



The **PRS REIT** plc

Annual Report & Financial Statements

For the year ended 30 June 2022



Company Number 10638461



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HIGHLIGHTS

Portfolio now at 4,856 completed homes. Assets are performing strongly, and rental demand continues to grow.

Key points

Financial

	Year to 30 June 2022	Year to 30 June 2021	Change
Revenue	£42.0m	£26.6m	+58%
Net rental income	£34.3m	£21.5m	+60%
Operating profit	£127.0m	£53.7m	+136%
Profit after tax	£115.9m	£44.1m	+163%
Basic earnings per share	21.4p	8.9p	+140%
Adjusted earnings per share ¹	3.0p	1.2p	+150%
Net assets at 30 June	£639m	£490m	+30%
IFRS NAV and EPRA NTA per share ²	116.4p	99.0p	+18%

Operational

	At 30 Sept 2022	At 30 June 2022	At 30 June 2021	Year-on- year change
Number of completed homes	4,856	4,786	3,984	+20%
Estimated rental value ("ERV") per annum*	£49.4m	£47.8m	£37.5m	+27%
Number of contracted homes	670	693	1,071	-35%
ERV per annum	£7.3m	£7.2m	£10.6m	-32%
Completed and contracted sites	70	68	64	+6%
ERV per annum of completed and contracted sites*	£56.7m	£55.0m	£48.1m	+14%
Rent collected (as a percentage of total rent invoiced for the period)	99%	99%	98%	

*based on all completed units being occupied/income producing

- Net asset value up 30% year-on-year to £639m or 116.4p per share at 30 June 2022 (2021: £490m or 99.0p per share)
 - reflects ERV increase, underpinned by strong rental growth
 - EPRA NTA was 116.4p per share
- Assets continued to perform strongly, with rent collection at 99% for FY 2022 (2021: 98%) and occupancy at 98% at 30 June 2022 (2021: 98%)
 - gross arrears remained low at £0.6m as at 30 June 2022 (30 June 2021: £0.4m)
 - like-for-like blended rental growth over the year was 5.1% on stabilised sites (where all units have been completed and either all or nearly all have been let). Re-lets to new tenants achieved c.10% rental growth
 - average tenant rental affordability ratio now at 25% in 2022 (2021: 29%), notwithstanding 5.1% rental growth, indicating a stronger tenant base
 - operating costs reduced to 18.2% from 19.5% reflecting the benefits of scale and close management
- Portfolio expanded with the addition of 802 homes in the year, taking the total number of completed homes to 4,786 at 30 June 2022
 - ERV up 27% to £49.4m p.a. as at 30 June 2022
 - a further 693 contracted homes with an ERV of £7.2m p.a. were under way at 30 June 2022
 - portfolio total revised to c.5,600 homes with ERV of c.£57.5m p.a. (previously 5,700 homes, with ERV of c.£55.0m p.a.). This reflects price inflation on new sites and higher debt costs as well as significantly stronger rent
- Total dividends of 4.0p per share declared (2021: 4.0p)
 - minimum dividend of 4.0p per share targeted for FY 2023
- Average net investment yield on the portfolio of 4.125% (30 June 2021: 4.25%)
- Gearing on portfolio (measured as net debt vs. investment value) low at 31%, with 62.5% of the existing £400m of investment debt fixed rate at an average of 2.9%

¹A full reconciliation between IFRS profit and Adjusted earnings can be found in note 16 of the Financial Statements

²A reconciliation of IFRS NAV to EPRA NTA can be found in note 28 of the Financial Statements

Outlook

- Portfolio to reach c.5,000 homes around the end of 2022 and completed assets are performing strongly
 - portfolio as at 30 September 2022 increased to 4,856 completed homes, with an ERV of £49.4m p.a. and a further 670 homes with an ERV of £7.3m p.a. are under way
 - four development sites were acquired in Q1 2023
 - energy efficiency of homes is high – 86% have an EPC rating of 'A' or 'B'; the balance is rated 'C', running costs are c. 25% lower compared to homes built in 2010 according to independent survey
 - Q1 2023 asset performance was strong, with occupancy at 98% and rent collection at 99% as a proportion of rent invoiced during the last quarter
- UK rental market remains strong and there is a growing mismatch between supply and demand
 - macro-economic environment - especially rising interest rates - is increasing the numbers moving from buying to renting



Steve Smith, Chairman of the PRS REIT, commented:

"We've had another successful period with just over 800 new rental homes added to the portfolio during the financial year. This has taken the number of completed homes in the portfolio at the end of September to 4,856. We expect to approach our 5,000th home towards the end of 2022."

"We are now targeting 5,600 homes, providing over £1 billion of assets with an anticipated rental income stream of £57.5 million a year."

"The portfolio continues to perform very well. We have seen strong rental growth and anticipate increased occupier demand, particularly in a rising interest rate environment, which will make home ownership more

unattainable for some. Affordability is more achievable for our customers. Our tenant base spends on average 25% of their income on rent, which is lower than last year's figure of 29%."

"While there are current challenges, we are well positioned to weather the current volatility. More than 60% of our long-term investment debt is at favourable fixed rates for an average 17 years, and the portfolio gearing is low at 31%."

"The structural shortage of high-quality rental homes in the UK and rising demand against a backdrop of higher interest rates continue to demonstrate a need for our model of high-quality, professionally-managed single family rental homes."



CHAIRMAN'S STATEMENT

Introduction

I am pleased to present The PRS REIT plc's (the "**PRS REIT**", or the "**Company**" or the "**Group**") audited financial results for the year ended 30 June 2022. Against a very turbulent backdrop, the Company has continued to successfully deliver its objectives and you will see throughout the Report the strong position that it has achieved and the positive actions that it has taken.

Largest portfolio of single-family rental homes in the UK

We have continued to increase the Company's portfolio of new, high-quality family rental homes, with 802 homes added during the financial year. This took the total number of completed homes in the portfolio to 4,786 by the financial year end, an increase of 20% (30 June 2021: 3,984 homes).

The estimated rental value ("**ERV**") from our 4,786 completed homes is £47.8 million per annum, a 27% rise on the same point last year (30 June 2021: £37.5 million per annum). The percentage increase in rental value over the year compared to the percentage increase in the number of completed homes over the year reflects rental growth over the period.

Of the 802 additional homes, 66 homes were added through the acquisition of two fully-developed and let sites

from Sigma Capital Group Limited, which were bought after having been independently assessed and valued by Savills.

A further 693 homes, with an ERV of £7.2 million per annum, were contracted at 30 June 2022, and are at varying stages of the construction process.

Over the financial year, we acquired four sites, which we are now developing. They have a combined ERV of £3.3 million. We have acquired a further four development sites in the first quarter of the new financial year.

The Company's portfolio of high-quality single-family homes and apartments remains the largest of its kind in the UK. Our assets are geographically widely spread. Currently, we have 70 sites (2021: 64 sites) across the major regions of England and in Scotland. Sites are in the North-West, North-East, Yorkshire, the Midlands, and in the South-East (excluding London) and East of England, with one site in Central Scotland. We are now targeting approximately 5,600 homes with an ERV of around £57.5 million per annum once the homes are fully completed and let. This compares to the previous target of 5,700 homes with an estimated ERV of £55.0 million per annum immediately following our equity fundraise in September 2021. The revision takes into account price inflation on new sites and higher interest costs in relation to variable rate debt.

Strong asset performance

I am pleased to report that our assets have performed strongly throughout the year. Both occupancy and rent collection (which is measured as rent collected relative to rent invoiced in any given period) remained high. Rent collection for the year was 99% (2021: 98%) on this basis and occupancy stood at 98% at 30 June 2022 with 4,674 homes occupied out of the 4,786 completed homes (2021: 98%). Including those homes where a letting had been agreed but occupancy had not commenced, occupancy was 99%.

Net rental income for the financial year increased by 60% year-on-year to £34.3 million (2021: £21.5 million). This reflects the benefit of a full year's rental income on properties that had been completed and let part-way through the prior year, combined with both portfolio and rental growth.

Like-for-like rental growth on stabilised sites over the year was 5.1%¹. This reflects a blended rate of c.10% on re-lets to new tenants and c.4% on renewals with existing tenants during the period. Gross rent arrears remained modest despite the growth in the portfolio, standing at £0.6 million at 30 June 2022 (30 June 2021: £0.4 million).

The PRS REIT's average rental affordability ratio has improved to 25% in 2022 (2021: 29%). This is notwithstanding rental growth over the year and compares to Homes England's affordability target of 35%. We believe it indicates a stronger tenant base.

This strong asset performance demonstrates ongoing robust demand for our high-quality homes, which is also supported by the structural undersupply of family homes in the market.

In Propertymark's latest report on the lettings sector published in September, the leading membership body for the residential letting agents reported that the number of new tenants registered on average per member branch reached a new peak in August, at 141. At the same time, the supply of available homes to rent had not risen in the last three months. Propertymark predicted that this growing mismatch between supply and demand would exert upward pressure on rent. Approximately 77% of its members reported a month-on-month rent price increase in August.

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

Financial Results

Revenue, which is generated wholly from rental income, increased by 58% year-on-year to £42.0 million (2021: £26.6 million). This principally reflected a combination of the substantial increase in the number of rental homes making up the portfolio and strong rental growth. After the deduction of non-recoverable property costs, which were 18.2% of revenue (2021: 19.5%), net rental income for the financial year was £34.3 million (2021: £21.5 million), an increase of 60% over the year.

Expenses in the year rose to £7.5 million (2021: £7.1 million, which included £0.5 million of one-off expenses relating to the Company's migration to the Main Market). The increase over the prior year reflects the rise in the size and scale of the portfolio.

The gain from the fair value adjustment on investment property increased significantly from the prior year to £99.7 million (2021: £39.0 million). Almost 80% of this is attributable to higher ERV with almost 20% reflecting yield compression, whilst development surplus on assets under construction accounts for the remaining portion of the uplift. ERV is now approximately £2.7 million higher than passing rent on completed and let properties, reflecting the continuing demand for the Company's product. The fair value of investment property is based on ERV rather than passing rent.

Operating profit increased by 136% to £127.0 million (2021: £53.7 million), which reflected the increase in completed and let homes together with the rise in the portfolio valuation.

Finance costs were higher at £11.1 million (2021: £9.6 million) as we drew down and utilised investment debt facilities and arranged additional development debt funding during the year. Although interest rates rose towards and after the end of the financial year, the impact of this was relatively small during the period due to the quantum of fixed rate investment debt. Finance income from short-term deposits in the year was £4,000 (2021: £nil), again reflecting the low interest rate environment during the financial year.

Profit after taxation increased by £71.8 million or 163% to £115.9 million (2021: £44.1 million) while basic and diluted earnings per share rose by 140% to 21.4p (2021: 8.9p) on an IFRS basis.

¹ Like-for-like rental growth on stabilised sites is defined as the annual rental growth on sites where all units have been completed and either all or nearly all have been let

The Group's IFRS net asset value ("NAV") per share and EPRA net tangible asset ("NTA") per share at 30 June 2022, both increased to 116.4p (31 December 2021: 104.3p and 30 June 2021: 99.0p). This is a year-on-year increase of 18% and a 12% increase over the prior six months.

Net assets at 30 June 2022 were 30% higher year-on-year at £639 million (30 June 2021: £490 million). This is after paying dividends of £21.4 million in the year (2021: £24.8 million).

Dividends

For the year to 30 June 2022, aggregate dividends of 4.0p per share were declared (2021: 4.0p per share) and paid to shareholders (2021: 5.0p per share). Due to the timing of dividend payments, the Company declared a total of 4.0p per ordinary share but paid a total of 5.0p per ordinary share during the prior year under review. Taking into account the dividend paid on 26 August 2022, total dividends paid since the Company's inception in May 2017 amount to 22.0p per share.

Following the September 2021 equity placing, the current dividend of 4.0p was almost fully covered on a run-rate EPRA EPS basis at the end of the financial year. Dividend cover will continue to grow as construction, completions and lettings advance.

Debt Facilities

The Company had £440 million of committed debt facilities available for utilisation as at 30 June 2022. Gearing on portfolio (measured as net debt vs. investment value) remains low at 31%, and 62.5% of the £400 million of investment debt is fixed rate at an average of 2.9%.

The £440 million of committed debt facilities comprised £400 million of investment debt facilities and £40 million of development debt facilities although a small portion of the investment debt facilities can also be utilised as development debt facilities.

Our lending partners are: Scottish Widows (£250 million); The Royal Bank of Scotland plc (£100 million); Lloyds Banking Group plc (£50 million); and Barclays Bank PLC (£40 million). £25 million of the Lloyds Banking Group/RBS facility and the £40 million Barclays Bank PLC debt facility are available to be drawn as development debt facilities, which enables sites to be developed simultaneously.

The debt facilities are subject to the maximum gearing ratio of 45% of gross asset value. Approximately £350 million of these facilities have been drawn to date, with the remainder presently forecast to be utilised over the next 12 months as we finish the current phase of construction, completion and letting activity. The fixed interest long-term investment debt facilities of £250 million have an average term of 17.6 years and an average weighted cost of 2.9% once fully drawn.

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 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, who together bring significant and complementary experience in fund management (including listed funds), equity capital markets, public policy, operations and finance in the property and investment funds sectors.

The Board delegates the day-to-day management of the business, including the management of ESG matters, to the Investment Adviser, Sigma PRS Management Ltd ("Sigma PRS"), which is a subsidiary of Sigma, and a signatory and participant of the United Nations Global Compact. Sigma is part of PineBridge Investments, a private, global asset manager with over US\$140bn in assets under management at June 2022.

Details of ESG policies and activities are contained in the Investment Adviser's Report. In that report, the results of our recently commissioned Energy Efficiency Study are recorded. Undertaken by Calfordseaden, a property and construction consultancy firm, it compared the energy consumption of the Company's properties with housing stock of various ages, and found that on average, the Company's homes were 74% cheaper to run on an annual basis than homes built between 1900-1929, with running costs 25% lower compared to homes built in 2010. Given the current energy crisis, this is a significant plus point for our tenants.

Outlook

The macro-economic environment has become more uncertain with the war in Ukraine, inflation and rising interest rates driving a more negative outlook in the UK and globally. In terms of the UK housing market, the impact of rising interest rates is expected to reduce mortgage affordability and drive demand in the rental sector as prospective homeowners turn to rental alternatives. We expect these factors, together with the existing structural shortage of quality family rental homes, to provide a strong underpinning to demand in the private rented sector.

Against this backdrop, our high-quality, well-located homes remain highly attractive to prospective renters. Our emphasis on customer service and strong promotion of a sense of community in our developments is also an important aspect of what our homes offer. In addition, the proven energy efficiency of our homes is particularly relevant with high and rising energy prices. The Board remains confident that its cashflow will be stable and sustainable.

The Company's exposure to interest rate increases is limited with approximately 60% of investment debt fixed. In addition, our fixed-price construction contracts will limit the Company's exposure to price inflation on existing contracts.

During the first quarter of the new financial year, another 70 new homes were added to the portfolio, taking the total number of completed homes at 30 September 2022 to 4,856 and the ERV of completed homes to £49.4 million per annum, up by 20%. This compares to 4,291 completed homes with a rental value of £41.1 million per annum at the same point last year. Another 670 homes, with an ERV of £7.3 million per annum, were contracted and under way at the end of the first quarter.

Asset performance remains strong. In the first quarter, rent collection was 99% (2021: 99%) and total occupancy at 98% (30 September 2021: 98%), with 4,774 homes occupied out of the total of 4,856. A further 45 were reserved for applicants who had passed referencing and paid rental deposits. Total arrears at 30 September 2022 were low at £0.6 million. Like-for-like blended rental growth on stabilised sites was 5.0%.

*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.

Towards the end of the calendar year, we expect the number of completed homes in the portfolio to near 5,000, which would take the value of completed assets close to £1bn and annual rental income to approximately £51.0 million.

We are targeting a minimum dividend of 4.0p per share* in the new financial year, and will declare the interim dividend for the first quarter of the financial year in October 2022.

On behalf of the Board, I would like to thank our investors, customers and everyone involved in the ongoing delivery and management of our rental portfolio, including our supporters in government and our partner housebuilders. Together we are creating attractive places to live and making an important contribution to the UK housing stock, the welfare of local communities and to families and individuals.

We expect to make further strong progress and look forward to the year ahead. We will continue to consult with investors, advisors and others as we assess the Company's next stage of development.

Steve Smith
Chairman

10 October 2022

IFRS AND EPRA PERFORMANCE MEASURES

Under the European Real Estate Association (“**EPRA**”) published best practice recommendations (“**BPR**”) for financial disclosures by public real estate companies, three measures for reporting net asset value are available: EPRA Net Tangible Assets (“**NTA**”), EPRA Net Reinstatement Value (“**NRV**”), and EPRA Net Disposal Value (“**NDV**”).

The Group considers EPRA NTA to be the most relevant measure for its operating activities, and has adopted this as the Group’s primary measure of net asset value.

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 this would therefore equate 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 the Group’s overall portfolio of 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 2022	Year to 30 June 2021
IFRS NAV (see note 28)	Unadjusted net asset value	116.4p per share	99.0p 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	116.4p per share	99.0p per share
IFRS EPS (see note 16)	Unadjusted earnings per share	21.4p per share	8.9p 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	3.0p per share	1.0p per share
Company specific adjusted EPS (see note 16)	EPRA EPS (as above) adjusted to exclude the non-recurring costs incurred by the Company in the previous year as part of the Migration to the Premium Segment of the Main Market	3.0p per share	1.2p 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 excluding changes in value of investment properties	£’000 16,162	£’000 5,130



MARKET DYNAMICS

The Build-to-Rent (“BTR”) sector has been maturing as an asset class in the UK over the last 10 years. Nonetheless BTR remains a very small proportion of the wider private residential rental sector, at less than 2% in Q2 2022 according to Savills. More recently, the rate of entry of new participants into the BTR sector has increased together with the weight of capital. This trend reflects the magnitude of the opportunity in the UK and increasing recognition of the role of BTR in accelerating overall housing delivery. The Letwin Report into build out rates, published in October 2018, was one of the first independent reports to highlight its role.

The British Property Federation (“BPF”) monitors BTR delivery and, at the end of April 2022, the BPF BTR Q2 2022 presentation prepared for BPF by Savills, reported a 14% increase in the number of BTR homes delivered year-on-year, with a slight bias to regional delivery. In its Q1 2022 update, the BPF reported 73,000 BTR completions, 46,000 homes under construction, and a further 100,000 homes in planning. To provide context, the private rental sector as a whole comprises approximately five million homes, with the market fragmented and mainly comprising private landlords.

The major part of BTR delivery is still focused on apartments in major city centres. By contrast, the PRS REIT is focused on creating single-family homes in the suburbs. According to the BPF BTR Q2 2022 presentation prepared for BPF by Savills, single-family home delivery reached approximately 8,500 homes in April 2022, with a further 9,500 units currently either under construction or in planning. This puts the PRS REIT at the forefront of this sector.

Demand in the private rented sector in recent years has been further fuelled by substantial house price growth, which has increased the hurdles to home ownership. According to the Office of National Statistics, at the end of 2021, the ratio of average house price to income in England was 9.1, up from 7.9 a year earlier.

The cessation of the stamp duty incentive in June 2021 and closure of the Government’s Help-to-Buy scheme to new applications on 31 October 2022, are likely to further increase demand in the private rented sector. While the Mini-budget proposals in September 2022 sought to help those looking to purchase homes, with changes to the stamp duty regime and an increase in the nil-rated threshold limit, rising interest rates are likely to have a more profound effect. Affordability remains the key constraint to home ownership, and recent increases in mortgage rates will result in further interest in the private rented sector.

Furthermore, as mortgage costs are rising sharply, it is evident that a greater volume of rental homes will be required, with the location and type of home also being important. There is a significant undersupply in the sector, created by the lack of new home delivery over many years and exacerbated in recent times by outflows from the buy-to-let (“BTL”) sector, which we expect to be a significant market determinant in the coming period. The BTL sector has experienced increasing costs and a series of tax and regulatory changes, which has led to c.180,000 BTL mortgage redemptions since 2016, according to research undertaken by Savills. Further challenges are ahead for owners of older rental homes, with new regulation requiring all rental homes to possess an energy performance certificate (“EPC”) of ‘C’ or above from 2025. The average EPC in the UK is ‘D’. This new regulation is expected to lead to private landlords exiting the market, deterred by prohibitive upgrade costs. The PRS REIT’s portfolio is unaffected since all of its homes are rated ‘C’ or above, with 86% rated ‘A’ or ‘B’.

