV") per share at 30 June 2021, on an IFRS basis, increased to 99.0p (31 December 2020: 96.2p and 30 June 2020: 95.1p) as did the EPRA NTA per share (previously EPRA NAV per share) (31 December 2020: 96.2p and 30 June 2020: 95.1p).

Net assets of the Group at 30 June 2021 were 4.0% higher year-on-year at £490.3 million (30 June 2020: £471 million) after paying dividends of £24.8 million in the year.

Dividends

For the year to 30 June 2021, aggregate dividends of 4.0p per share were declared to shareholders (2020: 4.0p per share). Due to the timing of dividend payments, the Company paid a total of 5.0p per ordinary share during the year under review (2020: 4.0p per share). Taking into account the dividend paid on 3 September 2021, total dividends paid since the Company's inception in May 2017 are 18.0p per share.

Prior to the equity placing, the Company's current dividend was fully covered on a run rate cash basis and was expected to be fully covered on an annualised EPRA EPS basis by 31 December 2021. Following the equity placing, the current dividend is expected to be almost fully covered on a run-rate EPRA EPS basis by the end of the financial year. Dividend cover will continue to grow as construction, completions and lettings advance.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT (Cont.)

Environmental, Social and Governance ("ESG") Practices

The PRS REIT is a member of the UK Association of Investment Companies and applies its Code of Corporate Governance to ensure best practice in governance.

The Board of Directors is responsible for determining the Company's investment objectives and policy, and has overall responsibility for the Company's activities, including the review of investment activity and performance. The Board consists of five independent Non-executive Directors, all of whom bring significant and complementary experience in the management of listed funds, equity capital markets, public policy, operations and finance in the property and investment funds sectors.

We believe that the Company's activities have significant positive social impact, and we take our responsibilities to our tenants and the communities in which our sites are located very seriously. We wish to create new homes and developments that tenants enjoy living in and to provide excellent customer service. The '*Simple Life*' brand, through which our properties are marketed and managed, has received a number of awards for its service levels, and we are delighted that recent customer satisfaction survey results indicate a very high level of satisfaction amongst tenants across all key performance indicators.

The Investment Adviser manages the delivery of our ESG strategy and details of our policies and activities are contained separately in the Investment Adviser's Report. However, I am pleased to highlight the Investment Adviser's continued support for a broad range of charities, schools and institutions close to the Company's developments over the financial year. Engagement with residents to help direct specific support is ongoing, and there has been an increased focus on developing strong and growing relationships with local charities, alongside continued support for larger national charities such as the Women's Aid, the NSPCC and the British Heart Foundation. Support and engagement continue to grow with Salford Loaves and Fishes, Centrepoint, Park Palace Ponies, and several local foodbanks, while new links and connections are being made with charities such as Sheffield Flourish, a community mental health charity, and Zoe's Place in Middlesbrough, a baby and children's hospice providing much needed support to families.

Our Investment Adviser will continue with these and other valuable initiatives, which foster a greater sense of community between residents and within the wider neighbourhoods in which our developments are located

Post Period – Equity Raise

In the first quarter of the new financial year, we undertook an equity raise in order to acquire assets identified by the Investment Adviser, and on 27 September 2021 announced that a total of c.£55.6 million (gross) had been raised at an issue price of 103p per share.

The fundraising was made available to both institutional and retail investors. A total of 53,232,575 shares (c.£54.8 million) were placed with new and existing institutional investors, with 741,589 shares (c.£0.8 million) placed with retail investors. The net funds will be used to acquire five sites, with the potential for c.500 new homes at a GDC of £76.6 million, providing a total ERV of £4.8m per annum. Two of the five sites have since been acquired. Located in Bertha Park in Perthshire, Scotland and Drakelow in Burton upon Trent, South Derbyshire, their total development cost is £37.3 million. Together they are expected to add a further 229 homes with an ERV of £2.3 million per annum.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT (Cont.)

Outlook

We are pleased with the PRS REIT's progress, now in its fifth year, and with 4,291 homes in the portfolio and 764 under way at the end of September, the Company looks well placed to reach 5,000 rental homes by the middle of calendar 2022. Given the pandemic situation and other challenges, this is no mean achievement.

Following the equity raise in September, our target for the portfolio has been revised from 5,200 to approximately 5,700 new homes. Once completed, these homes are expected to have a combined estimated rental value of around £55.0 million per annum, and the Company's gross assets will approach £1 billion.

Demand for the homes in our portfolio remains high, and we believe that the structural undersupply of high-quality family rental homes will continue to drive demand. We believe there is considerable anecdotal evidence, as well as a growing number of data points, to support the view that renting is increasingly seen as a flexible and long-term alternative to home ownership, not a short term reaction to economic, market or other circumstances.

Both new enquiries and renewals over the first quarter of the new financial year were strong and at 30 September 2021, the rent roll stood at £40.1 million per annum and rent collected in the first quarter (against rent invoiced) was at 99%.

Against this backdrop, we view prospects for the future extremely positively and we also consider that the Government's recent proposals, set out in its Planning White Paper published in August, are generally favourable for the PRS REIT.

We continue to target a minimum dividend of 4.0p per share* in the new financial year, and will declare the interim dividend for the first quarter in October 2021.

I would like to take this opportunity to thank all of our staff and stakeholders and our supporters in government and the construction industry, for their hard work and support over the year. Their continuing efforts enable us to make a positive contribution towards the UK's housing shortage and deliver much needed new housing stock to hardworking families, local communities and more generally to society as a whole.

We look forward with confidence to the year ahead, and will continue to consult with the PRS REIT's advisers and others as we assess the Company's next stage of development.



Steve Smith
Chairman

11 October 2021

** 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.*

STRATEGIC REPORT

IFRS AND EPRA PERFORMANCE MEASURES

In October 2019, the European Real Estate Association (“EPRA”) published new best practice recommendations (“BPR”) for financial disclosures by public real estate companies. The BPR introduced three new measures for reporting net asset value: EPRA Net Tangible assets (“NTA”), EPRA Net Reinstatement Value (“NRV”), and EPRA Net Disposal Value (“NDV”). These new measures are effective for accounting periods starting 1 January 2020 and the Group has reported EPRA NTA in reporting the financial position as at 30 June 2021. The Group considers EPRA NTA to be the most relevant measure for its operating activities, therefore it will be adopted as the Groups’ primary measure of net asset value, replacing previously reported EPRA Net Asset Value (“NAV”).

EPRA NRV is not considered an appropriate disclosure measure for the PRS REIT as the Group has acquired, constructed and developed the vast majority of assets and therefore it equates to adjusted historic construction cost.

The valuation of the Group’s assets is undertaken in accordance with RICS guidance. However, this does not include any adjustment to reflect the size and scale of Group’s overall assets. The Board’s view is that collective marketing of the portfolio would attract a higher valuation reflecting yield compression attributable to the size and scale of the overall portfolio. In the absence of comparable market evidence for such a portfolio, EPRA NDV is not considered an appropriate measure.

As in prior years, due to the stage of completion of the PRS REIT’s development assets within the Group’s portfolio, it is not considered appropriate to disclose the EPRA metrics of Net Initial Yield and Cost Ratio at this reporting date.

KPI	Explanation	Performance	
		Year to 30 June 2021	Year to 30 June 2020
IFRS NAV (see note 28)	Unadjusted net asset value	99.0p per share	95.1p per share
EPRA NTA (see note 28)	EPRA Net Tangible Asset is 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	99.0p per share	95.1p per share
IFRS EPS (see note 16)	Unadjusted earnings per share	8.9p per share	3.3p per share
EPRA EPS (see note 16)	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	1.0p per share	0.1p per share
Company specific adjusted EPS (see note 16)	EPRA EPS (as above) adjusted to exclude the non-recurring costs incurred by the Company as part of the Migration to the Premium Segment of the Main Market	1.2p per share	0.1p per share
EPRA Earnings (see note 16)	EPRA Earnings is a measure of operational performance and represents the net income generated from the operational activities	£’000 5,130	£’000 601

STRATEGIC REPORT

GOING CONCERN REVIEW AND STRESS TEST

Going Concern and Stress Test

This going concern review summarises the risks that the COVID-19 pandemic and other current economic issues affecting the UK, such as workforce shortages and potential inflation, pose to the Group and the parent Company of the PRS REIT, together with actions taken to ensure that the business is well-placed to continue in a position of financial strength.

During the second lockdown in November 2020 and the third lockdown in January 2021 until March 2021, imposed by the Government, house building and letting activity continued at a slightly slower pace than pre-pandemic levels. This was due to ongoing workplace restrictions around social distancing and, reduced workforce numbers, despite the vaccination programme, reflected in absence through either illness or self-isolating protocols. Both resulted in some delays to homes being completed, let and occupied. The Group's contractual obligations provide for payment to house builders in respect of work undertaken, and independently certified. Accordingly, development expenditure and associated cash outflows during lockdown periods reduced proportionately. However, the knock-on impact of the disruption is that practical completion dates for construction and subsequent letting activity have been delayed in comparison to original schedules.

The nature and spread of COVID-19 mean that not all sites and areas have been impacted consistently. A small number of sites have therefore been delayed disproportionately in comparison to the portfolio as a whole.

COVID-19 therefore continues to have the potential to impact the Group and Company as a result of the workplace and workforce issues outlined above, together with the risk that the Government may in future periods, introduce, or re-introduce, restrictions limiting, either wholly or partly, construction and letting activity on a regional or national basis.

Workforce shortages and potential inflation provide additional risks through disruption to the supply chain and pressure on pricing on the acquisition of sites.

These have 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 these periods 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 are 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.
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 being absent from work.	The Group carefully vets prospective tenants and often obtains insurance for the first year of new lettings. To date, COVID-19 related arrears are being managed by agreeing payment plans with tenants encountering difficulties. Insurers are notified of these plans in order to preserve rights of claim, and policies ultimately pay out in the event that arrears are not recovered by these payment plans. This, together with the geographic spread of multiple sites helps to

STRATEGIC REPORT

GOING CONCERN REVIEW AND STRESS TEST (Cont.)

	mitigate against bad debts. We work 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 had been put in place by house builders in respect of Brexit, and additional inventory, including timber had been secured for the PRS REIT sites. To date, production and shipment difficulties have not been encountered by house builders, partly reflecting the reduction in construction activity during the lockdown periods, albeit this situation continues to be monitored, particularly in relation to shortages in HGV drivers across the UK.
General disruption to employees, house builders, letting agents and the supply chain due to restrictions on the movement of goods and people.	All of the Group's 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. Workforce shortages from resource constraints would be similar to those already experienced through COVID-19 resulting in workers being unable to work or absent from work. The Group has worked with construction partners during the pandemic and would expect to continue to work with them should there workforce availability continue to be an issue.
Price inflation.	All of the Group's design and build contracts are fixed price contracts such that constructions costs paid for can only change if there are variations to the contractual items requested. The Group has historically made very few changes to contractual requirements and construction contracts do not include indexation to reflect potential inflationary pressures on the house builders.
Impact of COVID-19 on the economy and market sentiment.	During calendar 2020, the UK technically entered a severe recession as a result of two successive quarters of negative GDP growth. The outlook for the economy has improved and there remains a structural under supply of new family homes in the UK. Indicators suggest that the pandemic and recession may have increased demand for the Group's high quality but affordable product across multiple regions.
Valuations reduce 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 levels of bad and doubtful debts reflect the procedures surrounding tenant vetting, deposits and insurance.

STRATEGIC REPORT

GOING CONCERN REVIEW AND STRESS TEST (Cont.)

<p>Further waves of COVID-19 and potential for regional or national lockdowns, or restrictions, in the foreseeable future.</p>	<p>Having experienced the previous lockdown, the Group and Company have a good understanding of how to react quickly to adapt to further lockdowns or restrictions. New systems are in place, which enable the Company to better support tenants e.g. with online repairs and maintenance assistance. Following the vaccination programme, it 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 and on those sites 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 similarly delayed.</p>
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Stress Test

In light of the above, the parent Company of the PRS REIT and the Group, have performed a prudent financial stress test geared towards ensuring that the Company and Group have sufficient cash resources to weather the pandemic and current economic difficulties in the UK and emerge in a robust condition to continue to implement the Group's build-to-rent strategy.

In the unlikely event that the pandemic has truly passed, then the events of the last 18 months at the very least provide a reasonable basis on which to assess any similar future threat. These events also provide a reasonable template on which to perform a financial "stress test" for the purpose of assessing the Group as a going concern and reviewing the adequacy of the Group's working capital on a forward-looking basis. The stress test therefore 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 onsite activity for a period of four months from October 2021 to January 2022;
- absence of development management fees payable to Sigma Capital Group Limited ("Sigma") during the period of four months from October 2021 to January 2022 reflecting the cessation of onsite activity;
- extension to the Group's development debt borrowing facilities that matches the four month period of cessation of onsite development activity;
- absence of further asset purchases and aborting the purchase of completed asset sites from both 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 six months from October 2021 to the end of March 2022;
- inclusion of contracted revenue from existing tenancies with new tenancies reflecting the cessation of onsite activity for a period of four months from October 2021 to January 2022;
- maintenance of the Group and Company's existing administrative overhead base of approximately £6 million per annum, comprising c.£4 million of investment advisory fees and c.£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.

STRATEGIC REPORT

GOING CONCERN REVIEW AND STRESS TEST (Cont.)

Conclusion of Stress Test

The conclusion of the stress test performed is that the parent Company of the PRS REIT and the Group have adequate cash resources to sustain an extended cessation of construction and letting activity lasting at least four months, together with a significant reduction in rental income. This reflects the flexibility offered pursuant to the terms of the Forward Purchase Agreement between the Group and Sigma on the basis that the PRS REIT could reduce future asset purchases from Sigma if it considers that it does not have sufficient funds to complete.

The Directors therefore believe the parent Company of the PRS REIT and the Group are well placed to manage the 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 parent Company of the PRS REIT and the Group's financial statements for the year ended 30 June 2021. 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 2021 is appropriate.

Conclusion

Together with evolving market conditions, including workforce shortages and potential inflation, COVID-19 remains a risk that requires careful monitoring and management in conjunction with the Group's 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 parent Company of the PRS REIT and the Group will continue to review and assess objectively the impact of all of these factors together with the Government and regulatory response on both its strategy and focus of activities.

STRATEGIC REPORT

MARKET DYNAMICS

The PRS REIT's Investment Adviser, Sigma PRS Management Ltd ("Sigma PRS") is a subsidiary of Sigma Capital Group Limited (formerly Sigma Capital Group plc) ("Sigma"), and the PRS REIT's rental homes are marketed under Sigma's '*Simple Life*' brand.

- Sigma is a member of The UK Apartment Association ("UKAA") and the UKAA BTR steering group, which seeks to promote a wider understanding of BTR and engages with, Government, local authorities and renters.
- Sigma is also a member of The British Property Federation ("BPF"), and the '*Simple Life*' portfolio will form part of the '*Who Lives in BTR*' research report this year.
- In 2021, '*Simple Life*' took part in a UK-wide campaign, organised by Love to Rent, a platform that provides advice and support to renters. Called, '*Renting but not as you know it*', the campaign highlighted the variety of properties available from Build to Rent ("BTR") providers, as well as the benefits of renting from a professional landlord.

Over the course of the last 18 months, the coronavirus pandemic has made the issue of the availability of suburban family rental housing more topical. During the crisis, the movement of people out of city centres into the suburbs and the countryside as they sought more space, including gardens, has highlighted the lack of supply.

Build-to-rent as an asset class in the UK remains very small, but it is continuing to mature, and there is a rising level of investment in BTR and an increasing number of new entrants. The challenging state of the 'for sale' market is also influencing its growth. Average house prices to income continues to increase. According to the Office for National Statistics, the ratio of average house price to income at the end of 2020 was 7.7 times. The Government's stimulus measure of waiving Stamp Duty below £500,000, which came to a close in June 2021, also resulted in an inflationary effect on some house prices.

Whilst barriers to entry into the home ownership sector have become higher, supply side constraints in the rental sector are also evident. Since 2017, approximately 180,000 buy-to-let mortgages have been redeemed, mainly reflecting the ending of some taxation benefits. Potential new small-scale entrants have also been deterred by high entry costs. The increasing level of institutional investment in the build-to-rent sector creates some relief, although current levels of supply are still very small.

According to the BPF, the total number of properties completed in the UK build-to-rent sector is only approximately 62,000 homes. Set against the loss of 180,000 buy-to-let homes in a similar period of time, this means that the supply/demand ratio remains heavily in deficit. The pipeline of new properties under way in the sector is circa 40,000 and, in total, including homes already build and on site, a little under 200,000 homes are currently due to be delivered. With the private rented sector as a whole comprising circa 4 million homes, or approximately 20% of the overall UK housing stock, this shows the significant potential that exists for build-to-rent properties.