The lack of adequate rental supply and increasing tenant demand are likely to create further upward pressure on rents, especially for homes that are well-located and well-managed. While there are now more entrants in the single-family BTR sector, it continues to be significantly underserved.

Private Rented Sector Reform

In June 2022, the Government published a policy paper, which set out its long-term vision for the private rented sector. Titled “A fairer private rented sector”, it contains plans to fundamentally reform the private rented sector in the country and level up housing quality .

A list of the main proposals set out in the white paper is below:

- › All rental homes will be required to meet a ‘Decent Homes Standard’ for the first time.
- › Section 21 of The Housing Act 1988 (‘no-fault’ evictions) is set to be abolished. This would remove a landlord’s ability to seek possession after a fixed term has ended. Should a landlord have reasonable grounds to seek possession, then Section 8 of the Housing Act 1988 could be used.
- › Fixed-term tenancies, both assured and assured shorthold, will be converted to periodic tenancies, so that tenancies will in effect be open-ended.
- › Tenant rent increases will be limited to once a year.
- › First-tier rent tribunal – powers will be given to confirm or reduce contested rents, but not to increase them (as is currently the case).
- › Landlords and agents will not be able to institute blanket bans on renting to families with children or those in receipt of benefits and potentially other vulnerable groups.
- › Tenants will be given the right to request a pet in their property, which cannot be unreasonably refused. The Tenant Fees Act 2019 will be amended so that landlords can request that their tenants buy insurance to cover any damage that pets may create.

Other proposals include a new single Ombudsman and a Property Portal, which will include a landlord registration scheme. Thought is also being given as to how tenants can ‘port’ their deposits to relieve them from having to find additional funds whilst the custodial scheme for their preceding dwelling is being resolved or arbitrated.

As a responsible and professional landlord with a high-quality product and an emphasis on customer care, we welcome the Government’s desire to ensure that everyone has a right to a decent home and to support responsible landlords. Its proposals align with our own policies and therefore are unlikely to adversely impact the way the Company operates.

PORTFOLIO ANALYSIS

As at 30 June 2022, the valuation of the Group's property portfolio was £962 million (2021: £780 million) and the investment value of all sites under way at that date was £1 billion on completion (2021: £829 million) with their ERV on completion at £55 million (2021: £47 million).

Property Portfolio by Regional Split – at 30 June 2022

The regional split by investment value was – North West 54% (2021: 56%), West Midlands 17% (2021: 18%), South East 12% (2021: 13%), Yorkshire 9% (2021: 9%), North East 3% (2021: 3%), East Midlands 4% (2021: 1%) and Scotland 1% (2021: nil).

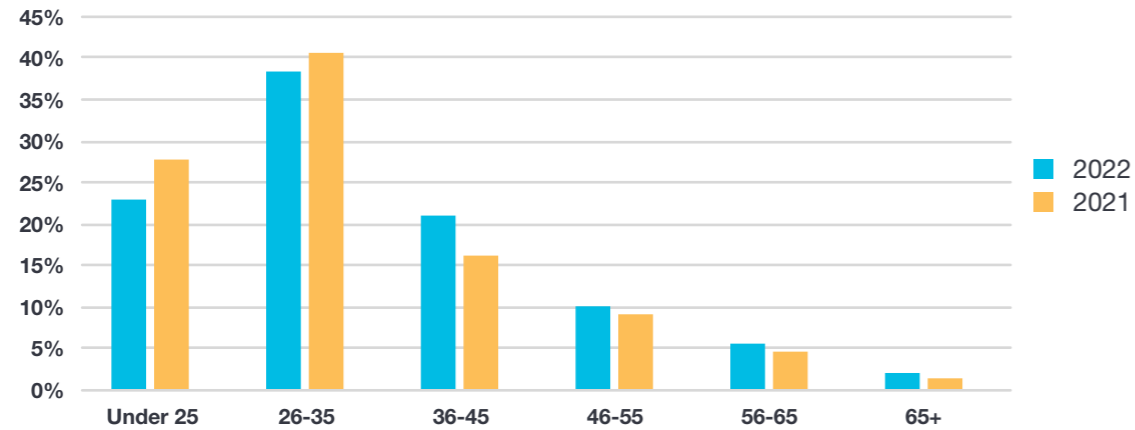
Other Metrics – at 30 June 2022

- › The rent roll at 30 June 2022 was £47.8 million (2021: £37.5 million) and the average rent was £10,004 per annum or £834 per month (2021: £9,420 per annum or £785 per month).
- › Forecast average rent across the current portfolio when complete is £10,500 per annum or £875 per month (2021: £10,188 per annum or £849 per month).
- › The average size of site was 78 (2021: 79) housing units.
- › The split between 1, 2, 3 and 4-bed properties was approximately 3%, 26%, 62% and 9% respectively (2021: 4%, 26%, 61% and 9% respectively).
- › Contractor split was – Countryside 86%; Vistry 8%; Seddon 5% and EQUANS (formerly Engie) 1% (2021: Countryside 78%; Vistry 15%; EQUANS (formerly Engie) 4%; and Seddon 3%).
- › The deduction from gross to net rent across the portfolio for the year ended 30 June 2022 was 18.2% (2021: 19.5%).
- › Bad debts (net) for the year were £381,000 (2021: £4,000 net recovery) and the bad debt provision at the year-end was £281,000 (2021: £31,000) reflecting a prudent approach in the current economic climate.



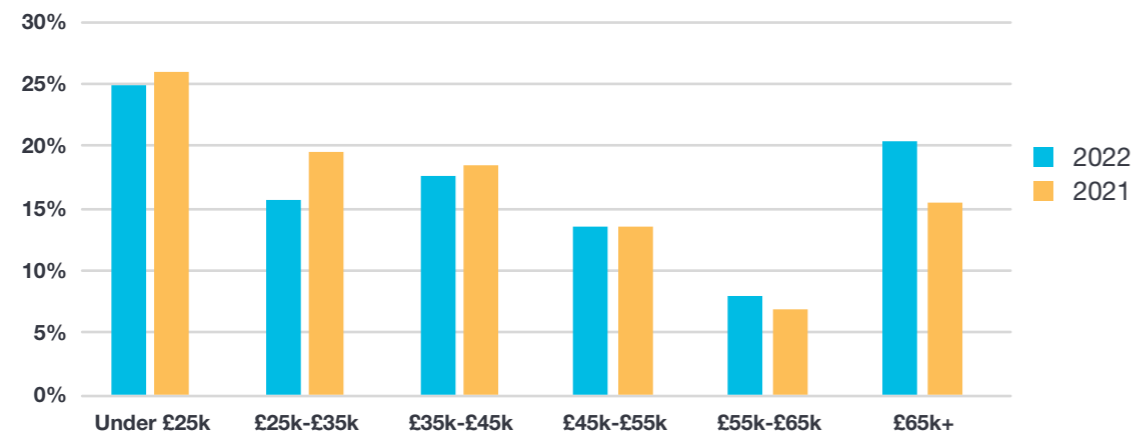
Age Groupings

The largest age grouping across the customer base at the time of sampling on 30 June 2022 was 26-35 years. This grouping represented 41% of the total customer base, and is consistent with last year's sample. There was a small decrease in under 25s within the portfolio over the year, which is considered a fluctuation rather than indicative of any broader social or macro-economic trend.



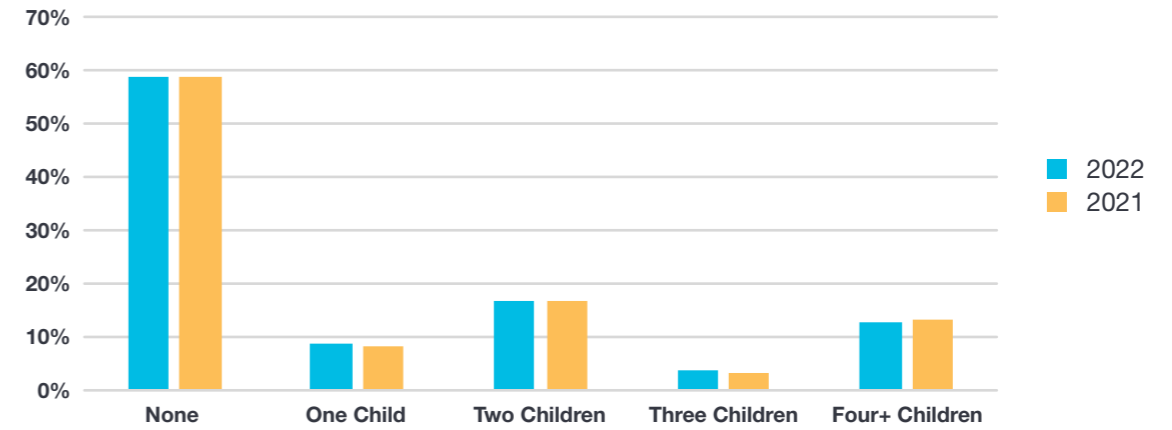
Household Income Bracket

There was very little change in the proportion of customers across the main income brackets when compared with the preceding year. The minor reduction of those earning under £25,000 as a proportion of the customer base would seem to correlate with the drop in residents under 25 years of age identified earlier. Those earning over £65,000 have slightly increased for the second year in succession. As a percentage of rent to household income our portfolio has an average of 25% compared to 29% in the prior year. This indicates a stronger customer base and is after blended rental growth of 5.1%.



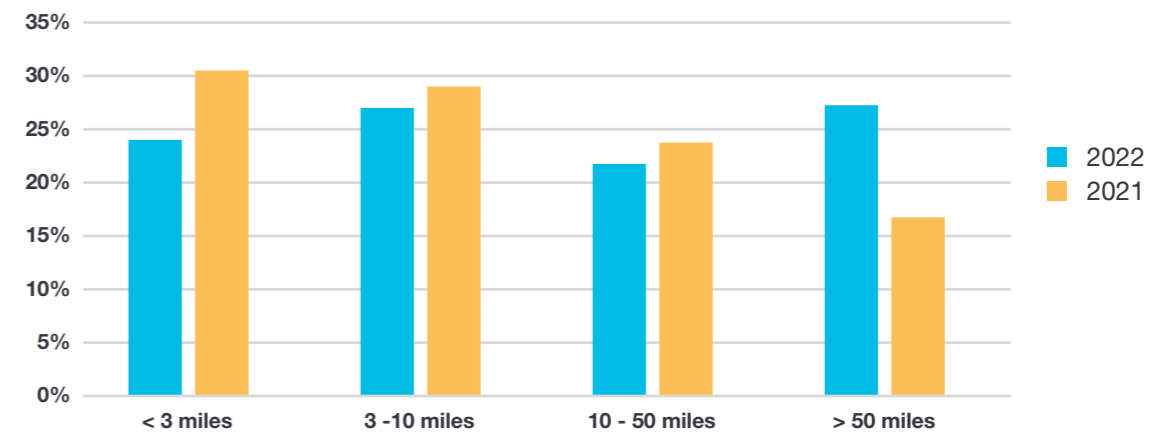
Tenancies with Children

Whilst the portfolio comprises mainly family homes, only approximately 40% of households included children. Referring back to the age groupings, it could be assumed that the major cohort of 26-35 year-olds are moving into the Company's homes with the intention of starting a family. Of those residents with children, the two largest groupings are those with two or four children.



Distance Travelled

The distance travelled by customers from their previous address to their new 'Simple Life'¹ home is also recorded. The two largest categories are those travelling between 10-50 miles and greater than 50 miles. This supports growing national recognition of the Simple Life brand.



All 2022 statistics are based on new applicant data between July 2021 and June 2022 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 2021.

¹ 'Simple Life' - The PRS REIT's rental homes are marketed under the 'Simple Life' brand.

Property Portfolio

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
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Address: CORAL MILL, Newhey, Rochdale OL16 3SS

NW	69	54,282	1.2%	£12,465,000	£12,510,000	£230.46	£692,220	£12.75
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Description: The Property comprises a completed development of 45 houses with a mix of three and four bedroom houses as well as 24 two bedroom low rise apartments and therefore will provide a total of 69 units.

Address: DURBAN MILL, Oldham OL8 4JT

NW	80	69,425	1.4%	£14,645,000	£14,655,000	£211.09	£793,440	£11.43
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Description: The Property comprises a completed development of 80 houses, with a mix of two, three and four bedrooms.

Address: WOODBINE ROAD (Mackets Lane), Halewood, Liverpool, L25 9PB

NW	50	40,540	0.9%	£9,050,000	£9,065,000	£223.61	£500,940	£12.36
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Description: The Property comprises a completed development of 50 houses with a mix of two, three and four bedroom houses.

Address: BAYTREE LANE, Middleton M24 2EL

NW	110	98,346	2.1%	£21,645,000	£21,725,000	£220.90	£1,204,560	£12.25
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Description: The Property comprises a completed site of 110 units with a mix of two, three and four bedroom houses.

Address: PRINCE'S GARDENS (Manor Top Phase 1), Sheffield S2 1EY

Y	78	78,628	1.5%	£14,875,000	£14,980,000	£190.52	£889,680	£11.32
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Description: The Property forms part of a wider development site with 78 units, being a mix of three and four bedroom houses. The development is completed.

Address: EAST HILL GARDENS (East Bank Road), Sheffield S2 3PX

Y	58	59,217	1.2%	£12,365,000	£12,440,000	£210.07	£697,860	£11.78
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Description: The Property comprises a part completed development of 58 units being a mix of three and four bedroom houses.

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

NW	54	45,505	1.0%	£9,820,000	£9,845,000	£216.35	£532,752	£11.71
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Description: The Property comprises a completed site of 54 houses with a mix of two, three and four bedrooms.

Address: HIGHFIELD GREEN (Tower Hill 2), Knowsley L33 1DF

NW	42	37,247	0.7%	£7,415,000	£7,445,000	£199.88	£411,000	£11.03
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Description: The Property comprises a completed development of 42 units with a mix of three and four bedroom houses.

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
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Address: PARK GRANGE HOUSE (Norfolk Park), Sheffield S2 3RE

Y	24	18,447	0.4%	£3,700,000	£3,705,000	£200.85	£232,980	£12.63
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Description: The Property comprises a completed development of 24 two bedroom apartments.

Address: SHREWSBURY CLOSE (Tintern Avenue), Middleton M24 6JQ

NW	88	74,322	1.7%	£16,985,000	£17,050,000	£229.41	£922,740	£12.42
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Description: The Property comprises a completed site of 88 houses with a mix of two, three and four bedroom houses.

Address: HAMILTON SQUARE (Howe Bridge Mill), Atherton M46 6JQ

NW	59	51,106	1.1%	£11,200,000	£11,225,000	£219.64	£607,380	£11.88
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Description: The Property comprises a completed site of 59 units made up of two, three and four bedroom houses.

Address: JUNIPER GROVE (Leach Lane), St Helens WA9 4PJ

NW	55	46,303	1.0%	£10,000,000	£10,030,000	£216.62	£542,700	£11.72
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Description: The Property comprises a completed development of 55 houses with a mix of two and three bedroom homes.

Address: PRINCE'S GARDENS (Manor Top Phase 2), Sheffield S2 1EY

Y	85	89,916	1.6%	£16,460,000	£16,570,000	£184.28	£984,360	£10.95
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Description: The Property forms part of a wider development site with 85 units, being a mix of three and four bedroom houses. The site is completed.

Address: YEW GARDENS, Granby Road, Doncaster DN12 1JU

Y	53	42,010	0.8%	£7,935,000	£7,960,000	£189.48	£472,860	£11.26
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Description: The Property comprises a completed development of 53 houses with a mix of two and three bedroom houses.

Address: SPIRIT QUARTERS, Monkwood Crescent, Coventry CV2 1FG

WM	29	27,522	0.6%	£5,620,000	£5,635,000	£204.75	£304,980	£11.08
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Description: The Property comprises a completed development of 29 houses with a mix of three and four bedroom houses.

Address: SPIRIT QUARTERS, Milverton Crescent, Coventry CV2 1GN

WM	20	17,140	0.4%	£3,860,000	£3,865,000	£225.50	£209,220	£12.21
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Description: The Property comprises a completed development of 20 houses with a mix of three and four bedroom houses.

Property Portfolio (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
Address: HOLYBROOK (Romanby Shaw), Bradford BD10 OEH								
Y	47	39,612	0.9%	£9,075,000	£9,105,000	£229.85	£492,660	£12.44
Description: The Property comprises a completed development of 47 houses, with a mix of two, three and four bedroom houses.								
Address: CHASE PARK, Ellesmere Port CH65 5DE								
NW	40	40,126	0.7%	£7,515,000	£7,530,000	£187.66	£407,580	£10.16
Description: The Property comprises a completed development of 40 houses, with a mix of two, three and four bedroom houses.								
Address: PRESCOT PARK (Carr Lane), Prescott, L34 1NS								
NW	140	116,016	2.6%	£26,090,000	£26,160,000	£225.49	£1,422,420	£12.26
Description: The Property comprises a completed development, which comprises 24 one and two bedroom apartments and 116 houses, with a mix of three and four bedroom homes.								
Address: WARD'S KEEP (Heathfield Lane Phases 1&2), Darlaston WS10 8QY								
WM	109	86,494	1.9%	£19,525,000	£19,580,000	£226.37	£1,059,720	£12.25
Description: The Property comprises a completed development which proposes 16 one bedroom apartments and 93 two, three and four bedroom houses.								
Address: EARLE STREET, Newton-le-Willows WA12 9XD								
NW	97	80,451	1.7%	£17,290,000	£17,330,000	£215.41	£944,160	£11.74
Description: The Property comprises a completed development of 24 one and two bedroom apartments and 73 houses, with a mix of three and four bedroom homes.								
Address: CANALSIDE (Whitworth Way), Wigan WN6 7QF								
NW	145	118,888	2.6%	£26,450,000	£26,525,000	£223.11	£1,442,220	£12.13
Description: The Property comprises a completed development which proposes 24 two bedroom apartments and 121 two, three and four bedroom houses.								
Address: JAMES MILL WAY (Cable Street), Wolverhampton WV2 2QD								
WM	164	136,910	3.1%	£31,910,000	£32,075,000	£234.28	£1,735,920	£12.68
Description: The Property comprises a completed development which proposes 164 two, three and four bedroom houses.								
Address: EMPYREAN (Lower Broughton 5), Salford M7 1GA								
NW	298	182,077	4.6%	£47,460,000	£47,530,000	£261.04	£2,884,980	£15.84
Description: The Property comprises a completed development of 299 apartments in a mix of one and two bed formats with one flat occupied by a concierge and not let.								

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
Address: ABBOTSFIELD (Reginald Road), St Helens WA9 4HX								
NW	92	77,712	1.6%	£16,510,000	£16,580,000	£213.35	£897,240	£11.55
Description: The Property comprises a completed development which proposes 92 two, three and four bedroom houses.								
Address: HOLLYSTONE BANK (Riverside College), Runcorn WA7 4DS								
NW	83	64,513	1.4%	£13,705,000	£13,760,000	£213.29	£753,060	£11.67
Description: The Property comprises a completed development which proposes 32 two bedroom apartments and 51 two, three and four bedroom houses.								
Address: HILTON PARK (Chadwick Street), Leigh WN7 1RL								
NW	103	80,108	1.7%	£17,910,000	£17,970,000	£224.32	£972,660	£12.14
Description: The Property comprises a completed development which comprises 8 one bedroom apartments and 95 two, three and four bedroom houses.								
Address: GALTON LOCK (Mafeking Road), Smethwick B66 2EG								
WM	63	52,874	1.2%	£12,535,000	£12,575,000	£237.83	£664,020	£12.56
Description: The Property comprises a completed development of 63 two, three and four bedroom houses.								
Address: HIGHFIELD GREEN (Tower Hill 3), Knowsley L33 1DF								
NW	96	76,411	1.5%	£15,640,000	£15,690,000	£205.34	£866,940	£11.35
Description: The Property forms part of a wider development site and comprises a completed site of 96 units, being a mix of two and three bedroom houses.								
Address: SUTHERLAND GRANGE (Sutherland School), Trench, Telford TF2 7JR								
WM	123	106,521	2.3%	£23,405,000	£23,520,000	£220.80	£1,272,960	£11.95
Description: The Property comprises a completed development which comprises 123 two, three and four bedroom houses.								
Address: HAVENSWOOD (Newhaven Business Park), Eccles M30 0HH								
NW	84	63,423	1.5%	£15,595,000	£15,660,000	£246.91	£861,240	£13.58
Description: The Property comprises a completed development which proposes 48 one and two bedroom apartments and 36 three and four bedroom houses.								
Address: STONEFIELD EDGE (Bilston Urban Village), Wolverhampton, WV14 0LA								
WM	123	95,251	2.2%	£22,015,000	£22,130,000	£232.33	£1,210,980	£12.71
Description: The Property comprises a completed development which proposes 48 two bedroom apartments and 75 two, three and four bedroom houses.								

Property Portfolio (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
Address: REYNOLDS PLACE (Eaton Works), Walkden, M28 3GW								
NW	148	122,761	2.7%	£27,355,000	£27,420,000	£223.36	£1,501,860	£12.23
Description: The Property comprises a completed development of 62 one and two bedroom apartments and 86 two, three and four bedroom houses.								
Address: HAREWOOD CLOSE (Durham Street), Rochdale, OL11 1AH								
NW	38	30,465	0.7%	£6,950,000	£6,990,000	£229.44	£378,300	£12.42
Description: The Property comprises a completed development which proposes 38 two and three bedroom houses.								
Address: ROCHWOOD RISE (Entwisle Road), Rochdale, OL16 2LJ								
NW	54	45,001	1.0%	£10,360,000	£10,435,000	£231.88	£564,660	£12.55
Description: The Property comprises a completed development which proposes 54 two and three bedroom houses.								
Address: NORWICH GREEN (Norwich Street), Rochdale OL11 1LL								
NW	70	57,166	1.2%	£12,720,000	£12,775,000	£223.47	£691,320	£12.09
Description: The Property comprises a completed development which proposes 70 two, three and four bedroom houses.								
Address: BROOKSIDE GRANGE (Roch Street), Rochdale OL16 2NG								
NW	100	72,557	1.6%	£16,505,000	£16,615,000	£228.99	£944,940	£13.02
Description: The Property comprises a completed development which proposes 48 one and two bedroom apartments and 52 two, three and four bedroom houses.								
Address: OUR LADY'S (Our Lady's School), Little Hulton M28 0HF								
NW	73	62,703	1.4%	£14,460,000	£14,510,000	£231.41	£785,220	£12.52
Description: The Property comprises a completed development of 73 two, three and four bedroom houses.								
Address: COPPENHALL PLACE (Bombardier), Crewe CW1 3JB								
NW	131	110,875	2.3%	£23,820,000	£23,855,000	£215.15	£1,297,020	£11.70
Description: The Property comprises a completed development of 24 two bedroom apartments and 107 three and four bedroom houses.								
Address: BEEHIVE MILL, Bolton BL3 2NF								
NW	127	103,990	2.4%	£24,315,000	£24,375,000	£234.40	£1,319,220	£12.69
Description: The Property comprises a completed development which proposed 127 two, three and four bedroom houses.								

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
Address: SILKIN GREEN, Hinkshay Road, Telford TF4 3PF								
WM	78	67,266	1.4%	£14,505,000	£14,545,000	£216.23	£787,200	£11.70
Description: The Property comprises a completed development of 78 two, three and four bedroom houses.								
Address: QUEEN VICTORIA PLACE (Queen Victoria Street), Blackburn BB2 2QG								
NW	68	56,805	1.2%	£11,905,000	£11,935,000	£210.10	£645,900	£11.37
Description: The Property comprises a completed development which comprises 68 two, three and four bedroom houses.								
Address: BASE AT NEWHALL (Harlow Phase 2), Harlow CM17 9LR								
SE	74	63,081	2.4%	£24,460,000	£24,460,000	£387.76	£1,210,680	£19.19
Description: The Property comprises a completed development site which comprises 74 two, three and four bedroom houses.								
Address: MILARD GRANGE (Houghton Regis Parcel 6), Houghton Regis LU6 6JZ								
SE	129	120,067	4.0%	£40,925,000	£41,200,000	£343.14	£2,175,240	£18.12
Description: The Property comprises a part completed development site which proposes 129 two, three and four bedroom houses. Construction is due to complete in November/December 2022.								
Address: DUTTON FIELDS (Airfields), Deeside CH5 2RD								
NW	99	80,460	1.8%	£17,815,000	£17,875,000	£222.16	£967,440	£12.02
Description: The Property comprises a completed development site which comprises 99 two, three and four bedroom houses.								
Address: BELMONT PLACE (Owens Farm), Hindley Green WN2 4XS								
NW	50	43,992	1.0%	£9,775,000	£9,825,000	£223.34	£531,840	£12.09
Description: The Property comprises 50 two, three and four bedroom houses. This scheme is complete.								
Address: ASHFIELD PARK, Station Road, Normanton WF6 2ND								
Y	72	55,834	1.4%	£13,795,000	£13,825,000	£247.61	£748,200	£13.40
Description: The Property comprises a completed site of 72 two and three bedroom houses.								
Address: STANLEY PARK (Stanley Potteries), Stoke ST6 3PP								
WM	63	50,880	1.0%	£10,177,500	£10,285,000	£202.14	£556,620	£10.94
Description: The Property comprises a part completed development of 63 two and three bedroom houses.								

Property Portfolio (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
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Address: BRACKEN GRANGE (Brackenhoe), Middlesborough TS4 3AE

NE	80	62,182	1.3%	£13,005,000	£13,050,000	£209.87	£749,280	£12.05
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Description: The Property comprises a completed site of 80 two and three bedroom houses.

Address: KIRKLEATHAM GREEN, Redcar TS10 4GY

NE	80	62,038	1.3%	£13,430,000	£13,480,000	£217.29	£729,600	£11.76
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Description: The Property comprises a completed site of 80 two and three bedroom houses.

Address: COPPICE HILL (Houghton Regis Parcel 8), Houghton Regis LU6 6JZ

SE	113	94,023	3.4%	£22,682,500	£34,335,000	£365.18	£1,812,960	£19.28
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Description: The Property comprises a part completed development of 113 two and three bedroom houses. Construction has started on site and is due to complete in May 2025.

Address: BRICKKILN PLACE (Brickkiln Ph1&2), Wolverhampton WV3 OBS

WM	24	18,956	0.4%	£4,425,000	£4,430,000	£233.70	£239,640	£12.64
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Description: The Property comprises a completed development of 24 two, three and four bedroom houses.

Address: BRICKKILN PLACE (Brickkiln Ph3), Wolverhampton WV3 OBS

WM	7	6,090	0.1%	£1,360,000	£1,360,000	£223.32	£73,560	£12.08
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Description: The Property comprises a completed development of 7 three and four bedroom houses.

Address: BLUEBELL MANOR (Dawley Road), Telford TF1 2LT

WM	31	23,164	0.5%	£5,555,000	£5,555,000	£239.81	£300,660	£12.98
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Description: The Property comprises a completed development of 31 two and three bedroom houses.

Address: FORNHAM PLACE at Marham Park (Marham Park Parcel C), Bury St Edmunds IP31 6NG

SE	21	18,114	0.6%	£6,190,000	£6,195,000	£342.00	£335,340	£18.51
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Description: The Property comprises a completed development of 21 two and three bedroom houses.

Address: LEA HALL GARDENS, Handsworth B20 2AP

WM	31	29,056	0.7%	£6,700,000	£6,720,000	£231.28	£347,700	£11.97
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Description: The Property comprises a completed development of 31 three and four bedroom houses.

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
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Address: PULLMAN GREEN (Hexthorpe Phase 1), Doncaster DN4 OBE

Y	69	55,759	1.1%	£11,290,000	£11,290,000	£202.48	£610,980	£10.96
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Description: The Property comprises a completed development of 69 two, three and four bedroom houses.

Address: PULLMAN GREEN (Hexthorpe Phase 2), Doncaster DN4 OBE

Y	49	39,291	0.8%	£7,897,500	£8,105,000	£206.28	£438,660	£11.16
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Description: The Property comprises a part completed development of 49 two and three bedroom houses. Construction has started on site and is due to complete in November 2022.

Address: HOLYOAKE ROAD, Walkden M28 3DL

NW	123	94,441	2.2%	£22,595,000	£22,665,000	£239.99	£1,274,280	£13.49
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Description: The Property comprises a completed development of 60 two bedroom apartments and 63 three and four bedroom houses.

Address: RIBBLESDALE AVENUE, Accrington BB5 5BQ

NW	47	38,933	0.7%	£7,220,000	£7,580,000	£194.69	£410,160	£10.54
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Description: The Property comprises a part completed development of 47 two, three and four bedroom houses. Construction has started on site and is due to complete in December 2022.

Address: BASE AT NEWHALL (Harlow Phase 1a), Harlow CM17 9LR

SE	28	32,000	1.1%	£11,495,000	£11,550,000	£360.94	£587,040	£18.35
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Description: The Property comprises a completed development of 28 three and four bedroom houses.

Address: FORNHAM PLACE at Marham Park (Marham Park Parcel D), Bury St Edmunds IP31 6NG

SE	16	13,544	0.5%	£4,645,000	£4,645,000	£342.96	£251,340	£18.56
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Description: The Property is complete and comprises 16 two and three bedroom houses.

Address: DRACAN VILLAGE AT DRAKELOW PARK (Phase 1), Burton-on-Trent DE15 9UA

EM	154	125,875	2.8%	£12,140,000	£28,770,000	£228.56	£1,557,120	£12.37
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Description: The Property is currently in development. We understand that once complete the development will comprise 154 two, three and four bedroom houses.

Address: DRACAN VILLAGE AT DRAKELOW PARK (Phase 2), Burton-on-Trent DE15 9UA

EM	41	32,890	0.8%	£2,227,500	£7,660,000	£232.90	£414,600	£12.61
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Description: The Property is currently in development and will comprise 41 two, three and four bedroom houses.

Property Portfolio (Cont.)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
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Address: BROOKFIELD VALE Phase 1, Blackburn BB2 3TZ

NW	85	69,348	1.5%	£992,500	£14,805,000	£213.49	£801,240	£11.55
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Description: The Property is a part completed development of 85 two, three and four bedroom houses.

Address: BROOKFIELD VALE Phase 2, Blackburn BB2 3TZ

NW	69	57,988	1.2%	£4,295,000	£12,345,000	£212.89	£668,160	£11.52
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Description: The Property is currently in development and will comprise 69 two, three and four bedroom houses.

Address: BERTHA PARK, Perth PH1 3JE

S	75	62,301	1.4%	£11,970,000	£13,910,000	£223.27	£771,060	£12.38
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Description: The Property is a part completed development and will comprise 75 two, three and four bedroom houses.

Address: BABERTON GRANGE, Plough Hill, Nuneaton CV10 9NZ

WM	50	41,848	1.0%	£10,255,000	£10,255,000	£245.05	£541,380	£12.94
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Description: The Property is a completed development comprising 50 two, three and four bedroom houses.

TOTALS

	Units	Area (sq ft)	% of Portfolio by Investment Value	Market Value at 30 June 2022	Investment Value at 30 June 2022	Capital Rate psf	Market Rental Value at 30 June 2022	Rental Rate psf
	5,328	4,389,087	100.0%	£960,882,500	£1,022,055,000	£232.86	£55,908,852	£12.74

LOCATION KEY:

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

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 - Monkwood 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
Base at Newhall - Phase 2	0	14	49	11	74
Milard 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
Coppice Hill - 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
Fornham Place at Marham Park - Parcel D	0	8	8	0	16
Drakelow Phase 1	0	37	109	8	154
Drakelow Phase 2	0	13	26	2	41
Brookfield Vale Phase 1	0	28	51	6	85
Brookfield Vale Phase 2	0	12	53	4	69
Bertha Park	0	22	49	4	75
Baberton Grange	0	10	36	4	50
Total	175	1,404	3,269	480	5,328
%	3%	26%	62%	9%	100%

INVESTMENT STRATEGY AND BUSINESS MODEL

Scottish Home Awards

Large Development of the Year 2022 (Bertha Park)

WINNER

Homes For Scotland Awards

Large Development of the Year 2022 (Bertha Park)

FINALIST

NW Insider Residential Property Awards

Tech of the Year (My Simple Life Mobile App)

WINNER

CENE Awards

Building Project of the Year 2022 (Kirkleatham Green)

SHORTLISTED

Property Week RESI Awards

Health and Wellbeing Award 2021

SHORTLISTED

Home Views

Top 20 Regional Developments 2021 (Prince's Gardens)

TOP 20 FINALIST

Property Week RESI Awards 2022

Landlord of the Year 2022 (Simple Life Homes)

WINNER

NW Insider Residential Property Awards

Apartment Scheme of the Year 2022 (Empyrean)

SHORTLISTED

CENE Awards

Residential Project of the Year 2022 (Kirkleatham Green)

SHORTLISTED

Property Week RESI Awards

Residential Company of the Decade 2021 (Sigma Capital)

SHORTLISTED

Property Week RESI Awards

Best Covid Response 2021

WINNER

Home Views

Top 5 National Management Companies (over 2000 units) 2021 (Simple Life Homes)

TOP 5 FINALIST



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 purely 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, Policy 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 the establishment of a portfolio of newly-constructed residential rental homes in or near towns and cities in the UK for the private rented sector.

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.

The Company’s portfolio of homes is targeted at the family market, which is the largest segment within the private rented sector. The Company is concentrating on traditional housing that has a broad appeal across the demand spectrum, 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 Company has invested in multiple sites across the UK, targeting the largest employment centres in England, predominantly in the Midlands and North, and outside London. 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 homes are let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants.

The sourcing of assets is undertaken by Sigma PRS and the Company is building its portfolio in two ways.

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 after completion and a parent company guarantee ensuring the satisfactory performance by the contractor together with an indemnity for losses incurred. In accordance with the right of first refusal agreement with Sigma PRS, the Company has sourced 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 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.

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

Achieving Scale and Reducing Risk

The Sigma PRS Platform

The Investment Adviser has been utilising Sigma's well-established PRS property delivery and management platform (the "**Sigma PRS Platform**") to scale the PRS REIT's portfolio 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 Partnerships, Vistry, EQUANS (formerly 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 sources land for development sites, and has delivered 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 in different regions, the PRS REIT's concentration risk is reduced.

The Company has targeted a mix of locations, which demonstrate higher yielding profiles (predominantly those in the North of England) and/or greater potential for capital appreciation (often in our Southern opportunities). Proximity to good primary schools remains a key requirement, reflecting the Company's focus on family rental.

In addition, no investment has been 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, aims to be recognised as representing a 'gold standard' in the private rented sector, providing a combination of high-quality, sensibly-priced rental homes with high customer service levels.

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

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 by the Group in any completed PRS site or PRS development site will exceed 10 per cent 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

Three tranches of equity have been raised to date, £250 million (gross) at the Company's IPO on 31 May 2017, a further £250 million (gross) in February 2018, and an additional £55.6 million (gross) in September 2022.

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 2022, the Group had the following agreed debt facilities in place:

- › £100 million fully drawn 15-year term loan, fixed rate interest at 3.1%, with Scottish Widows (2021: £100 million drawn), matures June 2033;
- › £150 million fully drawn 25-year term loan, fixed rate interest at 2.8%, with Scottish Widows (2021: £150 million drawn), matures June 2044;
- › £150 million revolving credit facility with Lloyds Banking Group / RBS, of which £70.4 million of investment debt was drawn and £15 million of a £25 million 2-year development debt facility drawn (2021: £68.6 million of the £75 million development debt facility was drawn), matures February 2023; and
- › £40 million 3-year term development debt facility with Barclays Bank PLC, of which £15.2 million was drawn (2021: £50 million 2-year term development debt facility of which £42.4 million was drawn), matures August 2025.

Although the aggregate debt facilities total £440 million, £25 million of the Lloyds Banking Group / RBS facility and the £40 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 conduct its affairs so as to enable it to remain qualified as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder).

INVESTMENT ADVISER'S REPORT

Sigma PRS Management Ltd ("**Sigma PRS**"), a wholly-owned subsidiary of Sigma Capital Group 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 2022.

Operational Review

Development Activity and Acquisitions

A total of 802 homes were added to the PRS REIT's portfolio in the financial year to 30 June 2022. This compared with 1,902 in the prior year, and reflects the advanced stage of the rollout of the portfolio, with fewer sites under active development as the portfolio approaches maturity. Two fully-developed and let sites were acquired during the year, comprising 66 homes in total. Both sites were acquired from Sigma Capital Group Limited, having been independently assessed and valued by Savills before acquisition.

The total number of completed homes in the portfolio at the end of June 2022 stood at 4,786, an increase of 20% on the same point last year (2021: 3,984). The homes are located across six of the eight major regions of England and one region in Scotland, and their combined

estimated rental value ("**ERV**") amounted to £47.8 million per annum as at 30 June 2022. This is a 27% increase in the portfolio's anticipated rent over the year (30 June 2021: ERV of completed homes stood at £37.5 million per annum).

Four development sites were also acquired during the financial year. They have an ERV amount of £3.3 million, and we have acquired a further four development sites for the PRS REIT in the first quarter of the new financial year.

The Company's assets now reflect a difference between ERV, used for valuation, and anticipated rent paid by tenants. As at 30 June 2022, ERV was estimated to be £2.7 million higher than anticipated rent in aggregate. This reflects the strength of demand for the Company's portfolio of assets. The fair value of the Group's investment properties as at 30 June 2022 is based on ERV as opposed to anticipated rent.

The table below provides further information in summarised form of development activity over the financial year, and includes data for the first quarter of the new financial year as well as comparative data for the financial year ended 30 June 2021.

	At 30 September 2022	At 30 June 2022	At 30 June 2021
Number of completed homes	4,856	4,786	3,984
ERV per annum of completed homes	£49.4m	£47.8m	£37.5m
Completed sites	58	58	44
Contracted sites	12	10	20
Number of contracted homes	670	693	1,071
ERV per annum of contracted homes	£7.3m	£7.2m	£10.6m

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 and across the UK, 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, together with standardised specification, helps to ensure that developments are built to budget and that our PRS assets can be maintained and managed efficiently.



Financial Results

Income statement

The Group's revenue (which is wholly derived from rental income) increased by nearly 60% over the year to £42.0 million (2021: £26.6 million). After the deduction of non-recoverable property costs, the net rental income was £34.3 million (2021: £21.5 million). Administration expenses were slightly higher at £7.5 million (2021: £7.1 million, which included non-recurring accounting and legal expenses of £0.5 million incurred in relation to the Company's migration to the Main Market).

The gain from the fair value adjustment on investment property was £99.7 million (2021: £39.0 million), with the majority of the increase attributable to higher rents and a small portion attributable to yield compression in the current financial year. Operating profit was £127.0 million (2021: £53.7 million).

Finance costs for the year were £11.1 million (2021: £9.6 million) reflecting the debt utilisation and associated costs during the year as well as an increase in interest rates on variable rate debt towards the end of the fiscal year. Finance income for the period from short-term deposits was £4,000 (2021: £nil). The profit after finance income and taxation was £115.9 million (2021: £44.1 million).

The basic and fully diluted earnings per share on an IFRS basis for the year were 21.4p (2021: 8.9p).

Dividends

The Company has declared a total of 4.0p (2021: 4.0p) per ordinary share for the year under review, which comprised the following:

- On 5 November 2021, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 July 2021 to 30 September 2021, which was paid on 3 December 2021 to shareholders on the register as at 19 November 2021.
- On 18 January 2022, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 October 2021 to 31 December 2021, which was paid on 11 February 2022 to shareholders on the register as at 28 January 2022.

- On 12 April 2022, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 January 2022 to 31 March 2022, which was paid on 13 May 2022 to shareholders on the register as at 22 April 2022.
- On 25 July 2022, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 April 2022 to 30 June 2022, which was paid on 26 August 2022 to shareholders on the register as at 5 August 2022.