Across UK housing stock, approximately 80% of homes are houses. This proportion reduces slightly in the private rented sector where the ratio of houses to apartments is 63:37. This contrasts with the BTR sector where providers have concentrated on the delivery of flatted schemes, resulting in a ratio of houses to apartments of 12:88. According to Savills' research paper on the UK Private Rented Sector, 63% of the rental stock in the UK is houses. While this reflects the stock available, it may also indicate a preference on the part of renters for homes with outdoor space or a little more flexibility. Approximately 40% of the PRS REIT's portfolio is occupied by families with children, attracted by the benefits of living in houses with gardens, as opposed to apartments.

In summary, the BTR sector in the UK remains extremely small and the continuing focus on apartments rather than single family houses means that families with children remain an underserved segment in the private rented sector.

STRATEGIC REPORT

PORTFOLIO ANALYSIS

As at 30 June 2021, the valuation of the Group's property portfolio was £780 million (2020: £577 million) and the investment value of all sites under way at that date was £829 million on completion (2020: £722 million) with their ERV on completion at £47 million (2020: £42 million).

Property Portfolio by Regional Split – at 30 June 2021

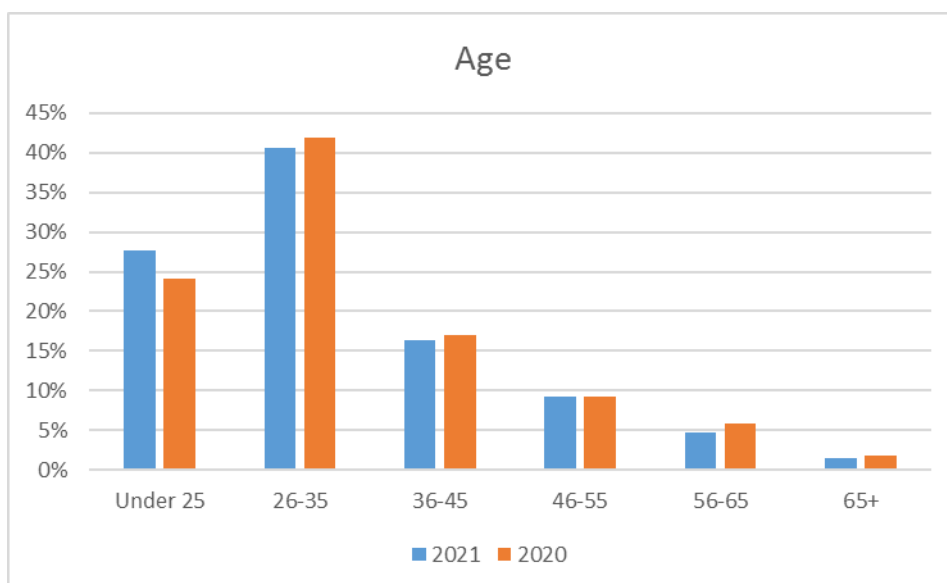
- The regional split by investment value was – North West (NW) 56% (2020: 56%), West Midlands (WM) 18% (2020: 20%), South East (SE) 13% (2020: 13%), Yorkshire (Y) 9% (2020: 7%), North East (NE) 3% (2020: 3%) and East Midlands (EM) 1% (2020: 1%).

Other Metrics – at 30 June 2021

- The rent roll at 30 June 2021 was £37.5 million (2020: £19.1 million) and the average rent was £9,420 per annum or £785 per month (2020: £9,175 per annum or £765 per month).
- Forecast average rent across the current portfolio when complete is £10,188 per annum or £849 per month (2020: £9,154 per annum or £792 per month).
- The average size of site was 79 (2020: 83) housing units.
- The split between 1, 2, 3 and 4 bed properties was approximately 4%, 26%, 61% and 9% respectively (2020: 4%, 26%, 61% and 9% respectively).
- Contractor split was – Countryside 78%; Vistry 15%; Engie 4%; and Seddon 3% (2020: Countryside 86%; Engie 10%; Vistry 3%; and Seddon 1%).
- The deduction from gross to net rent across the portfolio for the year ended 30 June 2021 was 19.5% (2020: 21.1%).
- Bad debts for the year was a net recovery of £4,000 (2020: £24,000 expense) and the bad debt provision at the year-end was £31,000 (2020: £35,000).

Age Groupings

The largest age grouping across our customer base at the time of sampling was 26-35 years or 41% of the total. The increase in the under-25 age group correlates with the launch of our apartment scheme, Empyrean, in Manchester, which is suited to this younger occupier group.

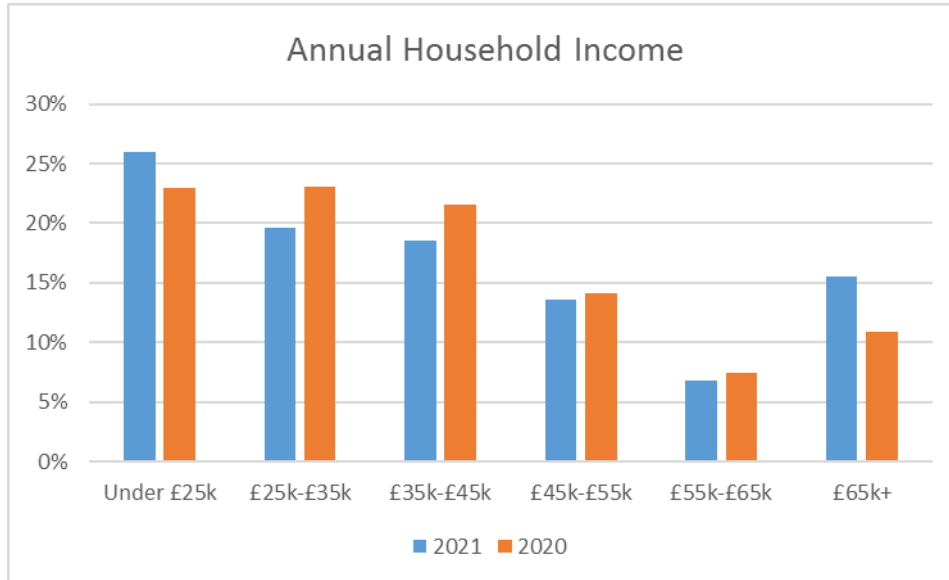


STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

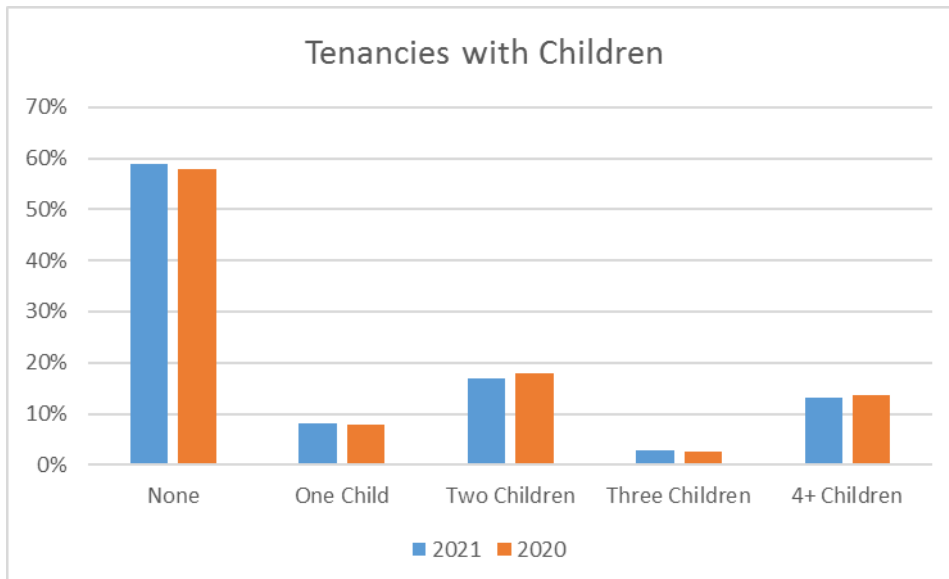
Household Income Bracket

There was very little change in the proportion of our customers across the main income brackets when compared with the preceding year. However, there were two key differences; a c.2% increase in the lowest salary brackets, which is most likely a natural fluctuation, and a 5% rise to 15% in the representation of residents in the higher household income bracket of £65,000 or more.



Tenancies with Children

Whilst the portfolio comprises mainly family homes, only approximately 40% of tenancies include children in the household. Looking back to the age groupings, it is reasonable to assume that our major cohort of 26-35 year olds may be moving into our homes with the intention of starting a family. Of those residents with children, the two largest groupings are those with two or four children.

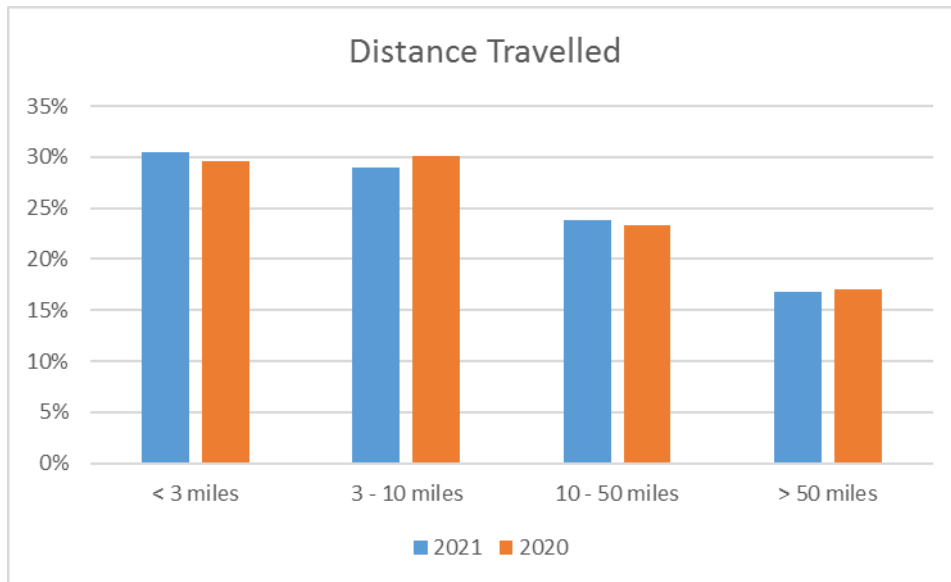


STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Distance Travelled

We measure the distance travelled by our residents from their previous addresses to their new 'Simple Life' home. The two largest categories are those travelling up to 10 miles to move to one of our homes. However c. 40% of our residents have travelled between 10 and over 50 miles from their previous home, which we believe reflects the increasing reach and awareness of the 'Simple Life' brand and its online presence.



All 2021 statistics are based on new applicant data between July 2020 and June 2021 and include sites acquired from Sigma. The prior year's statistics are based on all successful 'Simple Life' applications referenced between June 2019 and June 2020.

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Development Portfolio

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Coral Mill, Newhey, Rochdale OL16 3SS	NW	69	54,282	1.31%	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.	£10,865,000	£10,865,000	£200.16	£615,360	£11.34
Durban Mill, Oldham OL8 4JT	NW	80	69,425	1.60%	The development comprises a completed development of 80 houses, with a mix of two, three and four bedrooms.	£13,245,000	£13,245,000	£190.78	£743,220	£10.71
Woodbine Road (Mackets Lane), Halewood, Liverpool L25 9PB	NW	50	40,540	0.99%	The development comprises a completed development of 50 houses with a mix of two, three and four bedroom houses.	£8,215,000	£8,215,000	£202.64	£471,420	£11.63
Baytree Lane, Middleton M24 2EL	NW	110	98,346	2.36%	The development comprises a completed site of 110 units with a mix of two, three and four bedroom houses.	£19,520,000	£19,520,000	£198.48	£1,095,060	£11.13
Prince's Gardens (Manor Top Phase 1), Sheffield S2 1EY	Y	78	78,628	1.53%	The development forms part of a wider development site with 78 units, being a mix of three and four bedroom houses. The development is completed.	£12,705,000	£12,705,000	£161.58	£746,280	£9.49
East Hill Gardens (East Bank Road), Sheffield S2 3PX	Y	58	59,217	1.26%	The development comprises a part completed development of 58 units being a mix of three and four bedroom houses	£10,415,000	£10,415,000	£175.88	£584,400	£9.87

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Woodford Grange (Woodford Lodge Phase 1&2), Winsford CW7 4EH	NW	54	45,505	1.06%	The development comprises a completed site of 54 houses with a mix of two, three and four bedrooms.	£8,805,000	£8,805,000	£193.50	£494,100	£10.86
Highfield Green (Tower Hill 2), Knowsley L33 1DF	NW	42	37,247	0.79%	The development comprises a completed development of 42 units with a mix of three and four bedroom houses.	£6,560,000	£6,560,000	£176.12	£376,020	£10.10
Park Grange House (Norfolk Park), Sheffield S2 3RE	Y	24	18,447	0.39%	The development comprises a completed development of 24 two bedroom apartments.	£3,260,000	£3,260,000	£176.72	£216,780	£11.75
Shrewsbury Close (Tintern Avenue), Middleton M24 6JQ	NW	88	74,322	1.74%	The subject development comprises a completed site of 88 houses with a mix of two, three and four bedroom houses.	£14,395,000	£14,395,000	£193.68	£807,480	£10.86
Hamilton Square (Howe Bridge Mill), Atherton M46 6JQ	NW	59	51,106	1.19%	The development comprises a completed site of 59 units made up of two, three and four bedroom houses.	£9,845,000	£9,845,000	£192.64	£552,180	£10.80
Juniper Grove (Leach Lane), St Helens WA9 4PJ	NW	55	46,303	1.10%	The development comprises a completed development of 55 houses with a mix of two and three bedroom homes.	£9,095,000	£9,095,000	£196.42	£492,300	£10.63
Prince's Gardens (Manor Top Phase 2), Sheffield S2 1EY	Y	85	89,916	1.69%	The development forms part of a wider development site with 85 units, being a mix of three and four bedroom houses. Construction is due to complete in April 2020.	£14,045,000	£14,045,000	£156.20	£825,120	£9.18
Yew Gardens, Granby Road, Doncaster DN12 1JU	Y	53	42,010	0.82%	The development comprises a completed development of 53 houses with a mix of two and three bedroom houses.	£6,775,000	£6,775,000	£161.27	£420,360	£10.01

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Spirit Quarters, Monkwood Crescent, Coventry CV2 1FG	WM	29	27,522	0.62%	The development comprises a completed development of 29 houses with a mix of three and four bedroom houses.	£5,175,000	£5,175,000	£188.03	£290,340	£10.55
Spirit Quarters, Milverton Crescent, Coventry CV2 1GN	WM	20	17,140	0.43%	The development comprises a completed development of 20 houses with a mix of three and four bedroom houses.	£3,555,000	£3,555,000	£207.41	£199,320	£11.63
Holybrook (Romanby Shaw), Bradford BD10 0EH	Y	47	39,612	0.92%	The development comprises a completed development of 47 houses, with a mix of two, three and four bedroom houses	£7,650,000	£7,650,000	£193.12	£429,180	£10.83
Chase Park, Ellesmere Port CH65 5DE	NW	40	40,126	0.84%	The development comprises a completed development of 40 houses, with a mix of two, three and four bedroom houses.	£6,940,000	£6,940,000	£172.96	£389,340	£9.70
Prescot Park (Carr Lane), Prescot L34 1NS	NW	140	116,016	2.79%	The development comprises a completed development, which comprises 24 one and two bedroom apartments and 116 houses, with a mix of three and four bedroom homes	£23,110,000	£23,110,000	£199.20	£1,302,300	£11.23
Ward's Keep (Heathfield Lane Phases 1&2), Darlaston WS10 8QY	WM	109	86,494	2.13%	The development comprises a completed development which proposes 16 one bedroom apartments and 93 two, three and four bedroom houses	£17,635,000	£17,635,000	£203.89	£989,460	£11.44
Earle Street, Newton-le-Willows WA12 9XD	NW	97	80,451	1.87%	The development comprises a completed development of 24 one and two bedroom apartments and 73 houses, with a mix of three and four bedroom homes	£15,530,000	£15,530,000	£193.04	£877,080	£10.90