Balance Sheet

The principal items on the balance sheet are investment property of £961.9 million (2021: £780.4 million), cash and cash equivalents of £48.7 million (2021: £86.4 million), long-term loans of £246.7 million (2021: £245.9 million), short term loans of £100.0 million (2021: £110.0 million) and trade and other payables, accruals and deferred income of £32.0 million (2021: £27.2 million).

Investment property includes completed assets and assets under construction at fair value. Trade and other payables include £4.9 million of development expenditure and £10.3 million for the acquisition of a completed site, which was acquired on 30 June 2022 and paid in July 2022.

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 three years, which can be extended further for up to two years, matures February 2023. Interest is based on three-month Sterling Overnight Interbank Average Rate ("SONIA") plus applicable margin and the loan is secured over assets allocated to Lloyds Banking Group. As at 30 June 2022, £85.4 million had been drawn (2021: £68.6 million);
- £100 million term loan of 15 years with Scottish Widows, fully drawn as at 30 June 2022 (2021: fully drawn). Interest is fixed at 3.1%, matures June 2033 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 2022 (2021: fully drawn). Interest is fixed at 2.8%, matures June 2024 and the loan is secured over assets allocated to Scottish Widows; and

- £40 million (2021: £50 million) development debt facility with Barclays Bank PLC, matures August 2025. Interest is based on three-month SONIA plus applicable margin and the loan is secured over assets allocated to Barclays Bank PLC. As at 30 June 2022, £15.2 million had been drawn.

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.

Gearing on the portfolio, which is measured as net debt against investment value, remains low at 31%. Approximately 62.5% of the £400 million of investment debt is fixed rate at an average of 2.9%.



Key performance indicators

The Company's aim to deliver sustainable earnings and long-term capital growth through the execution of the Group's strategy is tracked by monitoring the below key performance indicators ("KPI") include:

KPI	June 2022	June 2021
Rental income (gross)	£42.0m	£26.6m
Average rent per month per tenant	£834	£785
Non-recoverable property costs as a percentage of gross rent (gross to net)	18.2%	19.5%
Fair value uplift on investment property	£99.7m	£39.0m
Operating profit	£127.0m	£53.7m
Dividends declared per share in relation to the period	4.0p	4.0p
Dividends paid during the period	4.0p	5.0p
Number of properties available to rent	4,786	3,984

All the KPIs are in line with management expectations. Rental income increases, 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.

It is also worth highlighting that the portfolio's average rental affordability ratio has improved to 25% in 2022 (2021: 29%), which is an indication of a stronger tenant base, and is after rental growth of 5.1% over the year (on stabilised sites).

Post Period Review

Over the first quarter of the new financial year, 70 new homes were added to the portfolio, taking the number of completed homes at 30 September 2022 to 4,856, providing an ERV of £49.4 million per annum. At the end of September 2022, contracted homes amounted to 670, with an ERV of £7.3 million per annum. The total ERV of contracted and completed homes at 30 September amounted to £56.7 million.

Following the September 2021 equity placing, the Company is targeting a portfolio of 5,600 homes once complete with an ERV of c.£56.0 million.

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

	At 30 September 2022	At 30 June 2022
Number of completed PRS homes	4,856	4,786
ERV per annum of completed homes	£49.4m	£47.8m
Number of contracted homes	670	693
ERV per annum of contracted homes	£7.3m	£7.2m

Summary and Outlook

The long-term 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, including the cost-of-living crisis, higher development costs and rising interest rates, we believe that the Company remains well-positioned to achieve its targets.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG statement

The Company's Investment Adviser ("IA"), Sigma PRS, undertakes the day-to-day management of the Company's ESG strategy and takes responsibility for managing the Company's ESG priorities at both a Company level and an asset level. Sigma PRS reports on ESG matters to the PRS REIT's Board on a quarterly basis.

Sigma PRS also utilises the services of EVORA Global, a leading sustainability consultant specialising in real estate solutions, to assist with the analysis of the Company's ESG performance and ongoing strategy.

Approach

The Company recognises that it is a long-term stakeholder in the communities and neighbourhoods it creates and takes this responsibility very seriously. In order to better achieve its ESG goals, its Investment Adviser engages with leading industry bodies that seek to promote high ESG standards and best practice.

The IA is a signatory of the United Nations Global Compact ("UN Global Compact"), a voluntary initiative designed to encourage business leaders to implement universal sustainability principles and, in particular, the UN Global Compact's Ten Principles. These are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

The PRS REIT is a member of European Public Real Estate Association ("EPRA"), a not-for-profit association that represents the publicly-traded European real estate sector. Its mission is to promote, develop and represent the European public real estate sector by, amongst other things, providing better information to investors and stakeholders, actively engaging in public and political debate, and promoting best practices.

The Company has submitted data for the first time to the Global Real Estate Sustainability Benchmark ("GRESB"). GRESB is an industry-led organisation, which provides ESG data to financial markets. It collects, validates, scores and benchmarks ESG data to provide business intelligence, engagement tools and regulatory reporting solutions for investors, asset managers and the wider industry.

Sigma PRS monitors the changing legislative and reporting landscape, including the EU Sustainable Finance Disclosure Regulation ("SFDR"), the UN Principles of Responsible Investment ("PRI"), and the Task Force on Climate-Related Financial Disclosures ("TCFD"), as well as national and city-level regulations, which are increasing.

It also uses the Social Value Portal ("SVP"), an online platform, which procures, measures, manages and reports social value and validates data.

The IA has incorporated ESG factors into its decision-making processes and operations. Its practices are based on the following policy approaches:

Opportunity review

ESG risks are assessed, reviewed and monitored, and strategies for enhancement and/or mitigation are set. These strategies are based on recognised frameworks such as climate change and social needs.

Investment decisions

ESG issues are listed and addressed in a summary investment paper, which informs decision-making at the Investment Committee approval stage;

ESG costs, including for ongoing community involvement, are also determined and factored into investment decision-making processes.

Asset management

Appropriate governance structures are established.

Relevant laws and regulations are adhered to.

ESG issues are monitored and managed.

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.

The 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 towards, and also changing public priorities, regarding the environment. The Government's '10 Point Plan for a Green Industrial Revolution', established in November 2020 aims to accelerate the UK's attainment of net zero carbon emissions and encompasses energy, production, 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 and biodiversity. In working towards further developing the Company's ESG agenda, the IA has embedded best practices, and works closely with supply chain and construction partners to ensure that their policies and activities comply with the PRS REIT's commitment to the UN Global Compact.

Environmental Impact and Data

The Company is aware of the impact that its activities have on the environment, and is committed to taking action to minimise and mitigate any negative aspects as much as possible.

A particular focus for the Company is ensuring that the homes in its portfolio are highly energy efficient. As a result its portfolio more than meets the Government's requirement for all private rented sector homes to have an EPC rating of at least 'C' by 2030. The EPC data for the Company's homes is as follows:

EPC Rating	Total Homes	%
A	47	1%
B	4,058	85%
C	681	14%
	4,786	100%

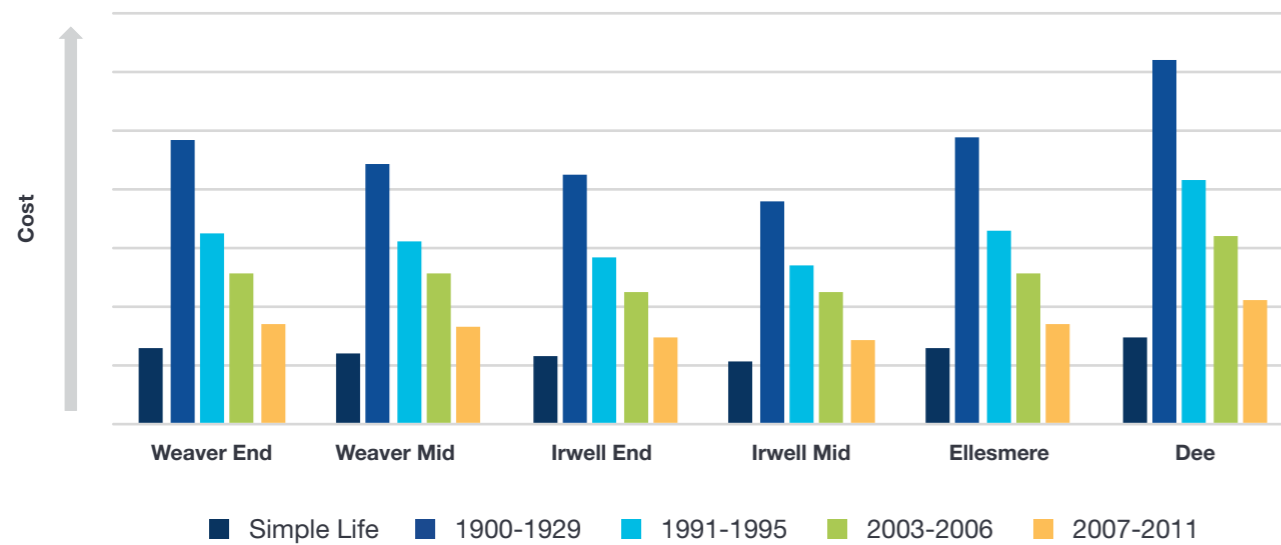
The Company provides residents with access to clean and renewable energy through the installation of electric vehicle ("EV") charging facilities and photovoltaic panels where possible. To date, 188 homes have access to EV chargers, 255 homes have been installed with wiring looms, a specially designed wiring system, which provides for greater efficiency, protection and safety, and 18 EV chargers have been installed at apartment blocks. In addition, photovoltaic panels have been installed at close to 1,000 homes.

Homes with PV panels installed	% of portfolio with PV panels installed	Estimated generated kWh/yr	Estimated avoided CO ₂ emissions kg/yr
966	21%	592,584	148,864

The Investment Adviser recently commissioned Calfordseaden, a property and construction consultancy firm, to undertake an Energy Efficiency Study to compare the energy consumption of the Company's properties with housing stock of various ages.

Four of the Company's core house types were reviewed and compared with comparable houses built in four age ranges from the start of the 1900's to 2010.

Simple Life Standard Property Types vs Comparator Running Costs By Age Of Property



As the graph above demonstrates, the study showed that the running costs of the Company's homes were markedly cheaper than comparable homes built between the 1900's and 2010. This is primarily due to their energy efficiency. On average, the Company's homes were 74% cheaper to run on an annual basis than homes built between 1900-1929, with running costs 25% lower compared to homes built in 2010. With the recent increases in energy prices, the efficiency of the

Company's homes is not only a major environmental positive, but it is also a benefit to residents.

Sigma PRS is also working closely with the Company's construction partners to monitor the greenhouse gas emissions and waste produced in the construction of homes. Data on waste and emissions for construction completed with Countryside Partnerships in FY21 can be found below.

Asset Environmental Construction Data - Countryside Partnerships					
No. of units completed in FY21	Waste (tonnes)	Waste diverted from landfill (%)	Scope 1 (tCO ₂)	Scope 2 (tCO ₂)	Scope 3 (tCO ₂)
1,050	8,301	99.8	1,212	257	395

Scope 1 and 2 emissions are those owned or controlled by a company. Scope 3 emissions are a result of the activities of the company, but occur from sources not owned or controlled by the company. Examples of Scope 1 include direct emissions from fuel combustion on site such as boilers and fleet vehicles; Scope 2 relates to indirect emissions generated from purchased energy such as electricity; and Scope 3 relates to the emissions created by the products we buy and use from suppliers.

Further details on the PRS REIT's environmental, social and governance activities can be found in its annual ESG Report, which is available on the Company's website at www.thepsreit.com.





Social Engagement

A key focus for the Company is engaging with the wider community in which its developments are sited.

Over the last twelve months, the Company's Investment Adviser has supported over 20 charities and clubs across the country, either financially or practically. The Investment Adviser has sought to ensure that residents can readily identify with the charities and organisations that are selected and they are often involved in the selection process.

A wide range of organisations and social initiatives were supported over the year, from local clubs promoting girls' football, boxing and driving experiences for the disabled, to national charities, including The British Heart Foundation's Defibrillator Register project, and of the NSPCC's parenting skills project, 'Look, Say, Sing, Play' in Liverpool, and its adolescent sexual abuse project.

Engagement with charity partners is important and, during the year, visits were organised a number of charity partners, including Embassy Village, Atherton and Leigh Foodbank, Salford Loaves and Fishes, Barnardos Gap Homes Project, Speed of Sight, and Carluke Men's Shed. These occasions offer the opportunity for the Investment Adviser to discuss ongoing engagement and how best to provide support.

A particular initiative during the year, was the organisation of an Escape Room Roadshow for children, which was brought to 29 PRS REIT communities and 15 local schools. The Roadshow covered the themes of wellbeing, the environment, and literacy. Feedback on this initiative can be found at: <https://www.clevercogz.com/simplelife2022roadshow>



Comments from charities and organisations that Sigma PRS has been involved with are below.

David Hughes from Atherton and Leigh Foodbank said:

"On behalf of Atherton & Leigh Foodbank may I once again thank you and everyone concerned in providing this generous grant supporting our local Foodbank. Your valued donations this year will be utilised in keeping our vehicle on the road this year with repairs, fuel and insurance. Without a reliable vehicle the charity could not fulfil the collection of food from our collection points and deliver from our warehouse to our distribution centres. Furthermore especially this year, fuel, light and heating plus distribution centre rents all add to the fundraising necessary in order to keep the charity running efficiently."

Gill, Team Administrator, from the Speed of Sight Team said:

"Thank you for the message you sent in respect of the generous donation you want to make to us. That is absolutely fantastic. This gift will help us to continue to provide life-changing driving experiences for people with disabilities."



Paul Harrison, Head Coach at Doncaster Plant Works ABC said:

"Getting sponsorship like this is brilliant, really outstanding and it means such a lot to the club. I can't tell you how much we can do with funding like this. Not only will we be able to replace some of the windows at the club, we can also get more equipment, uniform and kit. But most of all it means that some of our boxers with real talent will get to compete in competitions as we can cover the entry costs and put them up. For some this will mean their first trip down to London and for others it'll be the first time they have been away at all."

Sara Benson, Corporate and Major Donor Fundraiser for Zoe's Place, Middlesbrough, said:

"Every single penny raised by Sigma Capital will go towards helping us provide these wide range of specialist services to all of our beautiful children for another day."

Resident feedback

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

The following information is based on tenant satisfaction results for the 12-month period from July 2021 to the end of June 2022.

Move in survey	6 month survey	Renewal survey
93% said the team made it easy to apply	95% said they are still happy with their home	96% were happy with the experience they had with 'Simple Life' so far
88% said they were kept well-informed during the application process	89% said they are happy with the service provided	49% of people renewed because they love the property
84% said they received all the information they required	83% said they felt they have been kept well-informed	40% renewed because they love the area
93% said the quality of the home met with their expectations	76% said they feel their Asset Manager is responsive and they are satisfied with the service they have provided	9% renewed because of the rent (value for money)
95% said they would recommend 'Simple Life'	86% said the communal areas are well maintained	2% renewed because 'Simple Life' offers a better service than a 'one-off' landlord
	85% said they feel part of a community	62% of people see themselves staying with 'Simple Life' for 4+ years (or 78% 3 or more years)
	76% said they feel their maintenance requests are fixed in a timely manner	91% said they would recommend 'Simple Life'
	94% said they would recommend 'Simple Life'	

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

Overall results from the latest survey are in line with those of the prior year, with some results showing an improvement in customer satisfaction. A number of new questions were added to the six-month survey to better assess customers' views on property management and maintenance.

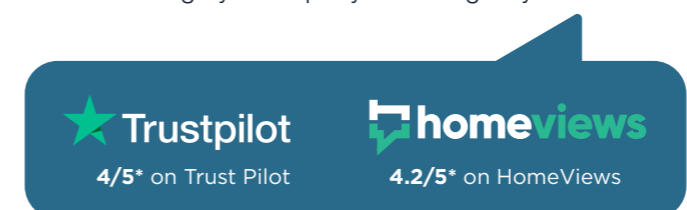
The strength of the Simple Life brand continues to grow. Over the past 12 months the Simple Life website has had over two million page views and over 20,000 enquiry submissions. The number of leads coming through the website continues to slightly exceed enquiries coming from third-party websites, such as Rightmove. Site signage, recommendation and online search continue to be the largest sources of enquiries of those coming through the website.

Move in survey	10 month survey
96% said the team made it easy to apply	96% said they are still happy with their home
87% said they were kept well-informed during the application process	89% said they are happy with the service provided
91% said they received all the information they required	79% said they felt they have been kept well-informed
89% said they found the process of moving into their home straightforward	88% said the communal areas are well maintained
89% said the quality of the home met with their expectations	86% said they feel part of a community
96% said they would recommend 'Simple Life'	93% said they would recommend 'Simple Life'

All results are based on responses from neutral - strongly agree

Online reviews

Simple Life is registered with Trustpilot and routinely invites residents to leave reviews. This helps to identify any areas that need improvement. Simple Life now has just under 500 reviews on Trustpilot and has an overall rating of 4 stars out of 5, which is above the average of 3.7 for our business category of Property Rental Agency.



Simple Life developments are also now on Home Views, a dedicated review website for housing developments. Simple Life has an average score across all developments of 4.2 out of 5 from approximately 600 resident reviews, and 98% of residents rated their development average to excellent.

Customer Reviews and Satisfaction

A selection of customer testimonies are reproduced below.

"We have found our experience with Simple Life so far to be of the highest standard. They are prompt in their responses and are always lovely on the phone. I hear lots of negative experiences people have when renting a property elsewhere but I feel secure in the knowledge that that won't be us!"
Amber, Prince's Gardens

"The best part is that it is a home that I have always dreamt of. Simple Life truly makes our life easy by providing such beautiful and affordable homes and 24-hour customer service."
Ipra, Shrewsbury Close

"Property is well-designed and superbly managed. The sleek, modern design of the properties make for outstanding value or money and make perfect homes as everything you need is built into the house. Overall, very impressive!"
Adam, Durban Mill

"Seamless, professional and super friendly service from all of colleagues I have spoken with in various departments at Simple Life. The whole experience and beginning of my journey as a tenant with Simple Life has more than met all of my expectations and more! Love the App, communication is so easy / any information I have asked for has been delivered almost immediately. They literally cannot be more helpful and my new home is literally fantastic. Thank you Simple Life :)"
Theresa, Ribblesdale Place

"We are currently in the process of our application. We contacted Simple Life about the scheme we were interested in and the information we received was very detailed. As previous Simple Life tenants, we can wholeheartedly recommend them ... hence our return to Simple Life for our potential new home!"
Josephine, on Trustpilot

"Been renting 2nd house now from Simple Life and I have never seen better service than this agency is providing. Replying to emails, returning calls and actioning everything within hours/days. Highly recommend."
Szymon, on Trustpilot

"Our landlord is absolutely fab and sorts any issues we have quickly and to a high standard."
Abbs, Base at Newhall on Home Views

"The activities you take time to plan are amazing. The fixflo website you have is good. Wouldn't want anyone else as a landlord. You've set the bar high."
Sabrina, Galton Lock on Home Views



Resident Focused Initiatives and Tech

Home Businesses

The pandemic has resulted in an increase in the number of people setting up businesses from home. Responding to this trend, we implemented a process requesting that tenants notify us of business operations from home. The principal aim of this is for the Investment Adviser to endeavour to ensure compliance with insurance requirements while supporting residents. We have also enabled residents to use our platforms to promote their businesses, and have established a Residents Business Directory, which often offers exclusive discounts to other residents in the area.

Property Alterations

We operate a property alterations request process, which provides residents with greater clarity over permissible property alterations as well as a better understanding of residents' obligations at the end of their tenancies.

Virtual Inspections

A system of virtual 'property health checks' continues to work well to identify and monitor issues and also to identify responsibility for repairs and maintenance. It enables residents to carry out certain property checks themselves and to make repairs at particular stages of their tenancy. This reduces disputes over deposit recovery at the end of a tenancy. In-person checks continue to be conducted on key dates, including at the end of and on the anniversaries of tenancies.



Outward Bound Trust

Sigma PRS launched an initiative with The Outward Bound Trust, called 'Building for My Future'. It enabled 10 young people, aged 15-19 years, from across the country, to test their resilience and learn new skills as they tackled a series of challenges on the water and in the mountains. The comments below from participants illustrate some of the lasting benefits.

"The confidence I gained was invaluable and it was the type that could only be achieved by taking that leap of faith, meeting new people and committing to challenges fully."

"Going forward in the future, I know that taking different paths (even if they are out of your comfort zone) can absolutely lead to great success and I know that even when I am put in the most stressful environments, I can overcome them and that is something to be proud of."

"I never thought one week could change the way I view things so much, but it definitely influenced a self-reflection on myself and my lack of connection with nature and the outdoors. It felt like a hard reset on myself and a detox from technology, even though this was not compulsory. I found myself never needing technology while hiking or cliff jumping."

Book Boxes and Guardians

In August 2021, Sigma PRS launched a Book Box programme across several developments to encourage residents to share books. To date, 17 book boxes have been installed serving over 30% of the portfolio, with residents signing up to be "guardians" of the boxes on each of these sites. The book boxes were sustainably made from 100% repurposed materials in partnership with a specialist recycling company.

Affordability Calculator

An affordability calculator, based on the Investment Adviser's referencing criteria, can be found on the Simple Life website. It is designed as an aid to assist prospective residents determine how much monthly rent they can afford relative to their earnings and outgoings.

Rental Availability

The Simple Life website now lists the availability of rental homes in real time. As well as giving potential renters a better service, it also facilitates a more efficient uptake of homes.

my SIMPLE LIFE



'My Simple Life' Mobile App

The Investment Adviser launched a bespoke resident mobile app in August 2021. Available on Google and Apple devices, 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.

New services and facilities will be added to the app, with the following about to go live:

- › content presentation by property type (apartment or house);
- › notification log; and
- › a new meter reading section, which allows residents to access easily their meter readings and request new meter readings.

Resident Affiliate Offers

Sigma PRS has increased the range of affiliate offers that are available to tenants, and the launch of the mobile app has created greater awareness of the offers available. Affiliate offers include discounts with Oddbox, Sky, Hussle, Argos, Dunelm, Wayfair, AO, Pretty Little Thing, Appleyard London Florists, and The Modern Milkman.

Podcast

In June 2021, the Investment Adviser launched the 'Simple Life Chat' podcast, hosted by radio presenter and journalist, Jen Thomas. It addresses the experience of renting and explores topics of interest to residents, with experts and residents participating in discussions.

the
Simple Life
chat...



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 construction and 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 (2021: none).

Governance

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

The Company 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	2022	2021
Male	80%	80%
Female	20%	20%



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 strategic and investment objectives.

The Board continually consider emerging risks and during the year under review the ongoing COVID-19 pandemic, the war in Ukraine and resultant global volatility and macro-economic uncertainty in the UK have been identified.

Risk management and risk appetite

The Group's assets are made up of UK Build to Rent ("BTR") property. Its principal risks are therefore related to the UK BTR market in general and also to the particular circumstances of the individual properties and the tenants within the properties. Taking this into account, the Group's risk appetite policies and procedures, alongside the appropriate controls and financial reporting are regularly reviewed and updated to ensure they remain in line with regulation and corporate governance.

The Company applies the 'Three Lines of Defence' model for effective risk management and control:

- › The first line of defence is performed by the management team of the IA who are responsible and accountable for identifying and managing risk as part of their objectives. As part of this the IA produces a risk register that it provides to the Audit Committee for review and consideration at least twice per year.
- › The second line of defence are the policies, frameworks and challenge provided to ensure that the IA is effectively managing risk. This is performed by the Board and reported on by the Audit Committee.
- › The third line of defence is independent assurance provided by the external auditor.

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

Valuation risk – investment property

The valuation of the Group's property assets is primarily based on five key drivers being, land purchase, cost to build, rental income, 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 the detailed site selection and appraisal process, fixed price building contracts at competitive rates to control costs, quality product from house builders, project monitoring and review by the IA, 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 IA.

The Company appoints an external valuation agent on a three-year basis to provide continuity and stability, whilst also representing a natural point for review and consideration. In addition, the use of a separate independent valuation agent by the providers of debt, and expert review by further independent valuation agents appointed by the Group's auditors, RSM, ensures that there are a number of views and opinions on valuation being considered and taken into account at any point.

Site selection

As discussed under Valuation Risk, the principal drivers for the valuation of the PRS REIT's property assets are: land purchase, cost to build, rental income, gross to net income deductions and yield. Selection of sites which match the investment criteria in terms of cost to purchase and build, ERV, gross net to income deductions and yield are therefore critical to the success of individual developments.

Site selection risk is mitigated by performing detailed appraisal and assessment of all aspects of a site, including location, access to transport links, education, amenities, and employment which are necessary to formalise a view on the likely viability and profitability as a build to rent development. This process also involves expert third party guidance from valuers, house builders, and lettings agents. The process is particularly important given the prevailing background of cost inflation outpacing rental growth. The IA's process on site assessment and appraisal necessarily involves a number of individuals with different skill sets to ensure a balance of views and full consideration of all factors.

The portfolio approach including broad geographic spread adopted by the IA also helps to mitigate the associated risks.

The Company seeks to obtain and maintain a pipeline of potential PRS properties and PRS development sites with partners for future development. There is no certainty that viable, commercially justifiable sites, with planning permission, can continue to be sourced on acceptable terms. The availability of viable, commercially justifiable sites with planning permission may therefore adversely affect the ability of the PRS REIT to continue to pursue further growth which could, in turn, have a material adverse impact on the overall level of returns for Shareholders.

The Board and the Investment Adviser manage this risk through a number of long-term partnerships, including different local councils and a variety of house builders, to maintain a wide range of opportunities that are geographically spread.

Whilst the Company has signed Forward Purchase Agreements ("FPA") in respect of the sites to be acquired from the Sigma Group, it has not committed to acquiring these sites. The FPA is conditional on:

- › Practical completion of all units;
- › Confirmation of good and marketable title;
- › Tenant occupation and rent stabilisation; and
- › Availability of funding.

As a result, the Board considers that the Company has a high degree of flexibility in relation to the timing of site acquisitions, and therefore the Company's future funding requirements.

Access to land

The strategy to date in the build to rent private residential housing sector has been underpinned by strong relationships with a small number of councils and house builders. In order to continue to develop and grow the PRS REIT, access to new development sites will be required. This may require the IA to establish new local authority partnerships and house builder relationships in order to broaden the PRS REIT's access to residential development land at a price to fit the PRS model and to other commercial developments.

Sourcing sites may require the PRS REIT and the IA to broaden the relationship base presently utilised to identify sites. Housing demand, both owned and let, continues to exceed supply in the UK and looks likely to continue to do so for the foreseeable future. However, the availability of sites is likely to represent a greater risk in terms of site selection with the risk that less viable and financially attractive sites are developed. Detailed appraisal and assessment of all aspects of a site - location, access, transport links, education, amenities, employment etc. - are necessary to formalise a view on the likely viability and profitability as a build to rent development. This will also involve expert third party guidance from independent valuers, house builders and lettings agents. The process is particularly important given the background of cost inflation outpacing rental growth.

The IA process on site assessment and appraisal necessarily involves a number of individuals with different skill sets to ensure a balance of views and full consideration of all factors. There is also an ultimate sign off by the Land Director, Regional Managing Director, Investment Director, Lettings Director, Chief Financial Officer and Chief Executive of the IA. In terms of other mitigating factors, it should be noted that development sites typically have c.80-100 properties on them. In the unlikely eventuality that the dynamics on a site - particularly rental demand and / or rental value given that land cost and design & build cost are fixed previously - then this would likely only impact the valuation and financial returns on that site. The portfolio approach including the broad geographic spread adopted by the PRS REIT and the IA means that while there are likely to be some sites that do not materialise as expected, there are likely to be as many winners as losers. On this basis, the approach adopted should mitigate the associated risks.

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 IA. If the Investment Advisory Agreement is terminated it is likely that the Company will cease to have access to the platform and to the relationships and contractual frameworks with Approved Contractors, Local Authorities, and the Approved Letting Agents, 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 IA 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 IA to retain its existing staff and/or to recruit individuals of similar experience and calibre. Whilst the IA 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 IA, there is no guarantee that the IA would be able to recruit a suitable replacement or that any delay in so doing would not adversely affect the performance of the Company. Events impacting the IA but not entirely within the IA'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 IA is required to devote such time and have all necessary competent personnel and equipment as may be required to enable the IA to carry out its obligations properly and efficiently. However, if the IA 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 IA 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 IA, although there is no change to the obligations and responsibilities of the IA 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 IA on a more regular basis. The Board also has an Executive Management meeting at least twice a year to consider the performance of the IA and the other outsourced professional firms and advisers engaged by the Company. The Board actively engages with key personnel of the IA and assesses its key main risks to ensure that it is adequately staffed with suitably qualified personnel and that succession planning is in place.

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 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.

Emerging risks

As well as the principal risks, the Directors identify any emerging risks which are considered as part of the formal risk review. Emerging risks encompass those that are rapidly evolving, for which the probability or severity are not yet fully understood. As a result, any appropriate mitigations are also still evolving, however, these emerging risks are not considered to pose a material threat to the Company in the short term. This could, however, change depending on how these risks evolve over time. Senior members of the IA are responsible for day-to-day matters and have a breadth of experience across all corporate areas; they consider emerging risks and any appropriate mitigation measures required. These emerging risks are then raised as part of the risk assessment where it is considered whether these emerging risks have the potential to have a materially adverse effect on the Group.

The Board is mindful that the UK is feeling the after-effects of COVID-19 and Brexit on the economy, with disruption to supply chains globally leading to inflationary consequences. Fortunately, to date this has not had a negative effect on the Company other than delaying completion of assets under construction due to supply chain issues, while offsetting this has been the continued strong demand for Build to Rent assets. The market for such assets has continued to strengthen, and is reflected in tighter yields and rising rents, both of which are reflected in the valuation of our existing properties.

In addition, the war in Ukraine and the resultant effects on the global economy are being considered. While the Company has no direct exposure to Europe, it is not currently seeing any significant impact on our existing business but will continue to monitor the situation closely. The area where the Company has witnessed inflationary pressures the most, is in regards to raw material and labour costs. This primarily reflects the impact of supply chain disruption caused by a combination of Covid-19, Brexit and the war in Ukraine.

The Company is, however, in a good position to manage and mitigate cost increases, through the use of fixed price fixed Design and Build contracts. It is also at a stage where the majority of the contracted development sites have been completed in relation to the revised target of 5,600 units. This therefore represents a risk on potential future sites as opposed to one in respect of existing sites. Equally, the favourable occupational investment markets also mean that any cost inflation on future sites would at worst be at least partially offset by rising rents and capital values.

The Board is monitoring closely the recent market volatility to ensure that all risks to the Company and Group are identified and addressed where possible to reduce the potential negative effects.

The Company's Section 172 statement is included on pages 53 to 55.



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, understands and responds appropriately to 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 has engaged 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 55. Section 172(1) of the Companies Act 2006, requires Directors to fulfil their duty to promote the success of the Company. In doing this, the Directors must act in good faith, and in a manner which would most likely promote the success of the company for the benefit of its members as a whole. The Directors should have regard to:

- › the likely consequences of any decision in the long term,
- › the interests of the company's employees,
- › the need to foster the company's business relationships with suppliers, customers and others,
- › the impact of the company's operations on the community and the environment,
- › the desirability of the company maintaining a reputation for high standards of business conduct, and
- › the need to act fairly as between members of the company.

To ensure that the Directors are aware and understand their duties, they are provided with all relevant Company information when they are appointed to the Board and receive regular updates and training on matters where appropriate. Directors also have access to the advice and services of the Company Secretary as well as independent advisers, should they wish. Directors receive technical updates from the NOMAD, the Company Secretary, and the Investment Manager as and when appropriate.

Our stakeholders

	Our customers	Our local communities and environment
Who are they?	Our tenants, their families, and the people who live in or around our sites.	Communities who live in and around our properties as well as local organisations and enterprises, including the natural surroundings of our properties.
Why are they important to us?	<ul style="list-style-type: none"> - Customer service is at the heart of our business. Our tenants provide us with rental income, so it is essential that we serve their needs 	<ul style="list-style-type: none"> - The Board places an ever-increasing emphasis on the importance of ESG factors - The Board and the Investment Adviser are fully committed to managing the business and implementing the investment strategy responsibly
What matters to them?	<ul style="list-style-type: none"> - Affordable, high quality, well maintained, homes at market prices that suit their needs - Provision of accommodation in areas of strong employment with good infrastructure, transport links and local education - Community environment which enhances wellbeing 	<ul style="list-style-type: none"> - Places which foster social connections and enhance wellbeing - Support for local organisations, e.g. schools and charitable institutions - Minimising carbon emissions during construction and after completion when tenants occupy properties - Minimising waste and conserving water during construction and after completion when tenants occupy properties - Promoting environmental responsibility - Preserving and enhancing biodiversity
Ways we are engaging with them?	<ul style="list-style-type: none"> - Delivering properties that target strong environmental certifications - 582 tenant surveys completed annually - Utilisation of an in-house app which provides two way communication and information between tenant and landlord on a variety of topics - Seasonal events and marketing activities e.g. Easter egg hunts, Pizza nights, Christmas events - Further information on how we engage with our customers can be found on pages 36 to 47 	<ul style="list-style-type: none"> - Fostering networks which connect our occupiers with local communities and organisations - Designing and delivering low-carbon emission properties including installation of EV panels, EV charging points, utilisation of modern methods of construction and reduction of waste - Promoting the mitigation of carbon emissions on existing properties - Identifying opportunities to increase biodiversity on and around properties - Recycling activities including installation of clothes banks on sites - Support for local schools and charities through donations for projects - Garden maintenance and provision of open green spaces - For further information on the Groups' ESG policies and performance please see pages 36 to 47, and the full report on the Company's website, www.theprsreit.com

Our investors and funders	Our partners and suppliers	Our Investment Adviser ("IA")
The entities, institutions and individuals who own shares in the Company together with the lenders who provide debt finance.	Construction partners, local authorities, Letting Agent, Company Secretary, suppliers and all other organisations we have a direct relationship with	Sigma PRS Management Ltd (" Sigma PRS ")
<ul style="list-style-type: none"> - Continued shareholder and lender support is critical to the sustainability of the Company and delivery of the Company's long-term business growth strategy 	<ul style="list-style-type: none"> - As we outsource all of our administrative functions to external service providers, they are critical to the administration and running of our business 	<ul style="list-style-type: none"> - Performance of the IA is critical for the Company to successfully deliver its investment strategy and meet its performance targets
<ul style="list-style-type: none"> - Delivery of strategy and financial performance - Effective communication of the Company's progress and ongoing strategy - Attractive returns on their respective equity and debt investments 	<ul style="list-style-type: none"> - Reliability and dependability of the PRS REIT - Customer recommendations, enabling them to win new/additional business - Contributing to the success of the PRS REIT - Long term partnerships 	<ul style="list-style-type: none"> - Provision of support and clear direction by the Board in terms of overall strategy and policy
<ul style="list-style-type: none"> - Through a combination of Annual and Interim Reports, presentation of financial results and announcements to the market - Provision of financial information and covenant compliance certificates to debt funders - The Company encourages and welcomes shareholder queries at its Annual General Meeting - Communication through the Company's joint brokers - Returns-focused strategy with clear targets set - Meetings offered to substantial shareholders, debt providers and potential investors who all met at least once in the last year - Regular formal and informal communication with both equity and debt providers - Further information as to how the Company has engaged with its shareholders can be found on page 73. - The Board's proposal on the final total dividend for the 2022 financial year of 4.0p per share (2021: 4.0p) reflects the Board's confidence in the Company's long-term financial health and growth prospects 	<ul style="list-style-type: none"> - Maintaining an open and active dialogue - Developing long term relationships with suppliers - Partnership approach based on open and consistent dialogue, focused on delivering solutions - Payment of suppliers in accordance with credit terms which are typically less than 30 days 	<ul style="list-style-type: none"> - The Board and Sigma PRS have a close working relationship. The IA attends the regular Board meetings and reports to the Board on progress and performance - The Management Engagement Committee of the Board reviews the performance of the IA annually - Regular informal and formal discussions between members of the Board and the IA, together with members of the Audit Committee and the IA - Further information as to how the Company has engaged with our IA can be found on page 68.

Employees

Apart from the Directors, The PRS REIT does not have any employees (2021: nil). Sigma PRS Management Ltd is the appointed Investment Adviser to the PRS REIT.

By order of the Board

Steve Smith
Chairman

10 October 2022

Corporate Governance



CORPORATE GOVERNANCE

DIRECTORS

Steve Smith, Non-Executive Chairman (Age 68) appointed 24 April 2017

Steve has over 40 years of experience in the real estate industry. Steve is currently Non-Executive Chairman of Sancus Lending, an AIM listed property finance business. 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 was formerly Non-Executive Chairman of Starwood European Real Estate Finance Limited and Alternative Income REIT plc and a Non-Executive Director of Tritax Big Box REIT plc and Gatehouse Bank plc.

Steffan Francis, Non-Executive Director (Age 67) appointed 24 April 2017

Steffan 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 58) appointed 24 April 2017

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 Company's Audit Committee.

Geeta Nanda, OBE, Non-Executive Director (Age 57) appointed 24 March 2021

Geeta has over 30 years' experience 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 for over 9 years. At MTVH, Geeta is responsible for the management of 60,000 homes, with 120,000 residents, and an ongoing new-build programme of over 1,000 homes a year. 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 a member of the Homes for Londoners mayoral Board, and a Board member of The National Housing Federation, the industry body representing providers of housing. She is also Chair 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 67) appointed 20 May 2019

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. Jim was formerly Senior Independent Director at Empiric Student Property plc and Tritax Big Box REIT plc, and a Non-executive Director at Alternative Income REIT plc.

ADVISERS

Registered Office Floor 3, 1 St. Ann Street Manchester M2 7LR	AIFM G10 Capital Limited 4th Floor, 3 More London Riverside London SE1 2AQ United Kingdom
Company Secretary Hanway Advisory Limited (appointed 31 March 2022) 1 King William Street London EC4N 7AF	Valuers Savills (UK) Limited 33 Margaret Street London W1G 0JD
Auditor RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB	Financial PR KTZ Communications No. 1 Cornhill London EC3V 3ND
Financial Adviser and Broker Singer Capital Markets Advisory LLP One Bartholomew Lane London EC2N 2AX	Investment Adviser Sigma PRS Management Ltd Floor 3, 1 St. Ann Street Manchester M2 7LR
Joint Broker Panmure Gordon (UK) Limited One New Change London EC4M 9AF	Depository Crestbridge Property Partnerships Limited 8 Sackville Street London W1S 3DG
Legal and Tax Adviser Dentons UK and Middle East LLP One Fleet Place London EC4M 7WS	



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 2022.

Principal activity

The principal activity of the Company is the investment in, and management of, new build PRS residential housing which is primarily 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 95. The following dividends were paid during the year:

3 September 2021	1.0p per ordinary share
3 December 2021	1.0p per ordinary share
8 March 2022	1.0p per ordinary share
13 May 2022	1.0p per ordinary share

Total dividends paid in the prior year was 5.0p. Since the year-end, a dividend of 1.0p per ordinary share was paid on 26 August 2022.

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, their positions at the end of the period, and an indication of the likely future developments in the Group's business. This requirement is met by the Strategic Report on pages 4 to 55.

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 57, all of whom held office throughout the year. The Board consists solely of Non-executive Directors, each of whom is independent of the Investment Adviser and the Company. The Company therefore has no executive Directors or employees (2021: none). 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 82 to 84.

Powers of Directors

The Directors' powers are determined by the Companies Act 2006 and the Company's Articles of Association. The Articles may be amended by a special resolution of the shareholders. The Directors may exercise all the powers of the Company provided that the applicable legislation and Articles do not stipulate that any such powers must be exercised by the shareholders.

Directors' interests in shares

The Directors' interests in the Company's shares are disclosed in the Directors' Remuneration Report on pages 82 to 84.