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Canalside (Whitworth Way), Wigan WN6 7QF	NW	145	118,888	2.81%	The development comprises a completed development which proposes 24 two bedroom apartments and 121 two, three and four bedroom houses	£23,300,000	£23,300,000	£195.98	£1,313,040	£11.04
James Mill Way (Cable Street), Wolverhampton WV2 2QD	WM	164	136,910	3.31%	The development comprises a completed development which proposes 164 two, three and four bedroom houses	£27,410,000	£27,410,000	£200.20	£1,537,740	£11.23
Empyrean (Lower Broughton 5), Salford M7 1GA	NW	298	182,077	5.38%	The Property comprises a part completed development which proposes 298 one, two and three bedroom apartments for rent with a further 1 apartment used by the concierge. Construction has started on site and is due to complete in July 2021	£44,012,500	£44,545,000	£244.65	£2,734,080	£15.02
Abbotsfield (Reginald Road), St Helens WA9 4HX	NW	92	77,712	1.80%	The development comprises a completed development which proposes 92 two, three and four bedroom houses	£14,945,000	£14,945,000	£192.31	£818,640	£10.53
Hollystone Bank (Riverside College), Runcorn WA7 4DS	NW	83	64,513	1.51%	The development comprises a completed development which proposes 32 two bedroom apartments and 51 two, three and four bedroom houses	£12,475,000	£12,475,000	£193.37	£707,400	£10.97

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Hilton Park (Chadwick Street), Leigh WN7 1RL	NW	103	80,108	1.92%	The development comprises a completed development which proposes 8 one bedroom apartments and 95 two, three and four bedroom houses	£15,900,000	£15,900,000	£198.48	£892,020	£11.14
Galton Lock (Mafeking Road), Smethwick B66 2EG	WM	63	52,874	1.40%	The development comprises a completed development of 63 two, three and four bedroom houses.	£11,615,000	£11,615,000	£219.67	£613,320	£11.60
Highfield Green (Tower Hill 3), Knowsley L33 1DF	NW	96	76,411	1.67%	The development forms part of a wider development site and comprises 96 units, being a mix of two and three bedroom houses	£13,800,000	£13,800,000	£180.60	£782,760	£10.24
Sutherland Grange (Sutherland School), Trench, Telford TF2 7JR	WM	123	106,521	2.55%	The development comprises a completed development which proposes 123 two, three and four bedroom houses	£21,145,000	£21,145,000	£198.51	£1,186,260	£11.14
Havenswood (Newhaven Business Park), Eccles M30 0HH	NW	84	63,423	1.63%	The development comprises a completed development which proposes 48 one and two bedroom apartments and 36 three and four bedroom houses	£13,510,000	£13,510,000	£213.01	£770,040	£12.14

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Stonefield Edge (Bilston Urban Village), Wolverhampton WV14 0LA	WM	123	95,251	2.31%	The development comprises a completed development which proposes 48 two bedroom apartments and 75 two, three and four bedroom houses	£19,115,000	£19,115,000	£200.68	£1,083,900	£11.38
Reynolds Place (Eaton Works), Walkden M28 3GW	NW	148	122,761	2.98%	The development comprises a part completed development which proposes 62 one and two bedroom apartments and 86 two, three and four bedroom houses. Construction has started on site and is due to complete in September 2021	£23,480,000	£24,655,000	£200.84	£1,416,060	£11.54
Harewood Close (Durham Street,) Rochdale OL11 1AH	NW	38	30,465	0.70%	The development comprises a completed development which proposes 38 two and three bedroom houses	£5,820,000	£5,820,000	£191.04	£326,520	£10.72
Rochwood Rise (Entwisle Road), Rochdale OL16 2LJ	NW	54	45,001	1.04%	The development comprises a completed development which proposes 54 two and three bedroom houses	£8,605,000	£8,605,000	£191.22	£482,880	£10.73
Norwich Green (Norwich Street), Rochdale OL11 1LL	NW	70	57,166	1.29%	The development comprises a completed development which proposes 70 two, three and four bedroom houses	£10,675,000	£10,675,000	£186.74	£598,980	£10.48

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Brookside Grange (Roch Street), Rochdale OL16 2NG	NW	100	72,557	1.70%	The development comprises a completed development which proposes 48 one and two bedroom apartments and 52 two, three and four bedroom houses	£14,105,000	£14,105,000	£194.40	£801,960	£11.05
Our Lady's (Our Lady's School), Little Hulton M28 0HF	NW	73	62,703	1.52%	The development comprises a completed development of 73 two, three and four bedroom houses.	£12,580,000	£12,580,000	£200.63	£705,660	£11.25
Coppenhall Place (Bombardier), Crewe CW1 3JB	NW	131	110,875	2.55%	The development comprises a part completed development which proposes 24 two bedroom apartments and 107 three and four bedroom houses. Construction has started on site and is due to complete in December 2021.	£17,412,500	£21,160,000	£190.85	£1,192,620	£10.76
Beehive Mill, Bolton BL3 2NF	NW	127	103,990	2.58%	The development comprises a part completed development which proposed 127 two, three and four bedroom houses. Construction has started on site and is due to complete in September 2021.	£19,480,000	£21,400,000	£205.79	£1,200,600	£11.55
Silkin Green, Hinkshay Road, Telford TF4 3PF	WM	78	67,266	1.59%	The development comprises a completed development of 78 two, three and four bedroom houses.	£13,160,000	£13,160,000	£195.64	£729,540	£10.85

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Queen Vicoria Place (Queen Victoria Street), Blackburn BB2 2QG	NW	68	56,805	1.26%	The development comprises a completed development which proposes 68 two, three and four bedroom houses	£10,400,000	£10,400,000	£183.08	£583,380	£10.27
Base at Newhall (Harlow Phase 2), Harlow CM17 9LR	SE	74	63,081	2.77%	The development comprises a part completed development site which proposes 74 two, three and four bedroom houses. Construction has started on site and is due to complete in March 2022.	£20,710,000	£22,930,000	£363.50	£1,210,800	£19.19
Millard Grange (Houghton Regis Parcel 6), Houghton Regis LU6 6JZ	SE	129	120,067	4.70%	The development comprises a part completed development site which proposes 129 two, three and four bedroom houses. Construction has started on site and is due to complete in January 2022	£35,580,000	£38,925,000	£324.19	£2,158,020	£17.97
Dutton Fields (Airfields), Deeside CH5 2RD	NW	99	80,460	1.91%	The development comprises a part completed development site which proposes 99 two, three and four bedroom houses. Construction has started on site and is due to complete in August 2021	£15,375,000	£15,850,000	£196.99	£889,140	£11.05
Belmont Place (Owens Farm), Hindley Green WN2 4XS	NW	50	43,992	1.03%	The development comprises 50 two, three and four bedroom houses. This scheme is complete.	£8,550,000	£8,550,000	£194.35	£473,880	£10.77

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Ashfield Park, Station Road, Normanton WF6 2ND	EM	72	55,834	1.38%	The development comprises a part completed site of 72 two and three bedroom houses. Construction has started on site and is due to complete in October 2021	£9,935,000	£11,435,000	£204.80	£641,640	£11.49
Stanley Park (Stanley Potteries), Stoke ST6 3PP	WM	63	50,880	1.15%	The development comprises 63 two and three bedroom houses. Construction has started on site and is due to complete in March 2022	£7,332,500	£9,530,000	£187.30	£528,480	£10.39
Bracken Grange (Brackenhoe), Middlesborough TS4 3AE	NE	80	62,182	1.45%	The development comprises a part completed site of 80 two and three bedroom houses. Construction has started on site and is due to complete in December 2021	£10,915,000	£11,995,000	£192.90	£688,860	£11.08
Kirkleatham Green, Redcar TS10 4GY	NE	80	62,038	1.42%	The development comprises a part completed site of 80 two and three bedroom houses. Construction has started on site and is due to complete in December 2021	£10,860,000	£11,740,000	£189.24	£658,560	£10.62
Millard Grange Houghton Regis Parcel 8), Houghton Regis LU6 6JZ	SE	113	94,023	3.85%	The development comprises 113 two and three bedroom houses. Construction has started on site and is due to complete in November 2022	£14,430,000	£31,885,000	£339.12	£1,767,840	£18.80
Brickkiln Place (Brickkiln Ph1&2), Wolverhampton WV3 0BS	WM	24	18,956	0.49%	The development comprises a completed development of 24 two, three and four bedroom houses	£4,065,000	£4,065,000	£214.44	£228,120	£12.03

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Brickkiln Place (Brickkiln Ph3), Wolverhampton WV3 0BS	WM	7	6,090	0.15%	The development comprises a completed development of 7 three and four bedroom houses	£1,250,000	£1,250,000	£205.25	£70,200	£11.53
Bluebell Manor (Dawley Road), Telford TF1 2LT	WM	31	23,164	0.63%	The development comprises a part completed development of 31 two and three bedroom houses. Construction has started on site and is due to complete in September 2021	£4,737,500	£5,190,000	£224.05	£291,240	£12.57
Fornham Place at Marham Park (Marham Park Parcel C), Bury St Edmunds IP31 6NG	SE	21	18,114	0.73%	The development comprises a completed development of 21 three and four bedroom houses	£6,090,000	£6,090,000	£336.20	£329,520	£18.19
Lea Hall Gardens, Handsworth B20 2AP	WM	31	29,056	0.72%	The development comprises a completed development of 31 three and four bedroom houses	£5,980,000	£5,980,000	£205.81	£315,780	£10.87
Pullman Green (Hexthorpe Phase 1), Doncaster DN4 0BE	Y	69	55,759	1.24%	The development comprises 69 two, three and four bedroom houses. Construction has started on site and is due to complete in October 2021	£7,062,500	£10,255,000	£183.92	£575,220	£10.32
Pullman Green (Hexthorpe Phase 2), Doncaster DN4 0BE	Y	49	39,291	0.89%	The development comprises 49 two and three bedroom houses. Construction has started on site and is due to complete in December 2021	£2,745,000	£7,365,000	£187.45	£413,100	£10.51
Holyoake Road, Walkden M28 3DL	NW	123	94,441	2.46%	The development comprises a completed development of 60 two bedroom apartments and 63 three and four bedroom houses	£20,415,000	£20,415,000	£216.17	£1,161,360	£12.30

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Address	Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Description	Market Value at 30 June 2021	Investment Value at 30 June 2021	Capital Rate psf	Market Rental Value at 30 June 2021	Rental Rate psf
Ribblesdale Avenue, Accrington BB5 5BQ	NW	47	38,933	0.84%	The development comprises 47 two, three and four bedroom houses. Construction has started on site and is due to complete in February 2022.	£2,525,000	£7,000,000	£179.80	£378,960	£9.73
Base at Newhall (Harlow Phase 1a), Harlow CM17 9LR	SE	28	32,000	1.27%	The development comprises a completed development of 28 three and four bedroom houses	£10,505,000	£10,505,000	£328.28	£554,580	£17.33
TOTAL		4,838	3,985,293	100%		£779,347,500	£828,615,000	£207.92	£46,729,800	£11.73

Location key:

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

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Development Portfolio - Mix by Property Size

Site	1 Bed	2 Bed	3 Bed	4 Bed	Total
Coral Mill	0	24	39	6	69
Durban Mill	0	8	64	8	80
Woodbine Road	0	12	38	0	50
Baytree Lane	0	8	82	20	110
Prince's Gardens - Phase 1	0	0	58	20	78
East Hill Gardens	0	0	35	23	58
Woodford Grange	0	8	41	5	54
Highfield Green - Phase 2	0	0	34	8	42
Park Grange House	0	24	0	0	24
Shrewsbury Close	0	10	76	2	88
Hamilton Square	0	10	41	8	59
Juniper Grove	0	12	43	0	55
Prince's Gardens - Phase 2	0	0	54	31	85
Yew Gardens	0	9	44	0	53
Spirit Quarters - Monkswood Crescent	0	0	27	2	29
Spirit Quarters - Milverton Crescent	0	0	19	1	20
Holybrook	0	7	33	7	47
Chase Park	0	3	23	14	40
Prescot Park	6	18	107	9	140
Wards Keep	16	24	53	16	109
Earle Street	6	18	58	15	97
Canalside	0	39	92	14	145
James Mill Way	0	40	105	19	164
Empyrean	99	189	10	0	298
Abbotsfield	0	20	64	8	92
Hollystone Bank	0	40	37	6	83
Hilton Park	8	23	68	4	103
Galton Lock	0	11	46	6	63
Highfield Green - Phase 3	0	28	68	0	96
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
Our Lady's	0	5	62	6	73
Coppenhall Place	0	24	93	14	131
Beehive Mill	0	38	82	7	127
Silkin Green	0	11	59	8	78
Queen Victoria Place	0	17	47	4	68

STRATEGIC REPORT

PORTFOLIO ANALYSIS (Cont.)

Base at Newhall - Phase 2	0	14	49	11	74
Millard Grange - Parcel 6	0	6	108	15	129
Dutton Fields	0	32	61	6	99
Belmont Place	0	6	33	11	50
Ashfield Park	0	26	46	0	72
Stanley Park	0	18	45	0	63
Bracken Grange	0	39	41	0	80
Kirkleatham Green	0	40	40	0	80
Millard Grange - Parcel 8	0	25	88	0	113
Brickkiln Place - Phase 1 & 2	0	10	10	4	24
Brickkiln Place - Phase 3	0	0	6	1	7
Bluebell Manor	0	17	14	0	31
Fornham Place at Marham Park - Parcel C	0	8	13	0	21
Lea Hall Gardens	0	0	28	3	31
Pullman Green - Phase 1	0	23	42	4	69
Pullman Green - Phase 2	0	14	35	0	49
Holyoake Road	0	60	52	11	123
Ribblesdale Avenue	0	12	33	2	47
Base at Newhall - Phase 1a	0	0	9	19	28
Total	175	1,274	2,937	452	4,838
%	4%	26%	61%	9%	100%

STRATEGIC REPORT

INVESTMENT STRATEGY AND BUSINESS MODEL

AWARDS

INSIDER NW RESIDENTIAL PROPERTY AWARDS

*Residential Operator of the Year 2021
(Winner)*

YORKSHIRE INSIDER PROPERTY AWARDS

*Public Private Partnership 2020
(Winner)*

PROPERTY WEEK RESI AWARDS

*Landlord of the Year 2020
(Shortlisted)*

INSIDER MIDLANDS PROPERTY AWARDS

*Large Development of the Year 2021
(Lea Hall Gardens) (Shortlisted)*

YORKSHIRE INSIDER PROPERTY AWARDS

*Large Development of the Year 2020
(Shortlisted)*

PROPERTY WEEK RESI AWARDS 2021

*Best Covid Response
(Shortlisted, winner to be announced)*

PROPERTY WEEK RESI AWARDS 2021

*Health and Wellbeing Award
(Shortlisted, winner to be announced)*

Property Week RESI Awards 2021

*Residential Company of the Decade (Sigma Capital)
(Shortlisted, winner to be announced)*

UK Housing Awards

*The Neighbourhood Transformation Award (Equans, Sigma Capital and Sheffield Housing Company)
(Shortlisted, winner to be announced)*

Business Model

Demand for homes continues to outstrip supply in the UK, and the gap between delivery and the Government's target of 300,000 new homes per annum widened over the last 12 months. Only 123,000 new homes were delivered in 2020, with the coronavirus pandemic a major disruption. Underlying factors driving demand continues to be historically low levels of interest rates (for those with deposits), changing household formation and, in 2021, the stamp duty holiday, which gave home buyers a saving of up to a £15,000 on this tax. House prices have continued to increase, outstripping wage inflation, and home ownership remains out of reach for many.

In the private rental sector, the number of homes owned by small-scale and amateur landlords has fallen. This mainly reflects changes to taxation, which have made small-scale 'buy-to-let' a less attractive investment proposition. It is estimated that approximately 180,000 buy-to-let mortgages have been redeemed since 2017. It is within this context that the Company is providing its professionally-managed, high-quality family rental homes.

The Company has developed a scalable business model, capable of delivering new homes across multiple geographies and sites. It utilises the Investment Adviser's PRS property delivery and management platform. House designs are carefully selected from house builders' existing ranges and have consistent specifications. Delivery, including above ground cost and construction time, is agreed and costed in fixed-price contracts. By standardising housing types and internal specifications, total delivery cost predictability is improved and the long-term cost of managing assets is reduced.