Directors' indemnity insurance

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

Share capital

At the AGM held on 15 December 2021, the Directors were authorised to:

- issue securities up to an aggregate nominal amount of £1,830,838 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 £1,098,502 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 2022, the Company had 549,251,458 ordinary shares in issue (2021: 495,277,294), none of which were held in treasury (2021: none).

Substantial shareholdings

As at 30 June 2022, 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	49,089,585	8.94
Homes & Communities Agency	29,878,047	5.44
Aviva Life & Pensions UK	27,899,367	5.08
Invesco UK Equity Income Fund	21,877,700	3.98
Smithfield Alternative Investment Fund	17,351,074	3.16

As at 30 September 2022 the following substantial shareholdings were held:

Investor	Number of ordinary shares	% holding of issued share capital
Invesco High Income Fund	49,089,585	8.94
Aviva Life & Pensions UK	29,988,238	5.46
Homes & Communities Agency	29,878,047	5.44
Invesco UK Equity Income Fund	21,877,700	3.98

Restrictions on the transfer of shares

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

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

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

Greenhouse gas emissions reporting

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

During the year ended 30 June 2022:

- 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.

Work to measure and understand the emissions from the two phases of business, construction and lettings, is under review. The IA is investing time and resources in this area in order to endeavour to capture aggregated data which can be utilised to further understand and measure the impact of the Company's assets on emissions. This information is not presently available to the IA as it not under its control.

As such, the Board believes that the Company had no reportable emissions for the periods ended 30 June 2022 and 30 June 2021.

Management Arrangements

Investment Adviser

The Company and the AIFM have appointed Sigma PRS as the Investment Adviser. Sigma PRS is responsible for the management of the assets of the Company and advising the Company and the AIFM on a day-to-day basis in respect of 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, with a one year notice period thereafter. 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. Subject to the overall supervision of the Directors, the AIFM is responsible for overall portfolio management and risk management of the Company, ensuring compliance with the Company's investment policy and the requirements of the UK AIFM Regime and EU Alternative Investment Fund Managers Directive ("AIFMD") that apply to the Company. 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 the following fees:

- (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 it 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, the parent company of Sigma PRS, is directly appointed as alternative investment fund manager of the Company.

Depository

Crestbridge UK Limited are the appointed Company's depository for the purposes of the AIFMD. Under the terms of the Depository Agreement, the Depository 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 Depository 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 Depository is entitled to be reimbursed by the Company for all costs and expenses properly and reasonably incurred in the performance of duties under the Depository Agreement.

Administration 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 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 Agreement provides that the Company will pay the Administrator an annual fee of £80,000 plus VAT, payable monthly in arrears.

Sigma Capital Property Ltd was formerly the Company Secretary to the Company. Hanway Advisory Limited, an independent third party, was appointed Company Secretary with effect from 31 March 2022.

Financial risk management

The principal risks and uncertainties faced by the Company and the Group are set out on pages 48 to 51. 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, plus other items such as trade and other receivables, trade and other payables and borrowings that arise directly from its operations. At 30 June 2022, the Group had positive cash balances of £48.7 million (2021: £86.4 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 2022, 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 £85.5 million was drawn. In addition, the Group has a £40 million revolving credit facility with Barclays Bank PLC of which £15.2 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 (2021: nil).

Going concern

The Company's current financial position is set out in the Strategic Report and financial statements. The Board regularly reviews the position of the Company and its ability to continue as a going concern throughout the year.

The Board confirms that it has a reasonable expectation that the Company and the Group have adequate resources to manage their business risks successfully and allow it to continue in operational existence for the foreseeable future and the Board believes that there are no material uncertainties in relation to the Group's and Company's ability to continue for a period of at least 12 months from the date of this report. 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. Please see note 3 of the financial statements for more information.

Viability statement

In accordance with Principle 36 of the AIC Code, 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 Directors considered a number of other factors when assessing the viability of the Company:

- › strong rent collection rates, 99% of all rent invoiced has been collected in the year;
- › continued strong rental demand;

- › continued increases in estimated rental value;
- › Group loan to value of 31% as at 30 June 2022;
- › Group cash of £48.7 million at 30 June 2022, of which £37.8 was immediately available;
- › Access to approximately £90 million of undrawn debt facilities; and
- › 62.5% of the Group's investment debt facilities are fixed interest facilities and at the year-end had a weighted average debt maturity of 17.6 years and an average weighted cost of 2.9%.

In assessing the Company's viability, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Group, as set out on pages 48 to 51.

In determining the 3-year timescale, the Board has considered the Group's and Company's detailed forecasting model. The assumptions underpinning this model show that within three years all investment property acquisitions are forecast to have been completed, all assets under construction should be developed and rent stabilisation thereon should be achieved. The LBG / RBS £150 million debt facility is in the process of being refinanced, in the event that refinancing is not completed then the Company would seek to roll forward the existing facility until such time that the refinancing was completed.

The Board's expectation is further underpinned by regular dialogue with the Investment Adviser regarding market conditions, the availability of investment opportunities, principal risks and uncertainties and any change in the regulatory framework. The Group's principal and emerging risks and uncertainties continue to be monitored closely by the Board. Based on the results of this analysis, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due for the next three years.

Environmental, Social and Governance

The Board's report on Environmental, Social and Governance is on pages 36 to 47.

Corporate Governance Statement

The corporate governance statement is set out on pages 66 to 73.

Stakeholder engagement and Section 172 statement

The Groups' stakeholder engagement and Section 172 statement are set out on pages 53 to 55.

Auditor

A resolution to reappoint RSM UK Audit LLP as Auditor 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 they ought to have taken as a Director to make himself aware of any relevant audit information and to establish that 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 133 of these financial statements.

By order of the Board

Steve Smith
Director

10 October 2022

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 and are required under the Listing Rules of the Financial Conduct Authority to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards. The Directors have elected under company law to prepare the Company financial statements in accordance with UK-adopted International Accounting Standards.

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards 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 with UK-adopted International Accounting Standards;
- › 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. 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.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 57 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

10 October 2022



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. 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. A copy of the UK Code can be obtained at frc.org.uk.

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 and the close working relationship of the Directors, the Board does not consider it necessary to appoint a senior independent director (Provision 14 of the AIC Code).

› given the structure and size of the Board, the Board does not consider it necessary to appoint a separate nomination committee. The roles and responsibilities normally reserved for this committee are matters reserved for the Board. The need for a nomination committee is kept under review. (Provision 22 of the AIC Code).

› given the structure and size of the Board and that the Company does not have a workforce, the Board does not consider it necessary to establish a remuneration committee. The roles and responsibilities normally reserved for this committee are matters reserved for the Board (Provision 37 of the AIC Code).

Responsibilities

The Board is collectively responsible for the sustainable long-term success of the Group and to deliver value for shareholders. The Board does not routinely involve itself in day-to-day business decisions. It provides overall leadership and sets the strategic direction of the Group.

The Directors are responsible for ensuring compliance with the Group’s investment policy and have 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 AIFM is responsible for overall portfolio management (including compliance with the Group’s investment policy) and risk management of the Group, including the implementation and review of adequate risk management systems.

The Investment Adviser is responsible for the asset management of the Group’s portfolio, including arranging for the acquisition of PRS development sites and liaising with third parties providing services to the Group.

The Investment Adviser also provides certain development management services to the Group, in connection with the construction and delivery of new PRS units.

The Directors have adopted a formal schedule of matters reserved for decision by the Board. These include the following:

- › Oversight of the Group’s operations, ensuring compliance with statutory and regulatory obligations;
- › 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;
- › 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, Auditor and any other key service providers;
- › Approval of acquisitions from Sigma Capital Group Limited and subsidiary undertakings;
- › Approval of annual and half yearly financial reports, to 30 June and 31 December respectively, dividends, accounting policies and significant changes in accounting practices;
- › Review of the adequacy of corporate governance procedures;
- › Review of the risk management systems and the effectiveness of internal controls;
- › Alterations to and approval of the Group’s capital structure, dividend policy, treasury policy, borrowing facilities and any banking relationships; and
- › Approval of any related party transactions subject to further regulatory requirements.

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 48 to 51.

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

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

Internal Control Review

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

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

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

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

Internal Control Assessment Process

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

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

- ▶ a risk register which identifies key and emerging risks and the controls in place to mitigate those risks (this register is maintained by the Investment Adviser subject to oversight of the Audit Committee);
- ▶ a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT;
- ▶ the Investment Adviser and the Administrator prepare forecasts and management accounts which allow the Board to assess performance; and
- ▶ the controls employed by the Investment Adviser 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 and impact of such risks are identified in the risk register, which is regularly reviewed by the Board, through the Audit Committee. Taking into account the review of the Group's principal and emerging risks, and its knowledge of the business, the Audit Committee has reviewed and approved any statements included in the annual report concerning internal controls (including the financial reporting process for the entities included in the consolidation as a whole) and risk management and has determined that the effectiveness of the internal controls was satisfactory. The principal and emerging risks and uncertainties identified from the risk register can be found on pages 48 to 51.

Investment Adviser

The Company and the AIFM appointed Sigma PRS as the Investment Adviser in May 2017. Sigma PRS is responsible for the management of the assets of the Company and advising the Company and the AIFM on a day-to-day basis in respect of the Company's Investment Policy. The IA is part of the Sigma Capital Group, a leading provider of PRS properties in the UK. As a wholly owned subsidiary of Sigma, the IA benefits from the extensive experience and expertise of the Sigma 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 prior year 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, with a one year notice period thereafter. Under the new agreement, the contract term has been extended to 31 December 2025, with a one year notice period thereafter.

The agreement with the IA 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 IA to deliver satisfactory performance for the Company in accordance with its Investment Objective. The Board is satisfied with the performance of the IA and considers its continued appointment on the terms agreed to be in the best interests of the Company and its shareholders as a whole.

Annual report and financial statements

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

The Board has a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due over the next twelve months from the date of this report. The going concern and viability statements of the Group are set out on pages 62 to 63.

Board membership and meeting attendance

During the year to 30 June 2022, the number of scheduled Board meetings attended by each Director was as follows:

Director	Attendance*	Date of Appointment	Length of Service at 30 June 2022
Steve Smith	9/9	24 April 2017	5 years
David Steffan Francis	9/9	24 April 2017	5 years
Roderick MacRae	9/9	24 April 2017	5 years
Geeta Nanda	7/9	24 March 2021	1 year
Jim Prower	9/9	20 May 2019	3 years

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

Composition

The Board consists of 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.

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 IA and the Directors. He is also responsible for ensuring that the Company's obligations to its shareholders are understood and met. The Chairman is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. The Chairman has no significant commitments other than those disclosed in his biography on page 57.

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. All 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 succession plan or to maintain a balanced Board.

In accordance with the Articles of Association, every person appointed as a 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.

The Board has also considered and developed a succession plan both for the long-term and short-term in the event of any unforeseen change in circumstances in respect of the individual board members.

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 4 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. Further details about the Audit Committee can be found on pages 74 to 76.

The Management Engagement Committee meets at least twice a year 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 the whole board given the size of the Board with each member independent of the AIFM and the Investment Adviser. 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. Steve Smith is the Chairman of the Management Engagement Committee. Further details about the Management Engagement Committee can be found on page 78.

The Committees' delegated responsibilities are clearly defined in formal terms of reference, which are available on the Company's website.

Board Meetings

During a full financial period, the Board meet formally on a quarterly basis with additional meetings arranged as necessary. There were six meetings during the year. The additional meetings in the year were in connection with the approval of the 2021 Annual Report and Financial Statements, and the debt facilities with both Lloyds Banking Group / RBS and Barclays.

At each Board meeting, the Directors follow a formal agenda which is set by the Chair, and the papers are circulated in advance of the meeting by the Company Secretary 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 financial returns, profitability, gearing, asset allocation, level of the share price discount or premium, marketing and investor relations and industry issues.

Discussions of the Board

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

- › health and safety
- › investment policy and objectives
- › the approval of debt facilities with 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 Depositary report

The IA 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 IA 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 suitable candidates to fill Board vacancies, the Board uses the services of external advisers to facilitate the search. In relation to the appointment of Geeta Nanda during the prior 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.

Diversity Policy

The Board believes that a diverse and inclusive culture is essential to the long-term success of the company allowing us to respond to our diverse customer base. At the Board we set the tone for diversity and inclusion and our culture, and treat everyone with dignity, respect and fairness, regardless of protected characteristics such as disability, religion or belief, sexual orientation or any other factors.

The Board supports the recommendations of the Hampton-Alexander and Parker Reviews and believes that diversity of gender, social and ethnic backgrounds, cognitive and personal attributes, contribute to a more effective and objective decision-making process in the boardroom.

The Board agrees with the principles of the new Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1). The Board has fulfilled the target to have at least one member from a minority ethnic background. The Board is small in size with five members, one of whom is female, constituting 20% female representation rather than the targeted 40%. Given the Company is an externally managed investment company, and does not have the roles of CEO, CFO or senior independent director, the Board is not required to report against the target that at least one of the senior board positions is held by a woman. The Board monitors the balance of skills, knowledge, experience and diversity on the Board and leads succession planning.

The Directors remain committed to taking steps to increasing both the diversity of the Board and meeting all of the targets set out in the Listing Rules. The Board have made progress towards compliance with the recommendations as set out above and expect to be compliant with the relevant targets by the end of 2023. The Board will formally report on its progress against these targets in the Company's 2023 Annual Report.

All Board appointments are made on merit and take into consideration the recognised benefits of all types of 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.

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

- › the IA's obligation to provide the Group with a right of first refusal on every investment opportunity meeting the Group's investment policy, subject to availability of funding, 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 IA'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 and robust induction programme on appointment to the Board that covered the IA'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.

Succession Planning

The Board has given full consideration to succession planning to ensure progressive refreshing of the Board, taking into account the challenges and opportunities facing the Board and the balance of skills and expertise, factoring in the benefits of a diverse Board that are required in the future.

The Board considered emergency and long-term succession planning arrangements and a formal succession plan was agreed.

Health and safety

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

Transparency

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

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

Shareholder engagement

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

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

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

The Board believes that sufficient information is available to shareholders to understand the balance of risk and reward to which they are exposed by holding shares in the Company. The publication of the Key Information Document on the Company's website, which is prepared by the AIFM 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.

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 2022.

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.

Committee Membership

During the financial year ended 30 June 2022, the Audit Committee comprised Roderick MacRae, Jim Prower and Steffan Francis, who all have a broad range of financial, commercial and property sector expertise which enables them to provide oversight of both financial and risk matters. At our meeting on 10 August 2022, Geeta Nanda was appointed as a member of the Committee. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in an effective manner and has competence relevant to the sector in which it operates.

In addition, the Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. Roderick MacRae and Jim Prower are both Chartered Accountants. Roderick has almost 20 years of experience in the financial services sector and Jim was, until 2015, Group Finance Director at Argent Group plc, the UK based property developer.

Meetings

There are at least two scheduled Audit Committee meetings per any financial period and its quorum is two members. For the period from 1 July 2021 to 11 October 2022, 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
Geeta Nanda**	2/2

* Number of scheduled meetings attended/maximum number of meetings that the Director could have attended.
** Appointed 10 August 2022.

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 2022 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 effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- › 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 Audit Committee reports and makes recommendations to the Board, after each meeting.

Matters considered by the Audit Committee

At its meetings during the year under review, the Audit Committee has:

- › reviewed the internal controls and risk management systems of the Company;
- › reviewed the Company’s half-year and full-year 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;
- › reviewed the Audit Findings Report and discussed findings from the audit with the Auditor; and
- › reviewed the Group’s financial statements and advised the Board accordingly.

The Company’s principal risks can be found on pages 48 to 51. The Administrator and the IA update the Audit Committee on changes to accounting policies, risk, legislation and areas of significant judgement by the IA.

Significant matters considered by the Audit Committee in the year

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 2021, together, where applicable, with the UK National Supplement effective 14 January 2019, together the “Red Book”. The IA 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 was satisfied with the valuation reports.

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. Before 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 £120,000 has been agreed in respect of the audit of the Company for the year ended 30 June 2022 (2021: £100,000). The audit fees of the Group for the period ended 30 June 2022 totalled £234,000 (2021: £254,000).

The cost of non-audit services provided by the Auditor to the Company for the financial period ended 30 June 2022 was £20,500 (2021: £69,000) of which £20,500 related to the agreed upon procedures on the interim financial statements (2021: £19,500), in the prior year £50,000 related to corporate finance services for the Company's migration to the Premium Segment of the Main Market. 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. BDO LLP have been engaged to advise on taxation compliance matters.

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 responsible individual 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 need 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 2022, 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 not presently a need for an internal audit function given the limited size and complexity of the Company and its business. However, the Committee is keeping this under review. The Committee will review this position on an annual basis and make recommendations to the Board as appropriate.

Rod MacRae
Audit Committee Chairman

10 October 2022



MANAGEMENT ENGAGEMENT COMMITTEE REPORT

I am pleased to present the Management Engagement Committee (the “**Committee**”) report of The PRS REIT plc covering the financial year ended 30 June 2022.

The Committee, which reports to the Board, has governance responsibilities to review the Company’s continuing appointment of the AIFM and Investment Adviser.

Committee Membership

The Committee comprises Steve Smith as Chairman, Steffan Francis, Roderick MacRae, Geeta Nanda and Jim Prower.

Meetings

There is at least one scheduled meeting per any financial year and its quorum is two members. For the period from 1 July 2021 to 11 October 2022, the Committee met twice. The attendance at these meetings was as follows:

Director	Attendance*
Steve Smith (Chairman)	2/2
Steffan Francis	2/2
Roderick MacRae	2/2
Geeta Nanda	2/2
Jim Prower	2/2

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

Role of the Management Engagement Committee

The Committee is primarily responsible for reviewing the appropriateness of the continuing appointment of the AIFM and Investment Adviser, ensuring that the appointments continue to be in the best interests of shareholders and that the terms of the AIFM Agreement and Investment Advisory Agreement remain competitive and sensible for shareholders.

Matters Considered by the Management Engagement Committee

At its meetings during the year under review, the Management Engagement Committee has:

- › reviewed the performance of the AIFM and Investment Adviser and satisfied itself that the AIFM Agreement and Investment Advisory Agreements remain competitive and sensible for shareholders; and
- › reviewed the performance of other third-party service providers and made recommendations to the Board regarding these.

Review of Service Providers

The Committee reviews the ongoing performance and continuing appointment of the Company’s key service providers on an annual basis. The Committee also considers any variation to the terms of key service providers’ agreements and reports its findings to the Board.

Continuing Appointment of the AIFM and Investment Adviser

The Committee has reviewed the continuing appointment of the AIFM and Investment Adviser and are satisfied that their appointment remains in the best interests of shareholders.

Steve Smith Management Engagement Committee Chairman

10 October 2022



DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy of the Company is set by the Board and was approved by shareholders at the Annual General Meeting held on 15 December 2021. 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 or her ordinary duties as a Director, he or her may be paid such reasonable additional remuneration as the Board may from time to time determine.

Directors' Remuneration Components

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

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

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

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

Letters of appointment

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

Approach to recruitment remuneration

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

Views of shareholders

Any views expressed by shareholders on the fees being paid to Directors are 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 2021 and the Directors' remuneration policy were approved by shareholders at the AGM held on 15 December 2021. The results taken on a poll were as follows:

Directors' Remuneration Report

For - number of votes cast	403,974,951	99.96%
Against - number of votes cast	152,333	0.04%
Total votes cast	404,133,484	
Number of votes withheld	6,200	

Directors' Remuneration Policy

For - number of votes cast	403,938,951	99.95%
Against - number of votes cast	188,333	0.05%
Total votes cast	404,133,484	
Number of votes withheld	6,200	

DIRECTORS' REMUNERATION REPORT

The Board presents its Directors' Remuneration Report in respect of the year ended 30 June 2022. 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 forthcoming AGM of the Company. This is an advisory vote only.

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 86 to 93.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2022.

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 will be put before shareholders at the forthcoming AGM of the Company. During the next financial year, it is expected that there will be no significant change in the implementation of the Directors' Remuneration Policy.