The Company's exposure to development risk has been minimised both through fixed-price design & build contracts and by acquiring sites that have detailed planning consent 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'. 'Construction pace' is at least four times quicker than for 'sale pace', and this approach therefore results in improved income flows for partners when they develop mixed-tenure sites as opposed to 'for sale' only construction sites. Modern methods of construction also help to accelerate delivery. At a time of housing shortage and low housing delivery, this is extremely attractive to councils and local authorities, and it also has a positive regeneration effect. Accelerating the pace of delivery with build-to-rent homes is now a central tenet to Homes England's delivery strategy.

We are also very focused on increasing the switchover to modern construction processes because of the environmental benefits. Typically, there is a significant reduction in waste, improvement in quality consistency, and supply chain custody assurance with the switch.

STRATEGIC REPORT

INVESTMENT STRATEGY AND BUSINESS MODEL (Cont.)

All of the Company's homes are managed under the 'Simple Life' brand, which is dedicated to providing a higher standard of customer care than has been generally experienced in the private rented sector. We also believe that it is important to foster a sense of community in our developments. It helps to underpin our residents' sense of well-being and satisfaction. 'Simple Life' life has a number of initiatives in place to promote a sense of community, and organises regular social events across our developments. Its App is also intended to connect residents with each other as well as with customer support teams.

When planning developments, research drives decisions on the mix and types of homes, and the Company 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 mixed communities of all ages and mitigates against letting and void risk.

The Company's scale, its approach to site location, and focus on houses, rather than apartment blocks, mitigates risks related to geographic concentration. By creating a portfolio with geographic diversity and within regions, multiple locations, the Company's lessens its exposure to risks from local factors, such as the failure of a major employer. Individual developments are relatively small by comparison to the overall size of the portfolio, 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. The overall geographic spread of the Company's developments encompasses a good mix of sites which, once fully 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 is meeting an important social need.

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.

The Company is creating a portfolio of homes targeted at the family market, the largest segment within the private rented sector. It is therefore investing predominantly in houses, with 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, excluding London. The locations are chosen for their accessibility to main road and rail links, good primary schooling, and to centres of economic activity, which promote long-term employment prospects. 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) and manufacturers warranties.

The sourcing of assets is undertaken by the Investment Adviser ("Sigma PRS") and is done by two principal methods. In the first instance, Sigma PRS selects suitable development sites ('PRS development sites'), obtains detailed planning permission and agrees a fixed price design & build contract with one of the Sigma PRS's construction partners. Sigma PRS then manages the delivery process on behalf of the Company. As the assets are acquired with detailed planning consent and fixed price design & build contracts, the Company is exposed to minimal development risk. The construction risk is further mitigated with standard design & 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. In accordance with the right of first refusal agreement with Sigma PRS, the Company intends to source not less than two-thirds of its assets in this way.

In the second instance, assets are acquired by entering into forward purchase agreements with the Sigma Capital Group Limited ("Sigma"), the ultimate holding company of Sigma PRS. These assets are acquired as completed and stabilised developments. Typically, they have been constructed by the same construction partners and supply chain, thereby ensuring homogeneity of the housing stock. Completed and stabilised developments are also purchased from other third-parties using approved construction partners.

STRATEGIC REPORT

INVESTMENT STRATEGY AND BUSINESS MODEL (Cont.)

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);
- the Group may invest in assets that require development by means of the Group's forward funding model, which when completed would fall within the Company's investment policy, provided that the Group will not undertake development without planning consent in place and that the gross committed (but unspent) construction costs to the Group of all such forward funded development does not exceed 25 per cent. of the aggregate gross 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'). Any forward funded development will only be for investment purposes;
- In order to further manage risk in the portfolio, no investment in the Group in any completed PRS site or PRS development site will exceed 10 percent of the aggregate value of the gross asset value of the Group at the time of commitment); 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 is prudent 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 and institutions, with equity from Homes England and the capital markets. The aggregate borrowings of the Group are 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 initial portfolio.

At 30 June 2021, the Group had the following agreed debt facilities in place:

- £100 million fully drawn 15 year term loan, fixed rate interest at 1.59% plus margin, with Scottish Widows;
- £150 million fully drawn 25 year term loan, fixed rate interest at 1.16% plus margin, with Scottish Widows;
- £150 million revolving credit facility with Lloyds Banking Group / RBS, of which £68.6 million of a £75 million 2 year development debt facility was drawn; and
- £50 million 2 year term development debt facility with Barclays Bank PLC, of which £42.4 million was drawn.

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 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).

STRATEGIC REPORT

INVESTMENT ADVISER'S REPORT

Sigma PRS Management Ltd ("Sigma PRS"), a wholly-owned subsidiary of Sigma Capital Group Limited, is the Company's Investment Adviser, and is pleased to provide a report on the PRS REIT's activities and progress for the year ended 30 June 2021.

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 the 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 two further placings and through gearing, taking its total available resources to £956 million (gross). On 2 March 2021, the Company transferred its entire issued share capital to the premium listing segment of the Official List of the FCA and to the London Stock Exchange's premium segment of the Main Market.

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, targeting the largest employment centres in England, predominantly in the Midlands and North, but outside 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 the 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 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, pursuant to a forward purchase agreement between the PRS REIT and Sigma, 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.

STRATEGIC REPORT

INVESTMENT ADVISER'S REPORT (Cont.)

Achieving Scale and Reducing Risk

The Sigma PRS Platform

The Investment Adviser is utilising Sigma's well-established PRS property delivery and management platform (the "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, Vistry, Engie and Seddon. 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 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'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 representing a 'gold standard' in the private rented sector, providing a combination of a high-quality, sensibly-priced homes and 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 create a sense of community within our developments.

Financing Resource

Equity Placing Programme

Three tranches of equity have been raised to date, £250 million (gross) at the Company's IPO on 31 May 2017, and a further £250 million (gross) in February 2018. Homes England participated in both fundraisings, taking its direct investment in the Company to a total of approximately £30 million. In September 2021, an additional £55.6 million (gross) was raised.

STRATEGIC REPORT

INVESTMENT ADVISER'S REPORT (Cont.)

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 longer-term debt facilities to £400 million. Further details can be found in the 'Financial Results' segment of this report on page 36. During the financial year, 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. The coronavirus pandemic has continued to cause some disruption to delivery but not on the same scale as in the prior financial year with the first national lockdown.

During the period of the second lockdown imposed by the Government from the end of December 2020, house building and letting activity continued at a slower than pre-pandemic levels due to ongoing workplace restrictions around social distancing and, despite the vaccination programme, reduced workforce numbers reflecting absence through either illness or self-isolating protocols. Both resulted in some delays to homes being completed, let and occupied.

Notwithstanding COVID-19, a total of 1,902 homes were completed in the year to 30 June 2021, compared with 909 in the prior year. This reflected the significant increase in the number of sites in the delivery programme and the estimated impact of the pandemic on unit delivery in the prior. The total number of completed homes at the end of June 2021 was 3,984 (2020: 2,082) across six of the eight major regions of England.

This included four fully-developed and let sites acquired during the year, comprising in total 203 homes. Three of these sites were acquired from Sigma Capital Group Limited. All sites were independently assessed and valued by Savills before acquisition.

The estimated rental value of the portfolio at 30 June 2021 amounted to £37.5 million per annum, almost double the level at 30 June 2020 (£19.1 million per annum).

The table below provides further detail in summarised form of our development activity in 2021 and 2020, including activity in the first quarter of the new financial year.

	At 30 September 2021	At 30 June 2021	At 30 June 2020
Number of completed homes	4,291	3,984	2,082
ERV of completed homes	£41.1m p.a.	£37.5m p.a.	£19.1m p.a.
Completed sites	48	44	21
Contracted sites	16	20	41
Number of contracted homes	764	1,071	2,803
ERV of contracted homes	£7.0m p.a.	£10.6m p.a.	£27.4m p.a.

STRATEGIC REPORT

INVESTMENT ADVISER'S REPORT (Cont.)

Construction Resource

The construction resource provided by the Sigma PRS Platform 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 926 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 £26.6 million (2020: £12.9 million). After the deduction of non-recoverable property costs, the net rental income was £21.5 million (2020: £10.2 million). Administration expenses were higher at £7.1 million (2020: £6.2 million) but included non-recurring accounting and legal expenses of £0.5 million in relation to the Company's migration to the Main Market.

The gain from the fair value adjustment on investment property was £39.0 million (2020: £15.8 million), with a portion of the increase attributable to a combination of higher rents and yield compression in the current financial year. Operating profit was £53.7 million (2020: £19.9 million). Finance costs for the year were £9.6 million (2020: £3.7 million) reflecting the debt utilisation and associated costs during the year. With interest rates at historic lows, there was no finance income for the period from short-term deposits (2020: £0.2 million). The profit after finance income and taxation was £44.1 million (2020: £16.4 million).

The basic and fully diluted earnings per share on an IFRS basis for the year was 8.9p (2020: 3.3p).

Dividends

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

- On 9 November 2020, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 July 2020 to 30 September 2020, which was paid on 11 December 2020 to shareholders on the register as at 20 November 2020.
- On 10 February 2021, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 October 2020 to 31 December 2020, which was paid on 8 March 2021 to shareholders on the register as at 19 February 2021.
- On 13 May 2021, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 January 2021 to 31 March 2021, which was paid on 18 June 2021 to shareholders on the register as at 21 May 2021.
- On 2 August 2021, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 April 2021 to 30 June 2021, which was paid on 3 September 2021 to shareholders on the register as at 13 August 2021.

Reflecting the timing of dividend payments, the Company paid a total of 5.0p per ordinary share during the year under review due to the delayed payment of the final FY2020 dividend.

STRATEGIC REPORT

INVESTMENT ADVISER'S REPORT (Cont.)

Balance Sheet

The principal items on the balance sheet are, investment property of £780.4 million (2020: £577.1 million), cash and cash equivalents of £86.4million (2020: £59.3 million), long-term loans of £244.9 million (2020: £144.2 million), short term loans of £110 million (2020: £nil) and trade and other payables of £27.2 million (2020: £23.9 million).

The investment property includes completed assets and assets under construction at fair value. Trade and other payables includes £10.5 million of development expenditure that was paid in July 2021.

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 SONIA plus applicable margin and the loan is secured over assets allocated to Lloyds Banking Group. As at 30 June 2021, £68.6 million had been drawn;
- £100 million term loan of 15 years with Scottish Widows, fully drawn as at 30 June 2021. Interest is fixed at the 15 year swap rate of 1.59% plus applicable margin, and the loan is secured over assets allocated to Scottish Widows;
- £150 million term loan of 25 years with Scottish Widows, fully drawn as at 30 June 2021. Interest is fixed at the 25 year swap rate of 1.16% plus applicable margin, and the loan is secured over assets allocated to Scottish Widows; and
- £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. As at 30 June 2021, £42.4 million had been drawn.

Key performance indicators

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

KPI	June 2021	June 2020
Rental income (gross)	£26.6m	£12.9m
Average rent per month per tenant	£785	£766
Non-recoverable property costs as a percentage of gross rent (gross to net)	19.5%	21.1%
Fair value uplift on investment property	£39.0m	£15.8m
Operating profit	£53.7m	£19.9m
Dividends declared per share in relation to the period	4.0p	4.0p
Dividends paid during the period	5.0p	4.0p
Number of properties available to rent	3,984	2,082

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

The delivery of new homes in the last reported period of 2019/20 fell short of the annual government target of 300,000 homes by 80,000, with 220,000 new build completions in the year. Due to the coronavirus pandemic it is not anticipated that this shortfall will have been rectified during 2020/21.

STRATEGIC REPORT

INVESTMENT ADVISER'S REPORT (Cont.)

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%. Latest research by Savills reveals that the number of buy to let mortgage redemptions has reached 180,000 since 2017, suggesting further supply side pressure in the sector.

With the average home in the UK now a multiple of 7.7 times gross average salary (2020), 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 62,000 operational homes and just 39,500 under construction.

BTR currently accounts for just 2% of all private rented homes in the UK, which when compared to 45% in the US and 55% in Germany, indicates the potential growth in the market. Savills estimates that the sector, which experienced investment volumes of £550 million in Q2 2021 alone, 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, 307 new homes were added to the portfolio, taking the number of completed homes at 30 September 2021 to 4,291, providing an ERV of £41.1 million. At the end of September 2021, contracted homes amounted to 764, with an ERV of £7.1 million per annum. The total ERV of contracted and completed homes at 30 September amounted to £48.1 million.

Following the equity placing, the Company is targeting a portfolio of 5,700 homes once complete with an ERV of c.£55.0 million.

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

	At 30 September 2021	At 30 June 2021
Number of completed PRS homes	4,291	3,984
ERV of completed homes	£41.1m p.a	£37.5m p.a
Number of contracted homes	764	1,071
ERV of contracted homes	£7.0m p.a.	£10.6m 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 across multiple sites through our efficient supply chain platform places the Company in a strong position in the PRS market.

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

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG statement

Sigma PRS undertakes the day-to-day management of the Company's ESG strategy and takes responsibility for how the Company's ESG priorities are managed at both Company and asset level. Sigma PRS reports to the PRS REIT's Board on ESG on a quarterly basis.

Approach

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.

In November 2020, the Investment Adviser appointed an ESG Director to take oversight of ESG initiatives, and in December 2020, the Company appointed EVORA, a leading sustainability consultant specialising in real estate solutions, to analyse the Group's current ESG performance and help direct strategies, plans and decisions going forward.

Reflecting the growing importance of ESG globally, Sigma PRS is currently working towards a Global Real Estate Sustainability Benchmark ("GRESB") rating, a globally recognised benchmark for reporting real estate ESG performance. The PRS REIT is a member of European Public Real Estate Association ("EPRA"), a non-profit association representing Europe's publicly listed property companies. EPRA's mission is to promote, develop and represent the European public real estate sector. This is achieved through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices, and the cohesion and strengthening of the industry.

Although voluntary at present, many of these frameworks are important investor tools, and increasingly reflect a 'license to operate' within the market. The Company is also mindful of the changing legislative landscape, including the EU Sustainable Finance Disclosure Regulation ("SFDR"), EU Taxonomy, as well as growing UK national and city-level regulations.

Defining value is a challenge and the Group recognises the growing significance of Social Value in real estate, with frameworks such as the Social Value Portal ("SVP") and the Housing Associations' Charitable Trust (the "HACT"), providing matrices and dashboards, reflecting performance and progress in these areas. The PRS REIT has already engaged with the SVP and is seeking alignment where possible to the UNs 17 Sustainable Development Goals ("SDGs"). Identifying material issues and the key SDGs that the Group supports will be an important part of this process.

The PRS REIT is also reviewing other reporting frameworks, such as the UN Principles of Responsible Investment ("PRI"), and the Task Force on Climate-Related Financial Disclosures ("TCFD").

In order to incorporate ESG factors into decision-making processes and operations, the Group's practices are based on the following policy approaches:

Opportunity review

- ESG risks are assessed, reviewed and monitored, and strategies for enhancement and mitigation are set, based on the understanding and recognition of the value assigned in the emerging frameworks such as climate change and associated social need; and
- mitigation plans are identified.

Investment decision

- ESG issues are listed and addressed in a summary investment paper that informs decision-making at the Investment Committee stage; and
- ESG costs, particularly ongoing community and charitable involvement, are determined and factored into the investment decision process.

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Cont.)

Asset management

- Appropriate governance structures are established.
- Relevant laws and regulations are adhered to.
- COVID-19 Guidelines issued – structures, reviews and support in place.
- Ongoing monitoring and management of ESG issues is established.
- Impacts on the natural habitat surrounding PRS assets are managed.
- Local community engagement and support plans are established, reviewed and developed.
- Due diligence is performed on third parties.
- Policy reviews and updates are ongoing.
- Good practice is established.
- Continued research and review of carbon reduction opportunities are ongoing.
- Investment restrictions are screened.
- Ability of investments to comply with ESG standards is assessed.

Processes and strategies

As an industry leader in the provision of private rental homes, the PRS REIT recognises its responsibilities and the changing priorities towards the environment in this sector. The Government recently set out its 10 Point Plan for a 'Green Industrial Revolution'. The Plan aims to accelerate the UK's attainment of net zero carbon emissions and encompasses energy, transport, innovation and the natural environment, with 2050 set as the endpoint of its net zero goal. In the real estate sector, there is a need for action in areas such as, energy and water consumption, non-fossil fuel heating provision, biodiversity. In working towards further developing the Group's ESG agenda, we are embedding best practices, auditing and tracking the supply chain, and ensuring that policies and activities comply with the PRS REIT's commitment to the UN Global Compact.

The activities of the Company in all aspects of Environment, Social and Governance are set out in the ESG Report 2021, which can be obtained from the Company's website at, www.prsreit.com.

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 has worked well for residents and the majority of deferred rent has been subsequently repaid.

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

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Cont.)

Customer Reviews and Satisfaction

As 'Simple Life' gets larger and awareness of the brand increases around the country, more people wish to understand the service offering. Sigma PRS has registered with Trust Pilot and routinely invites residents to leave reviews. This helps to identify any areas that need improvement. Of the reviews to date, over 80% of people have given 'Simple Life' a 3-5 star review, and its total score is 4.2 stars out of 5.

Here are a sample of comments from the Company's residents:

"We LOVE our new home and couldn't be more thankful to have been able to move in during this difficult time. Lovely walking into our new home also and finding a care package from yourselves - very nice touch. Plenty of informational emails and brochures provided."

Abigail Hyslop, customer satisfaction survey

"A stressful time made easy."

Stephen Kerry, Highfield Place, customer satisfaction survey

"The team were extremely helpful moving into our new home - made a stressful situation seem easier and made the experience more enjoyable"

Kirstin De Figueriedo, customer satisfaction survey

"As a 'Simple Life' tenant for the last (almost) 2 years I can honestly say they really do treat their tenants as they say. We moved into our brand new house and felt at home straight away. Yes there were teething issues, but when aren't there? If only more landlords were like 'Simple Life', there would be less of a stigma around renting"

Wiggleman12345 5 star review left on Apple podcasts (The 'Simple Life' Chat)

"Such a perfect first home for me and my partner, we couldn't ask for more! It's clean, well laid out and every little detail has been thought out carefully. The support on house DIY is great for people moving into their first home with plenty of simplelifehome youtube videos! Windows are cleaned!! Communication between the staff at 'Simple Life' homes is fast. If you ever have an issue with something they are quick to respond and deal with it for you. They have lovely event days for residents and great online competitions and promote 'Simple Life' homes residents if you have a business. Honestly the best!"

Sasha Moore 5 star review on Trust Pilot

"Very good experiences as a tenant: from a very beginning during the application process to living in one of their houses. Good cooperation: phone calls are answered and you are being listened. A good quality house which makes living in it as a very pleasant experience which is very important for a foreigner who needed to have found a new house in a new country. The company philosophy, ethos seem to represent very personal approach. I recommend that company as a trustful one."

Aleksandra Marta 5 star review on Trust Pilot

"Won't be moving! Been a simple life tenant for 9 months now.... best landlord by far couldn't ask for more."

Jennifer Williams 5 star review on Trust Pilot

"Out with the old and in with the new. Not just words 'Simple Life' team listen and do....can I say in a short time since the changeover of new management, you are all making a difference, you get things done and keep to your word, not fobbed off. The neighbours, we call ourselves 'Simple Life' families, have all said what a difference. I am very proud of my beautiful 'Simple Life' forever home. Just wanted to thank you personally Kate for the support and reassurance you gave me. We're not tenants we're a 'Simple Life' family because 'Simple Life' really do care"

Fidelma, 5 star review on Trust Pilot

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Cont.)

What our residents have to say...

All tenants automatically receive a tenant satisfaction survey email one week into their tenancy and then between 6 and 10 months later. This helps the Investment Adviser to monitor tenants' experience with the lettings and moving-in team and their later experience as settled residents.

The following information is based on tenant satisfaction results for the 12 month period from July 2020 to the end of June 2021.

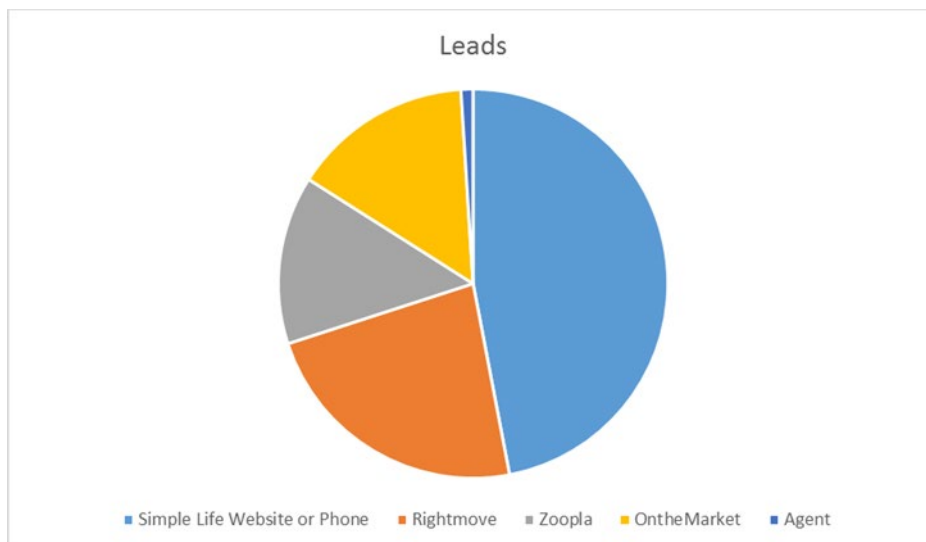
<i>Move in survey</i>	<i>10 month survey</i>
<ul style="list-style-type: none"> 96% said the team made it easy to apply 87% said they were kept well-informed during the application process 91% said they received all the information they required 89% said they found the process of moving in to their home straightforward 89% said the quality of the home met with their expectations 96% said they would recommend 'Simple Life' 	<ul style="list-style-type: none"> 96% said they are still happy with their home 89% said they are happy with the service provided 79% said they felt they have been kept well-informed 88% said the communal areas are well maintained 86% said they feel part of a community 93% said they would recommend 'Simple Life'

All results are based on responses from neutral – strongly agree

Results are in line with those of last year, with some improving. This is very encouraging, especially in the context of the pandemic and related delays in construction.

The increase in reviews reflects the growth of 'Simple Life' and increased brand awareness. The rise in the number of tenant leads originating through the 'Simple Life' website or the 'Simple Life' phone number has increased to 47%, compared with leads arising from Rightmove (23%), Zoopla (14%) and OntheMarket (15%), which reflects the increase in brand awareness.

In addition, 15% of all leads arising from the 'Simple Life' website/phone line were as a result of a recommendation.



The variety of house types in the 'Simple Life' portfolio (from 1 bedroom apartments to 4 bedroom houses) and the geographic spread of locations is creating an increasingly compelling brand proposition within the rental marketplace. 'Simple Life' is able to offer a rental solution for almost every life stage, and it is encouraging that between 10-14% of people who are recorded as 'leaving', choose to move to an alternate 'Simple Life' property in a different location or to a larger or smaller home.

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Cont.)

Resident Focused Initiatives and Tech

Pets

In last year's report we highlighted our move to abolish pet rent after conducting research into the issue. In the year under review, we changed our restrictions on the total number of pets permitted in a development so that it aligns better with the number of households with pets across the country.

Home Businesses

The pandemic has driven an increase in the number of people setting up businesses from home. Responding to this trend, we have implemented a process to ensure that tenants notify us of business operations from home. This enables Sigma PRS to ensure compliance with insurance requirements while supporting residents. We have also enabled residents to use our platforms to promote their businesses, and now have a Residents Business Directory, which often offers exclusive discounts to other residents in the area.

Property Alterations

In order to help to make residents feel more at home, and in acknowledgement of our findings that one of the key barriers to renting is the limitations placed on making a property feel more personal, we have introduced a property alterations request process.

Many of the most common requests have now been collated and there is a standardised approach to what is permitted. The aim is to provide residents and our agents with a streamlined approach and to give residents greater clarity over the changes that they can make, together with our expectations at the end of their tenancy.

Virtual Inspections

One of the common complaints of renting is the inspection process. Many tenants consider that this can sometimes feel intrusive. During the financial year, Sigma PRS reviewed the way these checks have been communicated, and amended the process to a 'Property Health-check'. The aim is to make residents aware that part of the process is to ensure that the property is fit for purpose as well as confirming that they are taking good care of the property. In addition, a system of virtual property health checks has been introduced. This provides residents with the option of carrying out property checks themselves at certain stages of their tenancy. Meanwhile, in-person health checks will continue to be conducted on key dates, such as end of tenancies and anniversaries of tenancies.

'My Simple Life' Mobile App

Sigma launched a bespoke resident mobile app in August 2021. Available on Google and Apple, it has been designed to provide a convenient and efficient 'one-stop shop' for residents' needs. It has been very well-received by residents to date, and provides:

- easy access to all important documents, including tenancy agreements, inventories, EPC, gas and EICR certificates;
- information on homes, including floorplans and measurements
- information on home appliances, including manuals;
- access to statements of account, with certain payments enabled via the app;
- access to an open forum, enabling residents on the same development to engage with each other;
- the ability to report maintenance problems;
- exclusive affiliate offers and discounts;
- latest news;
- information on the local area; and
- the ability to leave feedback.

The 'Simple Life' Chat

In June 2021, we launched the 'Simple Life' Chat podcast, hosted by radio presenter and journalist, Jen Thomas. It aims to highlight the positive experiences of renting and address topics of interest. The podcast hosts discussions between experts and residents, and episodes so far have included: interviews with residents examining their reasons for renting and their rental experiences; interviews with 'Simple Life' employees, discussing their roles; and interviews with mental health advisers, who provided tips on how to cope with the stresses of moving home as well as general life stresses.

STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Cont.)

Sigma plans to produce at least four episodes of the podcast per year and aims to involve a variety of guests, including partners, suppliers and tenants. Future episodes will include discussions on the benefits of build-to-rent, sustainable lifestyles, including a focus on green initiatives by '*Simple Life*', the importance of pets, building businesses from home, and the influence of reviews and ratings.

Human Rights

The obligations under the Modern Slavery Act 2015 (the 'Act') are not applicable to the Company given its size. However, to the best of its knowledge, the Group is satisfied that its principal suppliers and advisors comply with the provisions of the Act.

The Company operates a zero-tolerance approach to bribery, corruption and fraud.

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.

Employee Diversity – Gender

Directors of The PRS REIT Plc	2021	2020
Male	80%	100%
Female	20%	0%

STRATEGIC REPORT

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 at pages 9 to 12.

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 made may deviate from the investment strategy and investment objectives and 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. The Investment Adviser constantly seeks to maintain a significant pipeline of future development sites and provide this to the Board for regular review.

Political Risk

Risks relating to Brexit

Following the United Kingdom's ("UK") departure from the European Union ("Brexit") on 1st January 2021, the extent of the impact on the Company will depend in large part on the implementation of the agreements and arrangements put in place between the UK and the European Union following Brexit. Although it is not possible to predict fully the effects of the exit of the UK 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.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (Cont.)

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 expectations are that this should 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 Advisor 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, together with the favourable terms and economies of scale derived from these 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 notes that on 9 September 2021, the entire share capital of Sigma Capital Group Limited was acquired by a wholly-owned indirect subsidiary of investment funds managed by PineBridge Benson Elliott LLP. This represents a change to the ultimate ownership of the Investment Adviser, although there is no change to the obligations and responsibilities of the Investment Adviser pursuant to the terms and conditions of the Investment Advisory Agreement.

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 multiple locations throughout the UK, and therefore some of this risk is mitigated by both tenant and geographic diversification. A rigorous tenant vetting process has been implemented and, in addition, the Investment Adviser holds regular weekly meetings focused on lettings and outstanding debtors. The letting agent is compensated only when rent has been received.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (Cont.)

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.

Construction cost risk is mitigated through the utilisation of fixed price design and build contracts with house builders prior to the commencement of development activities. Under the terms of the contractual arrangements, cost inflation remains the risk of the house builder.

Risks relating to investment valuation

The valuation of the Group's property assets is primarily based on five 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.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (Cont.)

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 Premium Segment of the London Stock Exchange, scale and complexity of the Group structure, 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 advisors, Nominated Advisor, recognised house builder partners and legal advisers.

The Company's Section 172 statement is included on pages 49 to 51.

By order of the Board

A handwritten signature in black ink, appearing to read 'Steve Smith', with a large, stylized flourish extending to the right.

Steve Smith
Chairman

11 October 2021

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 the Group's 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 stakeholders is not new, we are taking the opportunity to explain in more detail how the Board engages with the PRS REIT's stakeholders. The Company continues 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 the Company's section 172 statement and should be read in conjunction with the Strategic Report on pages 4 to 48. Section 172 of the Companies Act 2006, requires Directors to take in to 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 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 it engages with them. The stakeholder voice is constantly brought in to 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, examples are provided of how engagement with stakeholders takes place to ensure that the Company can appropriately consider their interests in decision-making. Of particular note for the period under review are: the Migration from the Specialised Fund Segment of the Main Market of the London Stock exchange to the Premium List; the equity fund-raising in September 2021; the appointment of Geeta Nanda as Non-Executive Director; the appointment of an ESG Director by the Investment Adviser; the appointment of EVORA to assist on ESG matters; the appointment of Panmure Gordon as joint broker; 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 the 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.

Employees

The PRS REIT does not have any employees (2020: nil). Sigma PRS Management Ltd ("Sigma PRS") is the appointed Investment Adviser to the PRS REIT.

Investment Adviser

The Company carefully monitors and reviews the interaction between Sigma PRS and its employees and other stakeholders through Board meetings and stakeholder feedback.

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT (Cont.)

Customers and communities

The new homes that the PRS REIT is delivering form new neighbourhoods and communities, and the Company recognises its responsibility towards ensuring that these communities function well. The Group's 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 social links that underpin these communities, and create a sense of neighbourhood, the Company organises regular events across the developments that help bring people together. The Group also builds links with the wider community, and, over the past year the PRS REIT has continued to support a number of local primary schools and charities with projects. The Company intends 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 the Company works with most closely, Countryside Properties ("Countryside"), has a strong track record in sustainable development. In its 2020 reporting year, Countryside diverted 98.5% of its waste away from landfill.

For further information on the Groups' ESG policies and performance please see the full report on the Company's website, www.prsreit.com

Local Authorities, house builders and funders

The PRS REIT'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. The Group aims to do this utilising its property and capital raising expertise to further its PRS activities and deliver family housing. The geographies in which the Company delivers assets has steadily expanded, and it has also diversified the financial instruments that are utilised 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 professionals and professional advisers and the Board would not hesitate to seek input in this regard from the listing authority.

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT (Cont.)

Shareholders

The Board welcomes the opportunity to engage with the Company's shareholders, and with the capital markets more generally. The PRS REIT has a high level of investor communication through its financial calendar activity, including: investor meetings; roadshows; site visits; and the Company's AGM.

The Company's Chairman takes overall responsibility for ensuring that the views of the shareholders are communicated to the Board and that the Directors are made aware of any shareholder issues and concerns so that 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 is 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 the Company's 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 2021 financial year of 4.0p per share (2020: 4.0p) 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. 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 67)

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 66)

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 57)

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.

Geeta Nanda, OBE, Non-Executive Director (Age 56) appointed 24 March 2021

Geeta has over 25 years' experience of working in the property sector. She is Chief Executive Officer of Metropolitan Thames Valley Housing Association ("MTVH"), having previously led its creation in 2017 with the merger of Metropolitan Housing Trust and Thames Valley Housing Association Ltd, where she was Chief Executive Officer. At MTVH, Geeta is responsible for the management of 60,000 homes, with 100,000 residents, and an ongoing new-build programme. She also has significant experience of PRS, having established 'Fizzy Living', the London PRS subsidiary of Thames Valley Housing Association Ltd in 2012. Geeta is an Advisory Board member of Cities Restart, the body dedicated to helping cities reopen following COVID-19, and a Board member of The National Housing Federation, the industry body representing providers of housing. She is also Vice Chair and Chair-elect of G15, the group of London's largest housing associations. She was previously a Non-executive Director of McCarthy & Stone plc, the retirement communities' developer and manager, from 2015 until its acquisition in early 2021, a Non-executive Director of The St Mungo Community Housing Association, a charity that helps the homeless, and Vice Chair of SCOPE, the national disability charity.

Jim Prower, Non-Executive Director (Age 66)

Jim, a Chartered Accountant, has over 35 years' experience in senior financial roles. Between 1998 and 2015, he was Group Finance Director at Argent Group plc, the UK based property developer and 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 inner city regeneration; Jim was involved in Argent's major developments in Manchester, Birmingham and the City of London, and from 2008 to 2015 he worked on the King's Cross Central joint venture, one of Europe's largest regeneration projects. Prior to this, Jim was Group Finance Director at NOBO Group plc and at Creston Land & Estates plc. Until the end of September 2021, Jim was Senior Independent Director at Empiric Student Property plc and a Non-executive Director at Alternative Income REIT plc. Until March 2019, Jim was also the Senior Independent Director at Tritax Big Box REIT plc.