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 the 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 2022 (2021: £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 2022 £'000	Year ended 30 June 2021 £'000	% change
Steve Smith (Chairman)	45	45	-
Steffan Francis	30	30	-
Rod MacRae (Audit Committee Chairman)	35	35	-
Geeta Nanda (appointed 24 March 2021)	30	8	n/a
Jim Prower	30	30	-
	170	148	

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

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

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

Relative importance of spending on pay

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Directors' aggregate remuneration	170	148
Dividends paid to all shareholders*	21,430	24,764

*includes all dividends paid in relation to the year ended 30 June 2022 and year ended 30 June 2021

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

	Ordinary shares 2022	Ordinary shares 2021
Steve Smith (Chairman)	155,000	80,000
Steffan Francis	105,000	80,000
Rod MacRae (Audit Committee Chairman)	100,000	100,000
Jim Prower	52,000	22,000
Geeta Nanda	-	-

There have been no changes to Directors' share interests between 30 June 2022 and the date of this report.

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

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

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 10 October 2022.

On behalf of the Board.

Steve Smith
Chairman





Independent Auditor's Report to the members of The PRS REIT plc

INDEPENDENT AUDITOR'S 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 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and notes to the financial

statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PRS REIT PLC (Cont.)

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 2022 and of the group's profit for the year then ended;
- › the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- › the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Summary of our audit approach

Key audit matters	Group - Valuation of Investment Property Parent Company - No key audit matters
Materiality	Group - Overall materiality: £10,100,000 (2021: £8,740,000) - Performance materiality: £7,620,000 (2021: £6,550,000) Parent Company - Overall materiality: £5,580,000 (2021: £7,830,000) - Performance materiality: £4,180,000 (2021: £5,870,000)
Scope	Our audit procedures covered 100% of group rental income, group profit, and group total assets.

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.

Investment property valuations

Key audit matter description

This is detailed in the Audit Committee report on pages 74 to 76; the significant accounting judgements and estimates on page 109; significant accounting policies on page 105 and notes to the financial statements on pages 122 to 123.

The Group owns a portfolio of investment properties which includes residential properties only. The total value of the portfolio at 30 June 2022 was £961m. The Group either acquires completed sites or sites that are ready to develop with full planning consent having been granted, the latter are described as investment properties under construction and have been valued at fair value. At 30 June 2022 these were valued at £120m. 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 122 to 123.

How the matter was addressed in the audit

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

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.

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 considered any properties where the fair value was not consistent with overall movements of the entire portfolio, to gain an understanding of why these exceptions were reasonable.

We reviewed and challenged the methodologies used with the Investment Adviser, the external valuer, and the auditor's expert to check these were consistent where appropriate.

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 check 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. We reviewed and agreed these to the disclosures set out in these accounts.

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, 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	£10,100,000 (2021: £8,740,000)	£5,580,000 (2021: £7,830,000)
Basis for determining overall materiality	0.99% of Total Assets	1.32% of Total Assets
Rationale for benchmark applied	Total assets used as a benchmark as we 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 we assessed that the shareholders will be primarily interested in the growth in the value of property, represented by the investment held by the Parent Company in its property holding subsidiaries.
Performance materiality	£7,620,000 (2021: £6,550,000)	£4,180,000 (2021: £5,870,000)
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 a lower Specific Materiality figure of £2.1m (2021: £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 a lower Specific Materiality figure of £2.1m (2021: £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 (or £10,000 for Related Party transactions) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £50,000 (or £10,000 for Related Party transactions) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 82 active components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

Full scope statutory audits were performed on 36 components, including 3 consolidations. The remaining 46 entities have taken subsidiary exemptions from audit and are audited through 3 of these consolidations.

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

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

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 or the Directors' Report.

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

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

Corporate governance statement

We have reviewed 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 UK Corporate Governance Code specified for our review by the Listing Rules.

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 62;
- › 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 pages 62 and 63;

- › 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 62;
- › Directors' statement on fair, balanced and understandable set out on page 68;
- › Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66;
- › The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 68; and,
- › The section describing the work of the audit committee set out on pages 74 to 76.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 64, 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.

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 Property Income Distribution ("PID") on a cumulative basis.

In addition to investment property valuations which is included above as a key audit matter, the area that we identified as being most susceptible due to fraud was:

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 appointments is five years, covering the years ending 30 June 2018 to 30 June 2022.

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, in accordance with ISAs (UK).

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.

In due course, as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RT.

**Euan Banks (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB**

10 October 2022

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Rental Income	6	41,963	26,636
Non-recoverable property costs	7	(7,635)	(5,186)
Net rental income		34,328	21,450
Other income	8	470	353
Administrative Expenses			
Directors' remuneration	9	(170)	(148)
Investment advisory fee	11	(5,158)	(4,362)
Other administrative expenses	12	(2,183)	(2,028)
Migration to Main Market expenses		-	(543)
Total administrative expenses		(7,511)	(7,081)
Gain from fair value adjustment on investment property	18	99,727	38,983
Operating profit		127,014	53,705
Finance income	13	4	-
Finance cost	14	(11,129)	(9,592)
Profit before taxation		115,889	44,113
Taxation	15	-	-
Profit after tax and Total comprehensive income for the year attributable to the equity holders of the Company		115,889	44,113
Earnings per share attributable to the equity holders of the Company:			
IFRS earnings per share (basic and diluted)	16	21.4p	8.9p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investment property	18	961,915	780,366
		961,915	780,366
Current assets			
Trade and other receivables	20	7,286	6,589
Cash and cash equivalents	21	48,682	86,414
		55,968	93,003
Total assets		1,017,883	873,369
LIABILITIES			
Non-current liabilities			
Accruals and deferred income	22	2,243	4,732
Interest bearing loans and borrowings	23	246,687	245,860
		248,930	250,592
Current liabilities			
Trade and other payables	22	29,742	22,477
Interest bearing loans and borrowings	23	99,973	110,030
		129,715	132,507
Total liabilities		378,645	383,099
Net assets		639,238	490,270
EQUITY			
Called up share capital	25	5,493	4,953
Share premium account	26	298,974	245,005
Capital reduction reserve	27	140,554	161,984
Retained earnings		194,217	78,328
Total equity attributable to the equity holders of the Company		639,238	490,270
IFRS net asset value per share (basic and diluted)	28	116.4p	99.0p

As at 30 June 2022, 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 10 October 2022 and signed on its behalf by:

Steve Smith
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

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 2020	4,953	245,005	186,748	34,215	470,921
Comprehensive income					
Profit for the year	-	-	-	44,113	44,113
Transactions with owners					
Dividend paid	-	-	(24,764)	-	(24,764)
At 30 June 2021	4,953	245,005	161,984	78,328	490,270
Comprehensive income					
Profit for the year	-	-	-	115,889	115,889
Transactions with owners					
Issue of ordinary shares	540	53,969	-	-	54,509
Dividend paid	-	-	(21,430)	-	(21,430)
At 30 June 2022	5,493	298,974	140,554	194,217	639,238



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Cash flows from operating activities			
Profit before tax		115,889	44,113
Finance income	13	(4)	-
Finance costs	14	11,129	9,592
Fair value adjustment on investment property	18	(99,727)	(38,983)
Cash generated by operations		27,287	14,722
Decrease / (increase) in trade and other receivables		124	(1,805)
Increase in trade and other payables		4,795	3,295
Net cash generated from operating activities		32,206	16,212
Cash flows from investing activities			
Purchase of investment properties		(81,822)	(164,264)
Finance income		4	-
Net cash used in investing activities		(81,818)	(164,264)
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares	25	55,593	-
Cost of share issue	26	(1,084)	-
Bank and other loans advanced	23	89,624	233,119
Bank and other loans repaid	23	(100,014)	(22,134)
Finance costs		(10,809)	(11,059)
Dividends paid	17	(21,430)	(24,764)
Net cash generated from financing activities		11,880	175,162
Net (decrease) / increase in cash and cash equivalents		(37,732)	27,110
Cash and cash equivalents at beginning of year		86,414	59,304
Cash and cash equivalents at end of year	21	48,682	86,414

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

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	19	75,425	325,742
		75,425	325,742
Current assets			
Other receivables	20	316,174	319,177
Cash and cash equivalents	21	28,646	25
		344,820	319,202
Total assets		420,245	644,944
Current liabilities			
Trade and other payables	22	2,517	252,988
Total liabilities		2,517	252,988
Net assets		417,728	391,956
EQUITY			
Called up share capital	25	5,493	4,953
Share premium account	26	298,974	245,005
Capital reduction reserve	27	140,554	161,984
Retained earnings		(27,293)	(19,986)
Total equity attributable to the equity holders of the Company		417,728	391,956

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 2022 amounted to £7.3 million (2021: loss of £6.4 million).

These financial statements were approved by the Board of Directors on 10 October 2022 and signed on its behalf by:

Steve Smith
Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY
 For the year ended 30 June 2022

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2020	4,953	245,005	186,748	(13,590)	423,116
Comprehensive income					
Loss for the year	-	-	-	(6,396)	(6,396)
Transactions with owners					
Dividends paid	-	-	(24,764)	-	(24,764)
At 30 June 2021	4,953	245,005	161,984	(19,986)	391,956
Comprehensive income					
Loss for the year	-	-	-	(7,307)	(7,307)
Transactions with owners					
Issue of ordinary shares	540	53,969	-	-	54,509
Dividends paid	-	-	(21,430)	-	(21,430)
At 30 June 2022	5,493	298,974	140,554	(27,293)	417,728


COMPANY STATEMENT OF CASH FLOWS
 For the year ended 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Cash flows from operating activities			
Loss before tax		(7,307)	(6,396)
Finance income		(4)	-
Cash used in operations		(7,311)	(6,396)
Decrease/(increase) in trade and other receivables		3,003	(102,407)
(Decrease)/increase in trade and other payables		(154)	131,580
Net cash (used in)/generated from operating activities		(4,462)	22,777
Cash flows from investing activities			
Finance income		4	-
Net cash generated from investing activities		4	-
Cash flows from financing activities			
Proceeds from issue of Ordinary shares	25	55,593	-
Costs of share issue	26	(1,084)	-
Dividends paid	17	(21,430)	(24,764)
Net cash generated from/(used in) financing activities		33,079	(24,764)
Net increase / (decrease) in cash and cash equivalents		28,621	(1,987)
Cash and cash equivalents at beginning of year		25	2,012
Cash and cash equivalents at end of year	21	28,646	25

Notes to the Financial Statements



NOTES TO THE FINANCIAL STATEMENTS

1. General information

The PRS REIT plc (the “**PRS REIT**”, the “**Company**” or the “**Group**”) is a public limited company incorporated on 24 February 2017 in England and having its registered office at Floor 3, 1 St. Ann Street, Manchester, M2 7LR with Company Number 10638461. The Company did not commence trading until 31 May 2017 when the IPO was completed. The Company 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 UK adopted International Accounting Standards and the applicable legal requirements of the Companies Act 2006 (“**IFRS**”).

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 have transitioned to UK-adopted International Accounting Standards for the year ended 30 June 2022. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the year reported as a result of the change in framework.

The financial statements are 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 or loss.

The financial statements are 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 current liabilities of £73.8 million as at 30 June 2022 (2021: net current liabilities £39.5 million). The increase in net current liabilities reflects the LBG / RBS debt facility which is due to be refinanced on maturity in February 2023 which was £85.4 million drawn at 30 June 2022 (2021: £68.6 million drawn) and the utilisation of cash. The Group's cash balances at 30 June 2022 were £48.7 million (2021: £86.4 million). The Group had debt borrowing as at 30 June 2022, of £345.6 million, and has secured further facilities comprising £54.4 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 assets 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. The LBG / RBS £150 million debt facility is in the process of being refinanced, in the event that refinancing is not completed then the Company would seek to roll forward the existing facility until such time that the refinancing was completed.

Capital commitments outstanding as at 30 June 2022 were £50.2 million. The Group's current ERV as at 30 June 2022, was £47.8 million from 4,786 homes and has increased to £49.4 million from 4,856 homes as at 30 September 2022. 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 2,192 homes are required to generate income to cover monthly cash outlays.

The current market volatility is being monitored by the Board, however the strong income performance and high proportion of fixed rate debt puts the Group in a good position.

Therefore, the Directors believe the Group and Company are well placed to manage their 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 2022.



4. Summary of significant accounting policies

Basis of Consolidation

The financial statements comprise of the financial statements of The PRS REIT plc and its subsidiary undertakings. Subsidiaries are all entities over which the Group has control. The financial statements 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 transaction 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

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.

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 on a lifetime basis 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 more recently, 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 2022 the Group's loss allowance for expected credit losses on trade receivables was £281,000 (2021: £31,000).

The receivables due to the Company from subsidiaries are loans which 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

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. 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 in 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.

Right-of-use ("ROU") assets

The Group recognises ROU assets at the commencement date of the lease. ROU assets are measured at fair value and classified within Investment Properties. 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.

Impairment of assets

At each balance sheet date, the Directors review the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset in its current condition is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less cost to sell and value in use.

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 substantively enacted at the reporting date. 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 and is recognised over the contractual period which does not exceed 12 months.

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 funds from a development loan facility are drawn down to fund an asset, the interest payable is capitalised as a cost of development of that asset. The amount capitalised in the year to 30 June 2022 was £2.5 million (2021: £2.1 million).

Costs of borrowing

Borrowing costs, including legal and professional fees, are recognised in the income statement over the period of the borrowings using the effective interest method.

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.



Significant accounting judgements, estimates and assumptions

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

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 two 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:

	Completed Investment properties acquired £'000	Development Investment properties acquired £'000	Other receivables £'000	Other payables £'000	Total consideration paid
Sigma PRS Investments (Bury St Edmunds Parcel D) Limited	4,565	-	12	(35)	4,542
Sigma PRS Investments (Plough Hill Road) Limited	10,255	-	25	(59)	10,221
Sigma PRS Northern (Bertha Park) Limited	-	4,775	-	-	4,775
The PRS REIT (Drakelow) Limited	-	6,751	1,276	-	8,027
	14,820	11,526	1,313	(94)	27,565

- › Investment property is measured at fair value as at the date of the acquisition of the subsidiary as determined 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 Group values its investment properties using the investment approach to valuation. Principal assumptions and management's underlying estimations that are used in the fair value assessment of completed assets relate to estimated rental value, net investment yield and gross to net deductions. Principal assumptions and management's underlying estimations 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. There are inter-relationships between the valuation inputs and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the inter-relationship of two inputs moving in opposite directions. Further details on the valuation of the investment properties, including sensitivities, are disclosed in note 18.

Non-GAAP financial information

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparable and key measures used within the business for assessing performance. The key non-GAAP measures identified by the Group are set out on page 134.

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 2021.

In the current financial year the Group and Company have 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 IFRS 16 'Leases – Covid-19-Related Rent Concessions, and amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.

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 IAS 1 'Presentation of Financial Statements' on classification of liabilities, a number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17, IAS 37, IAS 1, IAS 8, IAS 12, IFRS 10 and IAS 28 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16. The Directors do not expect any of these amendments to have a material impact on the Group's results.



5. Financial risk management

The Group's business activities are set out in the Strategic Report on pages 27 to 29. These activities expose the Group and Company to a number of financial risks. The following describes the Group's and Company's objectives, policies and processes for managing these risks and the methods used to measure them. 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. The Group only operates in the UK and transacts in sterling. It is therefore not directly exposed to any foreign currency exchange risk.

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 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 2022 the Group had short term debt of £100.0 million (2021: £110.0 million) and cash at bank of £48.7 million (2021: £86.4 million). At 30 June 2022 the Company had no short term debt (2021: nil) and cash at bank of £29 million (2021: £25,000). 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	
	2022 £'000	2021 £'000
<i>Financial assets</i>		
Trade and other receivables	6,618	5,879
Cash and other cash equivalents	48,682	86,414
Total financial assets	55,300	92,293
<i>Financial liabilities</i>		
Trade and other payables	31,787	26,906
Interest bearing loans and borrowings	346,660	355,890
Total financial liabilities	378,447	382,796

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	
	2022 £'000	2021 £'000
<i>Financial assets</i>		
Trade and other receivables	316,095	319,177
Cash and other cash equivalents	28,646	25
Total financial assets	344,741	319,202
<i>Financial liabilities</i>		
Trade and other payables	2,517	252,686
Total financial liabilities	2,517	252,686

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 for available properties; and
- › government regulations, including planning, environmental and tax laws.

The Company holds no investment property directly (2021: nil).

Interest rate risk

The Group has limited interest rate risk on its investment and development loans due to the majority of long-term loan facilities being fixed rate and therefore not subject to variation. A 1% change in interest rates would result in an income statement adjustment of £0.7 million (2021: £0.6 million).

Lender	Balance as at 30 June 2022	Loan period	Interest rate (all in)	Loan type	Maturity
Scottish Widows	£100.0 million	15 years	3.14%	Fixed	June 2033
Scottish Widows	£150.0 million	25 years	2.76%	Fixed	June 2044
Lloyds Banking Group plc / RBS	£85.4 million	3 years	3.16%	Variable	February 2023
Barclays Bank PLC	£15.2 million	3 years	4.66%	Variable	August 2025

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 2022 (2021: 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. Gross rental income outstanding and due to the Group as at 30 June 2022 amounted to £0.6 million (2021: £0.3 million). As at 30 June 2022 the Group's loss allowance for expected credit losses on these trade receivables was £281,000 (2021: £31,000).

Credit risk arising related to financial instruments including cash deposits

Risk arises as a result of the cash deposits with banks and financial institutions. The Board of Directors believe the credit risk on short-term deposits and current account balances are limited as they are held with banks with high credit ratings. As at 30 June 2022, 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 (2021: £nil).

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 2022, the Group had net current liabilities of £73.8 million (2021: net current liabilities of £39.5 million). The table below summarises the maturities of the Group's non-derivative financial liabilities as at 30 June 2022 and 30 June 2021:

Group	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2022						
Trade and other payables	372	3,634	25,736	2,243	-	31,985
Loans and borrowings	-	29,075	81,274	36,962	337,531	484,842
	372	32,709	107,010	39,205	337,531	516,827
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

As at 30 June 2022, the Company had net current assets of £342.2 million (2021: £66.2 million). The table below summarises the maturities of the Company's non-derivative financial liabilities as at 30 June 2022 and 30 June 2021:

Company	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2022						
Trade and other payables	372	2,145	-	-	-	2,517
	372	2,145	-	-	-	2,517
2021						
Trade and other payables	-	252,988	-	-	-	252,988
	-	252,988	-	-	-	252,988

6. Rental income

	2022 £'000	2021 £'000
Gross rental income from investment property	41,963	26,636

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

	2022 £'000	2021 £'000
Other property expenses and irrecoverable costs	7,635	5,186

Non-recoverable property costs represent direct operating expenses in relation to rental income arising on investment properties. The charge to the income statement in relation to write-offs and provisions made against doubtful debts was £381,000 (2021: £4,000 credit, included in Administrative expenses).

8. Other income

	2022 £'000	2021 £'000
Other income	470	353

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

	2022 £'000	2021 £'000
Directors' emoluments	170	148

The Directors are remunerated for their services at such rate as the Board shall from time to time determine. Further details of the Directors' remuneration are disclosed on pages 82 to 84.

10. Particulars of employees

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

11. Asset management fees

	2022 £'000	2021 £'000
Asset management fee	5,158	4,362

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

12. Administrative expenses

	2022 £'000	2021 £'000
Legal and professional fees	365	399
Administration and secretarial fees	106	150
Audit, accounting, and tax fees	390	339
Valuation fees	332	297
Depositary fees	55	54
Financial adviser and broker fees	189	167
Insurance	82	36
Public relations	148	152
Regulatory fees	164	149
Sundry expenses	-	6
Subscriptions	30	30
Write off of receivables*	-	(4)
Disallowed VAT	322	253
	2,183	2,028

*Reflects amounts written off net of recoveries from insurance policies

Services provided by the Group's Auditors and its associates

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

	2022 £'000	2021 £'000
Audit of the Group financial statements	120	100
Audit of the subsidiary financial statements	114	152
Agreed upon procedures on the half year financial statements	21	20
Corporate finance services in relation to the Company's Migration to the Main Market	-	50
	255	322

13. Finance income

	2022 £'000	2021 £'000
Interest on short term deposits	4	-

14. Finance cost

	2022 £'000	2021 £'000
Amortisation of debt legal costs and arrangement fees	3,142	1,939
Interest on bank loans	7,987	7,653
	11,129	9,592

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.