CORPORATE GOVERNANCE

ADVISERS

Registered Office

Floor 3, 1 St. Ann Street
Manchester
M2 7LR

Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Joint Broker

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

Legal and Tax Adviser

Dentons UK and Middle East LLP
One Fleet Place
London
EC4M 7WS

AIFM and Manager

G10 Capital Limited
136 Buckingham Palace Road
London
SW1W 9SA

Valuers

Savills (UK) Limited
33 Margaret Street
London
W1G 0JD

Company Secretary

Sigma Capital Property Ltd
18 Alva Street
Edinburgh
EH2 4QG

Financial Adviser and Broker

Singer Capital Markets Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

Financial PR

KTZ Communications
No. 1 Cornhill
London
EC3V 3ND

Investment Adviser

Sigma PRS Management Ltd
Floor 3, 1 St. Ann Street
Manchester
M2 7LR

Depository

Crestbridge Property Partnerships Limited
8 Sackville Street
London
W1S 3DG

CORPORATE GOVERNANCE

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 2021.

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 various 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 were listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange until 2 March 2021 when it migrated to the Premium 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 84. The following dividends were paid during the year:

17 July 2020	1.0p per ordinary share
18 September 2020	1.0p per ordinary share
11 December 2020	1.0p per ordinary share
8 March 2021	1.0p per ordinary share
18 June 2021	1.0p per ordinary share

Total dividends paid in the prior year was 4.0p. Since the year-end, a dividend of 1.0p per ordinary share was paid on 3 September 2021.

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 48.

Articles of Association

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

Directors

The current Directors of the Company are listed on page 52, all of whom held office throughout the year, except Geeta Nanda, who joined the Company as a Non-executive Director on 24 March 2021. 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 appointment and replacement of Directors is governed by the Company’s Articles, the AIC Code, the Companies Act 2006 and any related legislation. 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 74 to 76.

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.

CORPORATE GOVERNANCE

REPORT OF THE DIRECTORS (Cont.)

Share capital

At the AGM held on 10 December 2020, 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 2021, the Company had 495,277,294 ordinary shares in issue (2020: 495,277,294), none of which were held in treasury.

Substantial shareholdings

As at 30 June 2021, 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
Invesco UK Equity Income Fund	25,117,901	5.07
Aviva Life & Pensions UK	23,265,974	4.70
Smithfield Alternative Investment Fund	17,521,864	3.54
Liontrust SF UK Ethical Fund	15,028,065	3.03

As at 30 September 2021 the following substantial shareholdings were held:

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
Invesco UK Equity Income Fund	25,117,901	5.07
Aviva Life & Pensions UK	23,265,974	4.70
Smithfield Alternative Investment Fund	17,521,864	3.54
Liontrust SF UK Ethical Fund	15,028,065	3.03

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.

CORPORATE GOVERNANCE

REPORT OF THE DIRECTORS (Cont.)

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 2021:

- 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 2021.

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") was extended, with effect from 1 January 2021. The Agreement signed on 3 May 2017 provided for an initial minimum contracted term of five years to 31 May 2022, being the fifth anniversary of the initial admission of the Company's shares to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. Under the new agreement, the contracted term has been extended to 31 December 2025, with a one year notice period thereafter, with a reduction in the Investment Adviser fee rates above £500m of net asset value compared to the original arrangement. 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 11 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; 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 Limited ("Sigma"), the parent company of Sigma PRS, is directly appointed as alternative investment fund manager of the Company.

CORPORATE GOVERNANCE

REPORT OF THE DIRECTORS (Cont.)

Depositary

Crestbridge UK 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 starts 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 act as secretary and administrator to the Company, and provide 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 45 to 48. Information on the financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 4 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 2021, the Group had positive cash balances of £86.4 million (2020: £59.3 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 2021, the Group had borrowings of £250 million with Scottish Widows and a revolving credit facility with Lloyds Banking Group plc and RBS plc of £150 million of which £68.6 million was drawn. In addition, the Group has a £50 million revolving credit facility with Barclays Bank PLC of which £42.4 million was drawn. Further information with regard to the Group's cash and cash equivalents is provided in note 21 of the financial statements and borrowings in note 23.

Political donations

No political contributions were made during the year (2020: 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 continue to weather the current economic climate are outlined on pages 9 to 12, and 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 45 to 48.

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.

CORPORATE GOVERNANCE

REPORT OF THE DIRECTORS (Cont.)

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 12.

Environmental, Social and Governance

The Board's report on Environmental, Social and Governance is on pages 39 to 44.

Corporate Governance Statement

The corporate governance statement is set out on pages 61 to 68.

Stakeholder engagement and Section 172 statement

The Groups' stakeholder engagement and Section 172 statement are set out on pages 49 to 51.

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 skill 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 112 of these financial statements.

By order of the Board



Steve Smith
Director

11 October 2021

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors have elected under company law to prepare group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and are additionally required under the Listing Rules of the Financial Conduct Authority to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have elected under company law to prepare the Company financial statements in accordance with accounting standards in conformity with the requirements of the Companies Act 2006.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006, and additionally for the group financial statements international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006, and additionally for the group financial statements international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Cont.)

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 52, confirm that, to the best of each person's 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 they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the www.theprsreit.com 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

11 October 2021

CORPORATE GOVERNANCE

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 (provision 4).
- 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 (provisions 37-42 and 22-28 respectively).

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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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 acquisitions from Sigma Capital Group Limited and subsidiary undertakings;
- the approval of annual and half yearly financial reports, to 30 June and 31 December 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 45 to 48.

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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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; and
- 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 45 to 48.

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 Limited, 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.

During the year under review, an extension to the original Investment Advisory Agreement ("IAA") was agreed. The initial IAA signed on 3 May 2017 and provided for an initial minimum contracted term of five years to 31 May 2022, being the fifth anniversary of the initial admission of the Company's shares to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. Under the new agreement, the contracted term has been extended to 31 December 2025, with a one year notice period thereafter.

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 December 2026. 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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 57.

Board membership and meeting attendance

During the year to 30 June 2021, the number of scheduled Board meetings attended by each Director was as follows:

Director	Attendance*	Date of Appointment	Length of Service at 30 June 2021
Steve Smith	6/6	24 April 2017	50 months
David Steffan Francis	6/6	24 April 2017	50 months
Roderick MacRae	6/6	24 April 2017	50 months
Geeta Nanda	1/1	24 March 2021	3 months
Jim Prower	6/6	20 May 2019	25 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 four 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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. Other than signing a new Investment Adviser Agreement that included a reduction in the Investment Adviser’s fee calculation, there were no other 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 analysis 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 December 2026. 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 six 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 2020 Annual Report and Financial Statements, and the debt facilities with both Lloyds Banking Group / RBS and Barclays.

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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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 Lloyds Banking Group / RBS and Barclays
- 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 Depository 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 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.

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. In identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise. In identifying suitable candidates the Board uses the services of external advisers to facilitate the search. In relation to the appointment of Geeta Nanda during the year, the Board appointed the Lygon Group, an independent executive search and board consulting partnership providing services to quoted and private equity backed firms. The Board confirmed the independence of Lygon Group prior to their appointment. 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. These policies and behaviours are designed to align the culture with the long term strategy of the Group. The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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 to 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (Cont.)

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 moved to electronic communications for all shareholders in November 2020.

CORPORATE GOVERNANCE

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 2021.

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 2021 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.

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT (Cont.)

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 2020 to 11 October 2021, the Committee has met five times. The attendance at these meetings was as follows:

Director	Attendance *
Rod MacRae (Chairman)	5/5
Steffan Francis	5/5
Jim Prower	5/5

*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 45 to 48. 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 four 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 the RICS Valuation - Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020, together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book". 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 valuer, the Investment Adviser and the Auditor. The Audit Committee were satisfied with the valuation reports.

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT (Cont.)

Maintenance of REIT status

The UK REIT regime enables the Group to benefit from favourable tax treatment. The Audit Committee and Board monitors the PRS REIT's compliance status throughout the year and considers requirements for the maintenance of the Company's REIT status.

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 £100,000 has been agreed in respect of the audit of the Company for the year ended 30 June 2021 (2020: £98,000). The audit fees of the Group for the period ended 30 June 2021 totalled £252,000 (2020: £182,000).

The cost of non-audit services provided by the Auditor to the Company for the financial period ended 30 June 2021 was £69,000 (2020: £19,000) of which £20,000 related to the interim financial statements review (2020: £19,000) and £50,000 in relation to corporate finance services for the Company's migration to the Premium Segment of the Main Market. 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 accordance with the rules around audit partner rotation, Mr Banks can only act as engagement partner for a maximum of five years and will require to rotate off after the year ending 30 June 2022.

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 2021, 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

11 October 2021

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION POLICY (Cont.)

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 2020 and the Directors' remuneration policy were approved by shareholders at the AGM held on 10 December 2020. The results taken on a poll were as follows:

Directors' Remuneration Report

For – number of votes cast	367,746,944
Against - number of votes cast	1,364,797
Total votes cast	369,111,741
Number of votes withheld	4,000

Directors' Remuneration Policy

For – number of votes cast	364,323,224
Against - number of votes cast	4,788,517
Total votes cast	369,111,741
Number of votes withheld	4,000

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION REPORT

The Board presents its Directors' Remuneration Report in respect of the year ended 30 June 2021. 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 77 to 83.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2021.

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

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 Directors' Remuneration Report and the Remuneration Policy, as outlined on page 72 of this 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 2021 (2020: £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 2021 £'000	Year ended 30 June 2020 £'000	% change %
Steve Smith (Chairman)	45	45	-
Steffan Francis	30	30	-
Rod MacRae (Audit Committee Chairman)	35	35	-
Geeta Nanda (appointed 24 March 2021)	8	-	n/a
Jim Prower	30	30	-
	<u>148</u>	<u>140</u>	

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.

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION REPORT (Cont.)

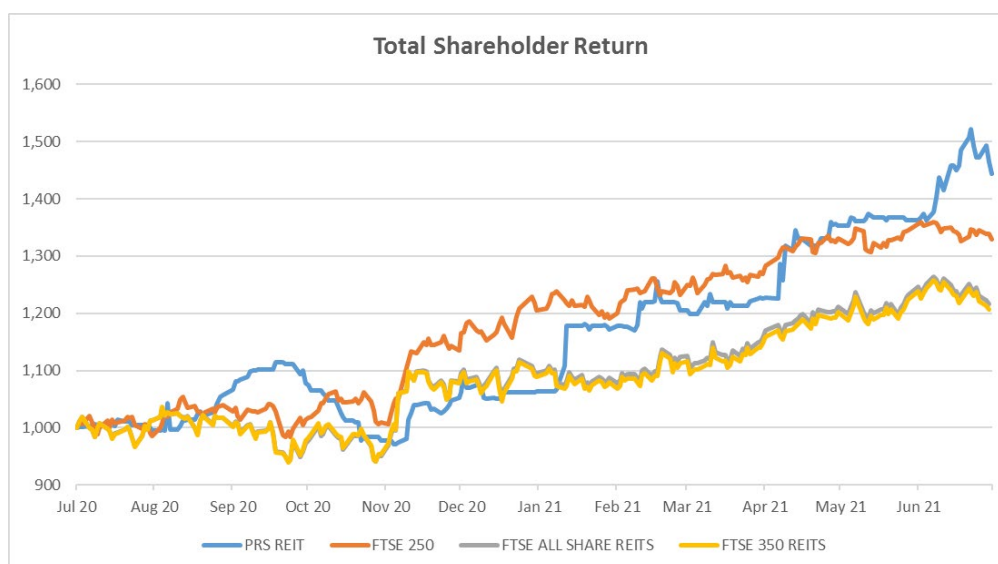
Relative importance of spending on pay

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Directors' aggregate remuneration	148	140
Dividends paid to all shareholders*	24,764	19,812

*includes all dividends paid in relation to the year ended 30 June 2021 and year ended 30 June 2020

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

	Ordinary Shares 2021	Ordinary Shares 2020
Steve Smith (Chairman)	80,000	80,000
Steffan Francis	80,000	60,000
Rod MacRae (Audit Committee Chairman)	100,000	100,000
Jim Prower	22,000	22,000

There have been no changes to Directors' share interests between 30 June 2021 and the date of this report.

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

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION REPORT (Cont.)

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 11 October 2021.

On behalf of the Board.

A handwritten signature in black ink, appearing to be 'Steve Smith', written over a faint, light-colored circular stamp or watermark.

Steve Smith
Chairman

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 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Accounting Standards in conformity with the requirements 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of 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 going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's going concern assessment paper covering the 12 month period from date of approval of the financial statements
- Checking the mathematical accuracy of the underlying financial model
- Assessing management's sensitivity analysis, including considering the impact on bank loan covenants
- Reviewing the appropriateness of going concern disclosures in the financial statements

We concluded that the directors' assessment was appropriate in the circumstances and have no key observations to make.

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

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

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

Summary of our audit approach

Key audit matters	Group - Valuation of Investment Property Parent Company - No key audit matters
Materiality	Group - Overall materiality: £8,740,000 (2020: £7,860,000) - Performance materiality: £6,550,000 (2020: £5,890,000) Parent Company - Overall materiality: £7,830,000 (2020: £6,070,000) - Performance materiality: £5,870,000 (2020: £4,550,000)
Scope	Our audit procedures covered 100% of group rental income, group profit, 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 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 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 69 to 70; the significant accounting judgements and estimates on page 98; significant accounting policies on pages 95 to 98 and notes to the financial statements on pages 104 to 105.

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 2021 was £780m. 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 and have been valued at fair value, at 30 June 2021 these were valued at £246m. 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, in line with the methodology set out in note 18 on pages 104 to 105.

How the matter was addressed in the audit

We audited the independent valuations of investment properties to ensure the valuations are appropriate and correctly recorded in the financial statements 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.

We engaged a property valuation specialist as our auditor expert to assist in the audit of the valuations. They provided us with sector specific data to assist in our challenge of the assumptions applied by the valuer.

We selected a sample of 10 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 the auditor's expert complete a detailed valuation assessment.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

We discussed with the Investment Adviser and the external 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.

We discussed the methodologies with the Investment Adviser, the external 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 completion 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 Investment Adviser to the external 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 acceptable.

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	£8,740,000 (2020: £7,860,000)	£7,830,000 (2020: £6,070,000)
Basis for determining overall materiality	1% of Total assets	1.2% 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	£6,550,000 (2020: £5,890,000)	£5,870,000 (2020: £4,550,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting materiality levels for transactions where materiality levels are lower than overall materiality	The income statement was tested to the lower Specific Materiality figure of £1.3m 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 Specific Materiality figure of £1.3m 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

An overview of the scope of our audit

The group consists of 67 active components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

Full scope audits were performed for all 67 active components.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the AIC Code of Corporate Governance specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 57;
- Directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why this period is appropriate set out on page 57;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 57;
- Directors' statement on fair, balanced and understandable set out on page 64;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 62;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 62 to 63; and,
- The section describing the work of the audit committee set out on pages 69 to 71.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 59, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
REIT legislation	Review of the REIT status assessment prepared by management. Inspection of advice received from external tax advisors. Input from a REIT specialist was obtained regarding the calculation of property income profits and the ability to calculate the PID on a cumulative basis.
Health and Safety	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance (as noted above) and inspection of legal and regulatory correspondence, if any.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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 year ending 30 June 2018 and subsequent financial periods.

The period of total uninterrupted consecutive appointment is four years, covering the years ending 30 June 2018 to 30 June 2021.

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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

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
EC4A 4AB

11 October 2021

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Rental Income	6	26,636	12,945
Non-recoverable property costs	7	(5,186)	(2,728)
Net rental income		21,450	10,217
Other income	8	353	-
Administrative Expenses			
Directors' remuneration	9	(148)	(140)
Investment advisory fee	11	(4,362)	(4,339)
Other administrative expenses	12	(2,028)	(1,681)
Migration to Main Market expenses	12	(543)	-
Total administrative expenses		(7,081)	(6,160)
Gain from fair value adjustment on investment property	18	38,983	15,806
Operating profit		53,705	19,863
Finance income	13	-	220
Finance cost	14	(9,592)	(3,676)
Profit before taxation		44,113	16,407
Taxation	15	-	-
Profit after tax and Total comprehensive income for the year attributable to the equity holders of the Company		44,113	16,407
Earnings per share attributable to the equity holders of the Company:			
IFRS earnings per share (basic and diluted)	16	8.9p	3.3p

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.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company No. 10638461

As at 30 June 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Investment property	18	<u>780,366</u>	<u>577,119</u>
		780,366	577,119
Current assets			
Trade receivables	20	457	191
Other receivables	20	6,132	3,463
Cash and cash equivalents	21	<u>86,414</u>	<u>59,304</u>
		93,003	62,958
Total assets		<u>873,369</u>	<u>640,077</u>
LIABILITIES			
Non-current liabilities			
Accruals and deferred income	22	4,732	4,598
Interest bearing loans and borrowings	23	<u>245,860</u>	<u>145,244</u>
		250,592	149,842
Current liabilities			
Trade and other payables	22	22,477	19,314
Interest bearing loans and borrowings	23	<u>110,030</u>	<u>-</u>
		132,507	19,314
Total liabilities		<u>383,099</u>	<u>169,156</u>
Net assets		<u>490,270</u>	<u>470,921</u>
EQUITY			
Called up share capital	25	4,953	4,953
Share premium account	26	245,005	245,005
Capital reduction reserve	27	161,984	186,748
Retained earnings		<u>78,328</u>	<u>34,215</u>
Total equity attributable to the equity holders of the Company		<u>490,270</u>	<u>470,921</u>
IFRS net asset value per share (basic and diluted)	28	99.0p	95.1p

As at 30 June 2021, there is no difference between IFRS NAV per share and the EPRA NTA per share.

These consolidated group financial statements were approved by the Board of Directors and authorised for issue on 11 October 2021 and signed on its behalf by:



Steve Smith
Chairman

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

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 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	<u>4,953</u>	<u>245,005</u>	<u>186,748</u>	<u>34,215</u>	<u>470,921</u>
Profit for the year	-	-	-	44,113	44,113
Dividend paid	-	-	(24,764)	-	(24,764)
At 30 June 2021	<u>4,953</u>	<u>245,005</u>	<u>161,984</u>	<u>78,328</u>	<u>490,270</u>

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Cash flows from operating activities			
Profit before tax		44,113	16,407
Finance income	13	-	(220)
Finance costs	14	9,592	3,676
Fair value adjustment on investment property	18	(38,983)	(15,806)
Cash generated by operations		14,722	4,057
Increase in trade and other receivables		(1,805)	(1,680)
Increase / (decrease) in trade and other payables		3,295	(3,677)
Net cash generated from / (used in) operating activities		16,212	(1,300)
Cash flows from investing activities			
Purchase of investment properties		(164,264)	(193,772)
Finance income		-	236
Net cash used in investing activities		(164,264)	(193,536)
Cash flows from financing activities			
Bank and other loans advanced	23	233,119	50,000
Bank and other loans repaid	23	(22,134)	-
Finance costs		(11,059)	(5,995)
Dividends paid	17	(24,764)	(19,811)
Net cash generated from financing activities		175,162	24,194
Net increase / (decrease) in cash and cash equivalents		27,110	(170,642)
Cash and cash equivalents at beginning of year		59,304	229,946
Cash and cash equivalents at end of year	21	86,414	59,304

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

FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	19	<u>325,742</u>	<u>456,349</u>
		325,742	456,349
Current assets			
Other receivables	20	<u>319,177</u>	<u>86,164</u>
Cash and cash equivalents	21	<u>25</u>	<u>2,012</u>
		319,202	88,176
Total assets		644,944	544,525
Current liabilities			
Trade and other payables	22	<u>252,988</u>	<u>121,409</u>
Total liabilities		252,988	121,409
Net assets		391,956	423,116
EQUITY			
Called up share capital	25	<u>4,953</u>	<u>4,953</u>
Share premium account	26	<u>245,005</u>	<u>245,005</u>
Capital reduction reserve	27	<u>161,984</u>	<u>186,748</u>
Retained earnings		<u>(19,986)</u>	<u>(13,590)</u>
Total equity attributable to the equity holders of the Company		391,956	423,116

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 2021 amounted to £6.4 million (2020: loss of £5.4 million).

These financial statements were approved by the Board of Directors on 11 October 2021 and signed on its behalf by:



Steve Smith
Chairman

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
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	<u>4,953</u>	<u>245,005</u>	<u>186,748</u>	<u>(13,590)</u>	<u>423,116</u>
Loss for the year	-	-	-	(6,396)	(6,396)
Dividends paid	-	-	(24,764)	-	(24,764)
At 30 June 2021	<u>4,953</u>	<u>245,005</u>	<u>161,984</u>	<u>(19,986)</u>	<u>391,956</u>

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Cash flows from operating activities			
Loss before tax		(6,396)	(5,389)
Finance income		-	(58)
Cash used in operations		<u>(6,396)</u>	<u>(5,447)</u>
Increase in trade and other receivables		(102,407)	(51,863)
Increase in trade and other payables		131,580	120,762
Net cash generated from operating activities		<u>22,777</u>	<u>63,452</u>
Cash flows from investing activities			
Investment in subsidiaries	19	-	(130,648)
Finance income		-	74
Net cash used in investing activities		<u>-</u>	<u>(130,574)</u>
Cash flows from financing activities			
Dividends paid	17	(24,764)	(19,811)
Net cash used in financing activities		<u>(24,764)</u>	<u>(19,811)</u>
Net decrease in cash and cash equivalents		(1,987)	(86,933)
Cash and cash equivalents at beginning of year		<u>2,012</u>	<u>88,945</u>
Cash and cash equivalents at end of year	21	<u>25</u>	<u>2,012</u>

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 was quoted on the Specialist Fund Segment of the Main Market of the London Stock Exchange until 2 March 2021 when it migrated to the Premium 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. Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRS’) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with requirements of the Companies Act 2006, the consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements will transition to UK-adopted international accounting standards for financial periods beginning 1 July 2021.

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. Going concern

The consolidated and Company financial statements have been prepared on a going concern basis. The Group had net liabilities of £40 million as at 30 June 2021 (2020: net assets £44 million) due to the drawing down of short term development debt which will be repaid in the next financial year and replaced with longer term investment debt. The Group’s cash balances at 30 June 2021 were £86 million of which £60 million has been accessed since the year end. The Group had debt borrowing as at 30 June 2021, of £355 million, and has secured further facilities comprising £75 million of investment debt. 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 2021 were £89.2 million. The Group’s ERV as at 30 June 2021, was £37.5 million from 3,984 homes and has increased to £41.1 million from 4,291 homes as at 30 September 2021. 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, approximately 2,100 homes require to generate income to cover monthly cash outlays.

For further information see the Going concern and stress test review on pages 9 to 12.

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 2021.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

4. Financial risk management

The Group's business activities are set out in the Strategic Report on pages 31 to 38. These activities expose the Group and Company to a number of financial risks. The following describes the Group's and Company 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 and Company's objectives for managing capital are to safeguard the Group's and Company'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 and Company consists of cash and cash equivalents, equity and debt. The Group and Company 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 and Company also seeks to minimise the cost of capital and optimise its capital structure. At 30 June 2021 the Group had short term debt of £110 million (2020: nil) and cash at bank of £86 million (2020: £59 million). At 30 June 2021 the Company had no short term debt (2020: nil) and cash at bank of £25,000 (2020: £2 million). There were no changes in the Group's and Company'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.

Group

	Amortised cost	
	2021 £'000	2020 £'000
<i>Financial assets</i>		
Trade and other receivables	5,879	2,963
Cash and other cash equivalents	86,414	59,304
Total financial assets	92,293	62,267
<i>Financial liabilities</i>		
Trade and other payables	26,906	23,907
Interest bearing loans	355,890	145,244
Total financial liabilities	382,796	169,151

The Company's principal financial assets and liabilities are those that arise directly from its activities as a holding company: trade and other receivables, trade and other payables and cash and cash equivalents.

Company

	Amortised cost	
	2021 £'000	2020 £'000
<i>Financial assets</i>		
Trade and other receivables	319,177	86,164
Cash and other cash equivalents	25	2,012
Total financial assets	319,202	88,176
<i>Financial liabilities</i>		
Trade and other payables	252,686	121,404
Total financial liabilities	252,686	121,404

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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.

The Company holds no investment property directly (2020: nil).

Interest rate risk

The Group has limited interest rate risk on its investment and development loans. A 1% change in interest rates would result in an income statement adjustment of £0.6 million (2020: £nil). However, the majority of loans are at fixed rates of interest and are not therefore subject to variation.

Lender	Balance as at 30 June 2021	Loan period	Interest rate (all in)	
Scottish Widows	£100.0 million	15 years	3.14%	Fixed
Scottish Widows	£150.0 million	25 years	2.76%	Fixed
Lloyds Banking Group plc / RBS	£68.6 million	2 years	3.09%	Variable
Barclays Bank PLC	£42.4 million	2 years	3.44%	Variable

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.

The Company had no external loans as at 30 June 2021 (2020: nil).

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 2021 amounted to £0.3 million (2020: £0.2 million).

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 2021, 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 (2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Liquidity risk

The Group and Company 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 2021, the Group had net current liabilities of £39.5 million (2020: net current assets of £44 million). The table below summarises the maturities of the Group's non-derivative financial liabilities as at 30 June 2021 and 30 June 2020:

Group	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2021						
Trade and other payables	302	7,292	14,883	4,732	-	27,209
Loans and borrowings	-	50,623	66,609	29,264	344,588	491,084
	302	57,915	81,492	33,996	344,588	518,293
2020						
Trade and other payables	-	11,608	7,701	4,598	-	23,907
Loans and borrowings	-	1,130	3,390	18,080	196,193	218,793
	-	12,738	11,091	22,678	196,193	242,700

As at 30 June 2021, the Company had net current assets of £66.2 million (2020: net current liabilities of £33.2 million). The table below summarises the maturities of the Company's non-derivative financial liabilities as at 30 June 2021 and 30 June 2020:

Company	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2021						
Trade and other payables	-	252,988	-	-	-	252,988
	-	252,988	-	-	-	252,988
2020						
Trade and other payables	-	121,409	-	-	-	121,409
	-	121,409	-	-	-	121,409

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

5. 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.

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 investment properties.

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.

Subsidiaries

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, in which case an impairment provision is recognised and charged to the Income Statement. The results of subsidiaries acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

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 2020 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 18.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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, including 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 2021 the Group's loss allowance for expected credit losses on trade receivables was £31,000 (2020: £35,000).

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 21.

Trade and other payables

Trade and other payables are not interest bearing and are initially recognised at fair value and subsequently measured at their amortised cost.

Borrowings

Borrowings are recognised at fair value, net of transaction costs incurred.

Leases

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. Almost all leases held by a lessee are recognised on the balance sheet as an asset and liability. 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 has not had a material impact on the Group. The accounting for lessors has not significantly changed.

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 on adoption was a £1 million increase in investment property and a corresponding increase in liabilities of £1 million.

The adoption of IFRS 16 had an immaterial impact on net assets and underlying profit before tax.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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.

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 the 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.

Capitalised interest

During the development phase where an asset has drawn down funds from a Development loan facility the interest payable is capitalised as a cost of development of that asset. The amount capitalised in the year to 30 June 2021 was £2.4 million (2020: nil).

Costs of borrowing

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

Dividends

Dividends on equity shares are recognised when they become legally payable.

Share issue costs

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

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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 4 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. Applying the Concentration test, it was concluded that the acquisitions did not meet the criteria for the acquisition of a business as outlined in IFRS 3 as substantially all of the fair value of the gross asset acquired was concentrated in a single identifiable asset.

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 (Bury St Edmunds) Limited	5,945	17	(45)	5,917
Sigma PRS Investments (Lea Hall) Limited	5,905	11	(20)	5,896
Sigma PRS Investments (Newhall) Limited	10,505	43	(67)	10,481
The PRS REIT Holyoake Unit Trust (formerly BlackRock Housing Unit Trust)	19,920	100	-	20,020
	42,275	171	(132)	42,314

- 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 – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book".

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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 year ended 30 June 2020.

In the current financial year the Group and Company has adopted a number of minor amendments to standards effective in the year issued by the IASB, none of which have had a material impact on the Group and Company.

These amendments include:

- IAS 1 and IAS 8 (amended) - Definition of Material;
- IFRS 3 (amended) - Definition of a Business;
- IFRS 16 (amended).

Standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. These amendments include amendments to IFRS 16, 'Leases' – COVID-19 related rent concessions, amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, amendments to IAS 1, Presentation of financial statements' on classification of liabilities, a number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 and narrow scope amendments to IAS 1, Practice statement 2 and IAS 8. The above amendments are not expected to have a significant impact on the Group's results.

6. Rental income

	2021 £'000	2020 £'000
Gross rental income from investment property	<u>26,636</u>	<u>12,945</u>

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.

7. Non-recoverable property costs

	2021 £'000	2020 £'000
Other property expenses and irrecoverable costs	<u>5,186</u>	<u>2,728</u>

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

8. Other income

	2021 £'000	2020 £'000
Other income	<u>353</u>	<u>-</u>

Other income represents amounts payable by partners in respect of later than expected delivery of assets where the delay is attributable to the partner.

9. Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	<u>148</u>	<u>140</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

10. Particulars of employees

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

11. Asset management fees

	2021 £'000	2020 £'000
Asset management fee	<u>4,362</u>	<u>4,339</u>

Sigma PRS Management Ltd is appointed as the Investment Adviser of the Company. The asset management fee payable to the Investment Adviser (the "Asset Management Fee") was revised with effect from 1 January 2021 such that the Company will pay a reduced fee for Adjusted Net Asset Values* ('Adjusted NAV') above £500 million.

For Adjusted NAV up to, and including, £500 million, the rates remain unchanged.

The Asset Management Fee remains payable monthly in arrears, and the rates used to calculate the Asset Management Fee are as follows:

- (i) 1% per annum of the Adjusted NAV up to, and including, £250 million, which is unchanged;
- (ii) 0.90% per annum of the Adjusted NAV in excess of £250 million and up to, and including, £500 million, which is unchanged;
- (iii) 0.75% per annum of the Adjusted NAV in excess of £500 million and up to, and including, £1 billion, which is revised - see below;
- (iv) 0.50% per annum of the Adjusted NAV in excess of £1 billion and up to, and including, £2 billion, which is revised - see below; and
- (v) 0.40% per annum of the Adjusted NAV in excess of £2 billion, which is revised..

The Asset Management Fee was previously calculated at a rate of 0.80% per annum of the Adjusted NAV in excess of £500 million and up to, and including, £1 billion, and 0.70% per annum of the Adjusted NAV 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 December 2025.

*Adjusted Net Asset Value: the Net Asset Value, less an amount equal to the Development Cost incurred in relation to the PRS Development Sites under construction at the relevant time by the Company and its subsidiaries, calculated in accordance with the Investment Advisory Agreement

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

12. Administrative expenses

	2021 £'000	2020 £'000
Legal and professional fees*	399	163
Administration and secretarial fees	150	117
Audit, accounting, and tax fees	339	313
Valuation fees	297	365
Depositary fees	54	51
Financial adviser and broker	167	60
Insurance	36	37
Public relations	152	124
Regulatory fees	149	172
Sundry expenses	6	23
Subscriptions	30	29
Write off of receivables**	(4)	24
Disallowed VAT	253	203
	<u>2,028</u>	<u>1,681</u>

*Includes non-recurring costs of £0.2 million for Letting Agent transition fees

**Reflects amounts written off net of recoveries from insurance policies

In addition to the above the Company incurred non-recurring legal and professional expenses of £0.5 million in relation to the Company's migration to the Main Market.

Services provided by the Group's Auditors and its associates

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

	2021 £'000	2020 £'000
Audit of the Group financial statements	100	98
Audit of the subsidiary financial statements	152	84
Agreed upon procedures on the half year financial statements	20	19
Corporate services in relation to the Company's Migration to the Main Market	50	-
	<u>322</u>	<u>201</u>

13. Finance income

	2021 £'000	2020 £'000
Interest on short term deposits	<u>-</u>	<u>220</u>

14. Finance cost

	2021 £'000	2020 £'000
Amortisation of debt legal costs and arrangement fees	1,939	242
Interest on bank loans	7,653	3,434
	<u>9,592</u>	<u>3,676</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

15. 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.

	2021 £'000	2020 £'000
Current and deferred tax		
Corporation tax charge/(credit) for the period	-	-
Total current income tax charge/(credit) in the income statement	<u>-</u>	<u>-</u>

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.

	2021 £'000	2020 £'000
Profit before tax	<u>44,113</u>	<u>16,407</u>
Tax at UK corporation tax standard rate of 19%	8,381	3,117
Change in value of exempt investment properties	(7,407)	(3,003)
Exempt REIT income	(2,075)	(470)
Amounts not deductible for tax purposes	122	8
Unutilised residual current period tax losses not recognised in deferred tax	1,068	348
Capital allowances claimed against exempt REIT income	<u>(89)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

From 1 April 2017 to 30 June 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

16. 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:

	2021	2020
	£'000	£'000
Earnings per IFRS income statement	44,113	16,407
Adjustments to calculate EPRA Earnings:		
Changes in value of investment properties	<u>(38,983)</u>	<u>(15,806)</u>
EPRA Earnings:	<u>5,130</u>	<u>601</u>
Company specific adjustments:		
Non-recurring costs incurred by the Company as part of the Migration to the Premium Segment of the Main Market	<u>543</u>	<u>-</u>
Company Adjusted Earnings	<u>5,673</u>	<u>601</u>
Weighted average number of ordinary shares	495,277,294	495,277,294
IFRS EPS (pence)	8.9	3.3
EPRA EPS (pence)	1.0	0.1
Company specific Adjusted EPS (pence)	1.2	0.1

17. Dividends

The following dividends were paid during the current year and prior year:

	2021	2020
	£'000	£'000
Dividends on ordinary shares declared and paid:		
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
Dividend of 1.0p for the 3 months to 31 March 2020	4,952	-
Dividend of 1.0p for the 3 months to 30 June 2020	4,953	-
Dividend of 1.0p for the 3 months to 30 September 2020	4,953	-
Dividend of 1.0p for the 3 months to 31 December 2020	4,953	-
Dividend of 1.0p for the 3 months to 31 March 2021	4,953	-
	<u>24,764</u>	<u>19,811</u>
Proposed dividends on ordinary shares:		
3 months to 31 March 2020: 1.0p per share	-	4,953
3 months to 30 June 2020: 1.0p per share	-	4,953
3 months to 30 June 2021: 1.0p per share	<u>4,953</u>	<u>-</u>
	<u>4,953</u>	<u>9,906</u>

See note 34 for further information on proposed dividends.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

18. Investment property

The freehold/heritable, leasehold and part freehold part leasehold interests in the properties held within the PRS REIT were independently valued as at 30 June 2021 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). The valuations accord with the requirements of IFRS 13 and the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards, effective from 31 January 2020, incorporating the IVSC International Valuation Standards (the "RICS Red Book"). The valuations were arrived at predominantly by reference to market evidence for comparable property.

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 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 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	<u>231,302</u>	<u>345,817</u>	<u>577,119</u>
Properties acquired on acquisition of subsidiaries	42,275	-	42,275
Property additions - subsequent expenditure	-	121,989	121,989
Change in fair value	13,408	25,575	39,983
Transfers to completed assets	246,789	(246,789)	-
At 30 June 2021	<u>533,774</u>	<u>246,592</u>	<u>780,366</u>

The historic cost of completed assets and assets under construction as at 30 June 2021 was £704.2 million (2020: £540.2 million).

The carrying amount of investment property pledged as security as at 30 June 2021 was £719.0 million (2020: £212.1 million).

During the prior financial year, the Group adopted the new accounting standard IFRS 16, Leases, and has recognised a right-of-use ("ROU") asset within investment property in relation to ground rents payable on certain investment property sites. The net book value of the ROU asset was £1 million as at 30 June 2021 (2020: £1 million).

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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	4.00% to 4.75%
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 36% 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:

	2021 Impact on statement of comprehensive income £'000	2021 Impact on statement of financial position £'000	2020 Impact on statement of comprehensive income £'000	2020 Impact on statement of financial position £'000
Improvement in yield by 0.125%	23,619	23,619	16,780	16,780
Worsening in yield by 0.125%	(22,264)	(22,264)	(15,856)	(15,856)
Improvement in gross to net by 1%	10,850	10,850	7,973	7,973
Worsening in gross to net by 1%	(9,369)	(9,369)	(6,938)	(6,938)

19. Investment in subsidiaries

Company

	2021 £'000	2020 £'000
Cost at the start of the year	456,349	325,701
Additions during the year	-	130,648
Reclassification as Group receivables during the year	(130,607)	-
Cost at the end of the year	<u>325,742</u>	<u>456,349</u>

During the year the Company transferred costs related to certain group undertakings to another wholly owned group undertaking. 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 Property Investments Limited	Property Investment	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	Investment Holding Company	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	Investment Holding Company	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	Investment Holding Company	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%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

The PRS REIT (SW II) Memberco Limited	Investment Holding Company	England	100%
The PRS REIT (SW II) Investments LLP	Property Investment	England	100%
The PRS REIT (Barclays) Memberco Limited	Investment Holding Company	England	100%
The PRS REIT (Barclays) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (Barclays) Borrower Limited	Property Investment	England	100%
The PRS REIT (Barclays) Investments LLP	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 (Bury St Edmunds) Limited	Property Investment	England	100%
Sigma PRS Investments (Dawley Road 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%
Sigma PRS Investments (Lea Hall) Limited	Property Investment	England	100%
Sigma PRS Investments (Newhall) Limited	Property Investment	England	100%
The PRS REIT (Accrington) 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 (Beehive) Limited	Property Investment	England	100%
The PRS REIT (Bilston Urban Village) Limited	Property Investment	England	100%
The PRS REIT (Bombardier) Limited	Property Investment	England	100%
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 (Harlow Phase II) Limited	Property Investment	England	100%
The PRS REIT (Heathfield Lane) Limited	Property Investment	England	100%
The PRS REIT (Hexthorpe Phase A) Limited	Property Investment	England	100%
The PRS REIT (Hexthorpe Phase B) Limited	Property Investment	England	100%
The PRS REIT (Hilton Park) Limited	Property Investment	England	100%
The PRS REIT (Holyoake Memberco) Limited	Investment Holding Company	England	100%
The PRS REIT (Holyoake) Limited	Property Investment	England	100%
The PRS REIT (LB 5) Limited	Property Investment	England	100%
The PRS REIT (Manor Boot) 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 (Station Road) 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%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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%
Sigma PRS Investments (Bury St Edmunds II) Limited	Dormant	England	100%
Sigma PRS Investments (Lea Hall II) Limited	Dormant	England	100%
Sigma PRS Investments (Newhall II) 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 Holyoake General Partner Ltd	Property Investment	England	100%
The PRS REIT (Minky Works) Limited	Dormant	England	100%
The PRS REIT (Rugby) 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.

20. Trade and other receivables

	Group	Company	Group	Company
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Trade receivables	457	-	191	-
Receivables from group undertakings	-	318,830	-	85,723
Accrued income	320	5	65	5
Social security and other taxes	710	-	691	-
Prepayments and other receivables	5,102	342	2,707	436
	6,589	319,177	3,654	86,164

Trade and other receivables are shown after deducting a provision for bad and doubtful debts of £31,000 (2020: £35,000). 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 £4,000 credit (2020: £24,000 expense). The credit during the financial year reflects recoveries under insurance policies taken out to cover potential tenant default. The expected credit loss provided for and written off is determined on an individual basis. In the prior and current reporting periods, 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 (2020: £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 2021, £157,000 of trade receivables are more than thirty days old (2020: £109,000). The Group has no pledge as security on trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

21. Cash and cash equivalents

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Restricted cash	84,793	-	54,315	-
Cash at bank	1,621	25	4,989	2,012
	<u>86,414</u>	<u>25</u>	<u>59,304</u>	<u>2,012</u>

Restricted cash comprises £84.8 million (2020: £54.3 million) in funds held in a bank account controlled by one of the Group's lenders which can be released to free cash once certain loan conditions are met. During July and August, £60.0 million of this restricted cash was released.

22. Trade and other payables

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Current liabilities				
Trade payables	7,291	2,035	8,849	1,007
Payables to group undertakings	-	250,270	-	119,716
Accruals and deferred income	14,996	493	10,460	679
Other creditors	-	-	-	2
Social security and other taxes	190	190	5	5
	<u>22,477</u>	<u>252,988</u>	<u>19,314</u>	<u>121,409</u>
Non-current liabilities				
Accruals and deferred income	4,732	-	4,598	-
	<u>27,209</u>	<u>252,988</u>	<u>23,912</u>	<u>121,409</u>

The Company payables to group undertakings are interest free and repayable on demand.

23. Interest bearing loans and borrowings

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Current liabilities				
Bank loans at 1 July	-	-	-	-
Loans advanced in the year	133,119	-	-	-
Loans repaid in the year	(22,134)	-	-	-
Capitalised loan costs	(987)	-	-	-
Bank loans at 30 June	<u>109,998</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lease liability	32	-	-	-
Total loans and borrowings	<u>110,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current liabilities				
Bank loans at 1 July	144,226	-	100,000	-
Loans advanced in the year	100,000	-	50,000	-
Capitalised loan costs	649	-	(5,774)	-
Bank loans at 30 June	<u>244,875</u>	<u>-</u>	<u>144,226</u>	<u>-</u>
Lease liability	985	-	1,019	-
Total loans and borrowings	<u>245,860</u>	<u>-</u>	<u>145,244</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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 2021 and 30 June 2020, the only other asset secured was £25 million of cash collateral.

The Group's borrowing facilities are with Scottish Widows, Lloyds Banking Group plc / RBS plc and Barclays Bank PLC. At 30 June 2021, these comprised the following:

Lender	Loan facility	Balance drawn 30 June 2021	Loan period	Interest rate (all in)	
Scottish Widows	£100 million	£100 million	15 years	3.14%	Fixed
Scottish Widows	£150 million	£150 million	25 years	2.76%	Fixed
Lloyds Banking Group plc /RBS*	£150 million	£68.6 million	2 years	3.09%	Variable
Barclays Bank PLC	£50 million	£42.4 million	2 years	3.44%	Variable

*£150 million revolving credit facility. £75 million available in first 2 years for development debt purposes.

The Group's maximum loan to value ratio can be no more than 45%. As at 30 June 2021 the Group's loan to value was 42% (2020: 25%).

Reconciliation of movements of borrowings to cash flows arising from financing activities:

	2021 £'000	2020 £'000
Balance as at 1 July	144,226	100,000
Proceeds from borrowings	233,119	50,000
Borrowings repaid	(22,134)	-
Interest paid	(8,706)	(3,360)
Non-utilisation fees paid	(895)	-
Arrangement and commitment fees paid	(1,504)	(2,635)
Other movements	10,767	221
	<u>354,873</u>	<u>144,226</u>

24. Leases

Lease liabilities as lessee

During the prior 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 2021 £'000	Group 2020 £'000
Lease liabilities	<u>1,018</u>	<u>1,019</u>
Amounts recognised in the income statement in non-recoverable property costs	<u>13</u>	<u>32</u>

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 2021 £'000	Group 2020 £'000
Receivable within 1 year	<u>17,122</u>	<u>9,350</u>

The Group's receivable leases are assured shorthold tenancies usually for periods for up to one year.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

25. Share capital

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

Group and Company	2021 No. of shares	2021 Share capital £'000	2020 No. of shares	2020 Share capital £'000
Balance at the beginning of year	<u>495,277,294</u>	<u>4,953</u>	495,277,294	4,953
Balance at end of year	<u>495,277,294</u>	<u>4,953</u>	<u>495,277,294</u>	<u>4,953</u>

The Company was admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange on 31 May 2017 and migrated to the Premium Segment of the Main Market of the London Stock Exchange on 2 March 2021.

26. Share premium reserve

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

Group and Company	2021 £'000	2020 £'000
Balance at beginning of year	<u>245,005</u>	<u>245,005</u>
Balance at end of year	<u>245,005</u>	<u>245,005</u>

27. 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.

	2021 £'000	2020 £'000
Balance at beginning of year	186,748	206,559
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)
Dividend paid of 1.0p per share for the period ended 31 March 2020	(4,952)	-
Final dividend paid of 1.0p per share for the year ended 30 June 2020	(4,953)	-
Dividend paid of 1.0p per share for the period ended 30 September 2020	(4,953)	-
Dividend paid of 1.0p per share for the period ended 31 December 2020	(4,953)	-
Dividend paid of 1.0p per share for the period ended 31 March 2021	(4,953)	-
Balance at end of year	<u>161,984</u>	<u>186,748</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

28. Net Asset Value

The Group adopted the EPRA issued new best practice guidelines in the year ending 30 June 2021. EPRA Net Tangible Assets (“NTA”), is considered to be the most relevant measure for the Group and replaces the previously reported EPRA NAV. The underlying assumption behind the EPRA NTA calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. Due to the PRS REIT’s tax status, deferred tax is not applicable and therefore there is no difference between IFRS NAV and EPRA NTA.

Basic IFRS 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:

	2021	2020
IFRS Net assets at 30 June (£'000)	490,270	470,921
EPRA adjustments to NTA	-	-
EPRA NTA at 30 June	<u>490,270</u>	<u>470,921</u>
Shares in issue at end of year	495,277,294	495,277,294
Basic IFRS NAV per share (pence)	<u>99.0</u>	<u>95.1</u>
EPRA NTA per share (pence)	<u>99.0</u>	<u>95.1</u>

The NTA per share calculated on an EPRA basis is the same as the IFRS NAV per share for the year ended 30 June 2021 and the year ended 30 June 2020.

29. Controlling parties

As at 30 June 2021 and 30 June 2020, there was no ultimate controlling party.

30. 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 19 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.

31. Capital commitments

The Group has entered into contracts with unrelated parties for the construction of residential housing with a total value of £663.8 million (2020: £628.5 million). As at 30 June 2021, £89.2 million (2020: £172.3 million) of such commitments remained outstanding. The PRS REIT is also committed to acquiring 2 completed and fully let developments from Sigma during the next financial year for c.£12 million.

32. Related party disclosure

The number of shares owned by the Directors of the Company as at 30 June 2021 along with dividends they received during the period is as follows:

Company Director	No. of shares held		Dividends received	
	2021	2020	2021	2020
Roderick MacRae	100,000	100,000	£5,000	£4,000
Steffan Francis	80,000	60,000	£3,200	£2,300
Steve Smith	80,000	80,000	£4,000	£3,200
Jim Prower	22,000	22,000	£1,100	£880
Geeta Nanda*	-	-	-	-

*Appointed 24 March 2021

For the current financial year, Directors’ fees of £148,000 (2020: £140,000) were incurred.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

33. Transactions with Investment Adviser

On 31 March 2017, Sigma PRS was appointed as the Investment Adviser of the Company. A new Investment Adviser Agreement with Sigma PRS was signed in January 2021.

For the year ended 30 June 2021, fees of £4.4 million (2020: £4.3 million) were incurred and payable to Sigma PRS in respect of investment advisory services. At 30 June 2021, £1.5 million (2020: £1.1 million) remained unpaid.

For the year ended 30 June 2021, development fees of £4.6 million (2020: £7.3 million) were incurred and payable to Sigma PRS. At 30 June 2021, £0.3 million (2020: £0.7 million) remained unpaid.

For the year ended 30 June 2021, administration and secretarial services of £90,000 (2020: £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 2021, £40,500 (2020: £23,000) remained unpaid.

For the year ended 30 June 2021, Sigma PRS acquired 1,500,000 (2020: 750,000) shares in the Company. The shares purchased during the year were acquired in the market at an average price of 76.4 pence per share. Sigma PRS's shareholding as at 30 June 2021 was 5,889,852 (2020: 4,389,852), which represents 1.19% (2020: 0.73%) 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 2021, Sigma PRS received dividends from the Company of £249,000 (2020: £179,000).

During the year, the Company acquired the following subsidiaries from Sigma Capital Group Limited, the ultimate holding company of the Investment Adviser:

Name of entity	Consideration
Sigma PRS Investments (Bury St Edmunds) Limited Sigma PRS Investments (Bury St Edmunds II) Limited	£5.9 million
Sigma PRS Investments (Lea Hall) Limited Sigma PRS Investments (Lea Hall II) Limited	£5.9 million
Sigma PRS Investments (Newhall) Limited Sigma PRS Investments (Newhall II) Limited	£10.5 million
Total	£22.3 million

34. Post balance sheet events

The Directors continue to carefully monitor the COVID-19 pandemic and other current economic situations and are responding appropriately.

On 11 October, the PRS REIT acquired from Sigma two development sites at a total cost of £12.8 million.

Equity raise

In the first quarter of the new financial year, the Company undertook an equity raise in order to acquire assets identified by the Investment Adviser, and on 27 September 2021 announced that a total of £55.6 million (gross) had been raised at an issue price of 103p per share. A total of 53,232,575 shares were placed with new and existing institutional investors, with 741,589 shares placed with retail investors.

Dividends

On 2 August 2021, 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 3 September 2021 to shareholders on the register as at 13 August 2021.