	2022 £'000	2021 £'000
Current and deferred tax		
Corporation tax charge/(credit) for the period	-	-
Total current income tax charge/(credit) in the income statement	-	-

The tax charge for the period is less than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below.

	2022 £'000	2021 £'000
Profit before tax	115,889	44,113
Tax at UK corporation tax standard rate of 19%	22,018	8,381
Change in value of exempt investment properties	(18,948)	(7,407)
Exempt REIT income	(2,953)	(2,075)
Amounts not deductible for tax purposes	16	122
Unutilised residual current period tax losses not recognised in deferred tax	306	1,068
Capital allowances claimed against exempt REIT income	(44)	(89)
Capitalised interest claimed against exempt REIT income	(395)	-
	-	-

From 1 April 2017 to 30 June 2022, 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.

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, basic and diluted earnings per share are the same for both the current and prior periods.

The calculation of basic and diluted earnings per share is based on the following:

	2022 £'000	2021 £'000
Earnings per IFRS income statement	115,889	44,113
Adjustments to calculate EPRA Earnings:		
Changes in value of investment properties	(99,727)	(38,983)
EPRA Earnings:	16,162	5,130
Company specific adjustments:		
Non-recurring costs incurred by the Company as part of the Migration to the Premium Segment of the Main Market	-	543
Company Adjusted Earnings	16,162	5,673
Weighted average number of ordinary shares	535,203,388	495,277,294
IFRS EPS (pence)	21.4	8.9
EPRA EPS (pence)	3.0	1.0
Company specific Adjusted EPS (pence)	3.0	1.2

Further details of the EPRA performance measure are given on page 134.

17. Dividends

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

	2022 £'000	2021 £'000
Dividends on ordinary shares declared and paid:		
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
Dividend of 1.0p for the 3 months to 30 June 2021	4,953	-
Dividend of 1.0p for the 3 months to 30 September 2021	5,492	-
Dividend of 1.0p for the 3 months to 31 December 2021	5,492	-
Dividend of 1.0p for the 3 months to 31 March 2022	5,493	-
	21,430	24,764
Proposed dividends on ordinary shares:		
3 months to 30 June 2021: 1.0p per share	-	4,953
3 months to 30 June 2022: 1.0p per share	5,493	-
	5,493	4,953

See note 34 for further information on proposed dividends.

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 2022 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 2022, 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 2020	231,302	345,817	577,119
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	533,774	246,592	780,366
Properties acquired on acquisition of subsidiaries	14,820	11,526	26,346
Property additions - subsequent expenditure	-	55,476	55,476
Change in fair value	69,461	30,266	99,727
Transfers to completed assets	222,300	(222,300)	-
At 30 June 2022	840,355	121,560	961,915

The historic cost of completed assets and assets under construction as at 30 June 2022 was £785.0 million (2021: £704.2 million).

The carrying amount of investment property pledged as security as at 30 June 2022 was £823.6 million (2021: £719.0 million).

The Group 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 2022 (2021: £1 million).

A potential planning issue has been identified in the development of one of the Company's sites. The Investment Adviser is actively working with the relevant house builder and council to remedy the matter and anticipates that this will be resolved in the near term. In the unlikely event that the issue is not resolved as anticipated, the Company would have rights of recourse against the house builder.

Fair Values

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

- Level 1** quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3** unobservable inputs for the asset or liability.

Investment property falls within Level 3.

The investment valuations provided by the external valuation expert are based on RICS Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions. The significant unobservable inputs and the range of values used are:

Type	Range	
	2022	2021
ERV per unit	£7k - £22k	£6k - £21k
Investment yield	3.75% to 4.50%	4.00% to 4.75%
Gross to net assumption	22.5% to 25.0%	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 as at 30 June 2022, was from 7% to 99% (2021: 36% to 99%). The final investment value uses the assumptions stated above. An increase of 2% in the gross development cost would reduce the fair valuation of these assets by c.£2 million.

The impact of changes to the significant unobservable inputs for completed and development assets are:

	2022 Impact on statement of comprehensive income £'000	2022 Impact on statement of financial position £'000	2021 Impact on statement of comprehensive income £'000	2021 Impact on statement of financial position £'000
Improvement in ERV by 5%	48,213	48,213	39,007	39,007
Worsening in ERV by 5%	(48,223)	(48,223)	(39,002)	(39,002)
Improvement in yield by 0.125%	30,124	30,124	23,619	23,619
Worsening in yield by 0.125%	(28,359)	(28,359)	(22,264)	(22,264)
Improvement in gross to net by 1%	12,492	12,492	10,850	10,850
Worsening in gross to net by 1%	(12,402)	(12,402)	(9,369)	(9,369)

19. Investment in subsidiaries

Company

	2022 £'000	2021 £'000
Cost at the start of the year	325,742	456,349
Reclassification as Group receivables during the year	(250,317)	(130,607)
Cost at the end of the year	75,425	325,742

During the year and prior 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:

Directly held:

Ownership Name of Entity	Company number	Principal Activity	Country of Incorporation	%
The PRS REIT Holding Company Limited	10695914	Investment Holding Company	England	100%

Indirectly held:

Ownership Name of Entity	Company number	Principal Activity	Country of Incorporation	%
*The PRS REIT Development Company Limited	10721759	Property Investment	England	100%
The PRS REIT Development Company II Limited	12298358	Property Investment	England	100%
The PRS REIT Property Investments Limited	12309160	Property Investment	England	100%
*The PRS REIT Investments LLP	OC418251	Property Investment	England	100%
The PRS REIT Investments II LLP	OC429585	Property Investment	England	100%
*The PRS REIT Memberco Limited	10854481	Property Investment	England	100%
The PRS REIT Memberco II Limited	12298381	Investment Holding Company	England	100%
The PRS REIT (LBG) Borrower Limited	11392913	Property Investment	England	100%
The PRS REIT (LBG) Holding Company Limited	11385652	Investment Holding Company	England	100%
The PRS REIT (LBG) Investments LLP	OC422964	Property Investment	England	100%
The PRS REIT (LBG) Memberco Limited	11409586	Investment Holding Company	England	100%
*The PRS REIT (SW) Borrower Limited	11393311	Property Investment	England	100%
The PRS REIT (SW) Holding Company Limited	11385650	Investment Holding Company	England	100%
*The PRS REIT (SW) Investments LLP	OC422966	Property Investment	England	100%
*The PRS REIT (SW) Memberco Limited	11409522	Investment Holding Company	England	100%
The PRS REIT (SW II) Holding Company Limited	12046818	Investment Holding Company	England	100%
*The PRS REIT (SW II) Borrower Limited	12049318	Property Investment	England	100%
*The PRS REIT (SW II) Investments LLP	OC427782	Property Investment	England	100%
*The PRS REIT (SW II) Memberco Limited	12052213	Investment Holding Company	England	100%
The PRS REIT (Barclays) Memberco Limited	12616572	Investment Holding Company	England	100%
The PRS REIT (Barclays) Holding Company Limited	12598004	Investment Holding Company	England	100%
The PRS REIT (Barclays) Borrower Limited	12599502	Property Investment	England	100%
The PRS REIT (Barclays) Investments LLP	OC432893	Property Investment	England	100%
*Sigma PRS Investments I Limited	SC522680	Property Investment	Scotland	100%
*Sigma PRS Investments II Limited	10128422	Property Investment	England	100%
*Sigma PRS Investments VI Limited	10467369	Property Investment	England	100%
*Sigma PRS Investments IV Limited	10383849	Property Investment	England	100%
*Sigma PRS Investments VIII Limited	10571586	Property Investment	England	100%
Sigma PRS Investments (Brackenhoe) Limited	12026470	Property Investment	England	100%
*Sigma PRS Investments (Bury St Edmunds) Limited	11721278	Property Investment	England	100%
Sigma PRS Investments (Dawley Road II) Limited	12064750	Property Investment	England	100%
*Sigma PRS Investments (Our Lady's) Limited	10684675	Property Investment	England	100%
*Sigma PRS Investments (Owens Farm) Limited	11207716	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis) Limited	11673725	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis II) Limited	11676096	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8II) Limited	11892855	Property Investment	England	100%

Ownership Name of Entity	Company number	Principal Activity	Country of Incorporation	%
Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	12169553	Property Investment	England	100%
*Sigma PRS Investments (Lea Hall) Limited	11726223	Property Investment	England	100%
*Sigma PRS Investments (Newhall) Limited	11521411	Property Investment	England	100%
*Sigma PRS Investments (Bury St Edmunds Parcel D) Limited	11934752	Property Investment	England	100%
The PRS REIT (Drakelow Park) Limited	13572147	Property Investment	England	100%
Sigma PRS Northern (Bertha Park) Limited	12323666	Property Investment	England	100%
*Sigma PRS Investments (Plough Hill Road) Limited	11362082	Property Investment	England	100%
Sigma PRS Investments (Fishmoor Parcel 1) Limited	13522429	Property Investment	England	100%
Sigma PRS Investments (Fishmoor Parcel 2) Limited	13522386	Property Investment	England	100%
The PRS REIT (Accrington) Limited	12936087	Property Investment	England	100%
The PRS REIT (Airfields II) Limited	12227845	Property Investment	England	100%
The PRS REIT (Airfields) Limited	12225418	Property Investment	England	100%
*The PRS REIT (Beehive) Limited	12299354	Property Investment	England	100%
*The PRS REIT (Bilston Urban Village) Limited	12299875	Property Investment	England	100%
The PRS REIT (Bombardier) Limited	12269588	Property Investment	England	100%
*The PRS REIT (Brickkiln Place) Limited	12342184	Property Investment	England	100%
*The PRS REIT (Cable Street) Limited	12300415	Property Investment	England	100%
*The PRS REIT (Durham Street) Limited	12299887	Property Investment	England	100%
*The PRS REIT (East Hill) Limited	12299857	Property Investment	England	100%
The PRS REIT (Eaton Works) Limited	12299949	Property Investment	England	100%
*The PRS REIT (Entwistle Road) Limited	12300010	Property Investment	England	100%
The PRS REIT (Harlow Phase II) Limited	12303917	Property Investment	England	100%
*The PRS REIT (Heathfield Lane) Limited	12300254	Property Investment	England	100%
The PRS REIT (Hexthorpe Phase A) Limited	12340014	Property Investment	England	100%
The PRS REIT (Hexthorpe Phase B) Limited	12340826	Property Investment	England	100%
*The PRS REIT (Hilton Park) Limited	12300173	Property Investment	England	100%
*The PRS REIT (Holyoake Memberco) Limited	12888895	Investment Holding Company	England	100%
*The PRS REIT (Holyoake) Limited	12882087	Property Investment	England	100%
The PRS REIT (LB 5) Limited	12300657	Property Investment	England	100%
*The PRS REIT (Manor Boot) Limited	12300405	Property Investment	England	100%
*The PRS REIT (Newhaven) Limited	12301039	Property Investment	England	100%
*The PRS REIT (Norwich Street) Limited	12301118	Property Investment	England	100%
The PRS REIT (Potteries) Limited	12279694	Property Investment	England	100%
*The PRS REIT (QVS) Limited	12303609	Property Investment	England	100%
The PRS REIT (Redcar) Limited	12338568	Property Investment	England	100%
*The PRS REIT (Reginald Road) Limited	12301641	Property Investment	England	100%
*The PRS REIT (Riverside College) Limited	12301225	Property Investment	England	100%
*The PRS REIT (Roch Street) Limited	12301230	Property Investment	England	100%
*The PRS REIT (Romanby Shaw) Limited	12301554	Property Investment	England	100%
The PRS REIT (Station Road) Limited	12279470	Property Investment	England	100%
*The PRS REIT (Sutherland School) Limited	12301839	Property Investment	England	100%
The PRS REIT (Tower Hill 3) Limited	12303826	Property Investment	England	100%
*The PRS REIT (Whitworth Way) Limited	12301879	Property Investment	England	100%
*The PRS REIT Holyoake General Partner Ltd	10809976	Property Investment	England	100%
Sigma PRS Investments (Cable Street II) Limited	11086887	Dormant	England	100%
Sigma PRS Investments (Carr Lane II) Limited	11054232	Dormant	England	100%
Sigma PRS Investments (Dawley Road) Limited	12026449	Dormant	England	100%
Sigma PRS Investments (Darlaston II) Limited	11028091	Dormant	England	100%
Sigma PRS Investments (Darlaston Phase 2 II) Limited	11159344	Dormant	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8) Limited	11875798	Dormant	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8A) Limited	12168751	Dormant	England	100%
Sigma PRS Investments (Newton Le Willows II) Limited	11009678	Dormant	England	100%
Sigma PRS Investments (Owens Farm II) Limited	11241786	Dormant	England	100%
Sigma PRS Investments (Sutherland School II) Limited	11382818	Dormant	England	100%
Sigma PRS Investments (Whitworth Way II) Limited	11086856	Dormant	England	100%
Sigma PRS Investments III Limited	10140376	Dormant	England	100%
Sigma PRS Investments V Limited	10385618	Dormant	England	100%
Sigma PRS Investments VII Limited	10462287	Dormant	England	100%
Sigma PRS Investments IX Limited	10573603	Dormant	England	100%
*Sigma PRS Investments (Bury St Edmunds II) Limited	11723358	Dormant	England	100%
*Sigma PRS Investments (Lea Hall II) Limited	11723562	Dormant	England	100%
*Sigma PRS Investments (Newhall II) Limited	11523248	Dormant	England	100%
*Sigma PRS Investments (Bury St Edmunds Parcel D II) Limited	11939076	Dormant	England	100%
Sigma PRS Investments (Plough Hill Road II) Limited	11365306	Dormant	England	100%
The PRS REIT (Bullcote Lane) Limited	12269343	Dormant	England	100%
The PRS REIT (Christopher Street) Limited	12340995	Dormant	England	100%
The PRS REIT (Minky Works) Limited	12339490	Dormant	England	100%
The PRS REIT (Rugby) Limited	12338561	Dormant	England	100%
The PRS REIT Investments Holding Company Limited	12302557	Dormant	England	100%

*Exempt from the requirement of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A of the Act.

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 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Trade receivables	291	-	457	-
Receivables from group undertakings	-	315,933	-	318,830
Accrued income	941	5	320	5
Social security and other taxes	589	-	710	-
Prepayments and other receivables	5,465	236	5,102	342
	7,286	316,174	6,589	319,177

Trade and other receivables are shown after deducting a credit loss provision of £281,000 (2021: £31,000). The provision 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 £381,000 (2021: £4,000 credit). The charge during the financial year reflects some of the impacts of the COVID-19 pandemic and the end of some of the government schemes supporting companies and employees; as well as the opening up of courts post pandemic and an increase in the work undertaken to reflect the growing portfolio.

At the end of the reporting period, the Company had no provision for expected loss allowances (2021: £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 2022, £111,000 of trade receivables are more than thirty days old and not provided for (2021: £157,000). The Group has no pledge as security on trade receivables.

21. Cash and cash equivalents

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Restricted cash	10,979	-	84,793	-
Cash at bank	37,703	28,646	1,621	25
	48,682	28,646	86,414	25

Restricted cash comprises £10.8 million (2021: £84.8 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.

22. Trade and other payables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current Liabilities				
Trade payables	14,227	1,146	7,291	2,035
Payables to group undertakings	-	-	-	250,270
Accruals and deferred income	15,352	1,208	14,996	493
Social security and other taxes	163	163	190	190
	29,742	2,517	22,477	252,988
Non-Current Liabilities				
Accruals and deferred income	2,243	-	4,732	-
	31,985	2,517	27,209	252,988

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

23. Interest bearing loans and borrowings

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current liabilities				
Bank loans at 1 July	109,998	-	-	-
Loans advanced in the year	89,624	-	133,119	-
Loans repaid in the year	(100,014)	-	(22,134)	-
Capitalised loan costs	333	-	(987)	-
Bank loans at 30 June	99,941	-	109,998	-
Lease liability	32	-	32	-
Total loans and borrowings	99,973	-	110,030	-
Non-current liabilities				
Bank loans at 1 July	244,875	-	144,226	-
Loans advanced in the year	-	-	100,000	-
Capitalised loan costs	809	-	649	-
Bank loans at 30 June	245,684	-	244,875	-
Lease liability	1,003	-	985	-
Total loans and borrowings	246,687	-	245,860	-

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 2022 and 30 June 2021, 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 2022, these comprised the following:

Lender	Loan facility	Balance drawn 30 June 2022	Loan period	Interest rate (all in)	Loan type	Maturity
Scottish Widows	£100 million	£100 million	15 years	3.14%	Fixed	June 2033
Scottish Widows	£150 million	£150 million	25 years	2.76%	Fixed	June 2044
Lloyds Banking Group plc / RBS*	£150 million	£85.4 million	3 years	3.16%	Variable	February 2023
Barclays Bank PLC	£40 million	£15.2 million	3 years	4.66%	Variable	August 2025

* £150 million revolving credit facility. £75 million available in first 2 years for development debt purposes, reduced to £25 million from 1 January 2022.

The Group's maximum loan to value ratio can be no more than 45%. As at 30 June 2022 the Group's loan to value was 31% (2021: 42%).

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

	2022 £'000	2021 £'000
Balance as at 1 July	354,873	144,226
Proceeds from borrowings	89,624	233,119
Borrowings repaid	(100,014)	(22,134)
Interest paid	(9,825)	(8,706)
Non-utilisation fees paid	-	(895)
Arrangement and commitment fees paid	(846)	(1,504)
Finance costs	11,813	10,767
Balance as at 30 June	345,625	354,873

24. Leases**Lease liabilities as lessee**

The lease liabilities recognised are shown in the table below, the Group has no other leases.

	Group 2022 £'000	Group 2021 £'000
Lease liabilities	1,035	1,018
Amounts recognised in the income statement in non-recoverable property costs	13	13

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 2022 £'000	Group 2021 £'000
Receivable within 1 year	23,051	17,122

The Group's receivable leases are assured shorthold tenancies usually for periods for up to one year. The Company had no leases in either the current or prior period.

25. Share capital

Share capital represents the nominal value of consideration received by the Company for the issue of 1p Ordinary Shares.

Group and Company	2022 No. of shares	2022 Share capital £'000	2021 No. of shares	2021 Share capital £'000
Balance at the beginning of year	495,277,294	4,953	495,277,294	4,953
Issue of shares	53,974,164	540	-	-
Balance at end of year	549,251,458	5,493	495,277,294	4,953

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

In September 2021, the Company undertook an equity raise. On 4 October 2021, a total of 53,974,164 shares were issued at an issue price of 103.0p.

26. Share premium reserve

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

Group and Company	2022 £'000	2021 £'000
Balance at beginning of year	245,005	245,005
Share premium on the issue of Ordinary Shares	55,053	-
Share issue costs	(1,084)	-
Balance at end of year	298,974	245,005

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.

	2022 £'000	2021 £'000
Balance at beginning of year	161,984	186,748
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)
Final dividend paid of 1.0p per share for the year ended 30 June 2021	(4,952)	-
Dividend paid of 1.0p per share for the period ended 30 September 2021	(5,492)	-
Dividend paid of 1.0p per share for the period ended 31 December 2021	(5,493)	-
Dividend paid of 1.0p per share for the period ended 31 March 2022	(5,493)	-
Balance at end of year	140,554	161,984

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:

	2022	2021
IFRS Net assets at 30 June (£'000)	639,238	490,270
EPRA adjustments to NTA	-	-
EPRA NTA at 30 June	639,238	490,270
Shares in issue at end of year	549,251,458	495,277,294
Basic IFRS NAV per share (pence)	116.4	99.0
EPRA NTA per share (pence)	116.4	99.0

The NTA per share calculated on an EPRA basis is the same as the IFRS NAV per share for the year ended 30 June 2022 and the year ended 30 June 2021.

29. Controlling parties

As at 30 June 2022 and 30 June 2021, 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 £689.8 million (2021: £663.8 million). As at 30 June 2022, £50.2 million (2021: £89.2 million) of such commitments remained outstanding.

32. Related party disclosure

The number of shares owned by the Directors of the Company as at 30 June 2022 along with dividends they received during the period is as follows:

Company Director	No. of shares held		Dividends received	
	2022	2021	2022	2021
Roderick MacRae	100,000	100,000	£4,000	£5,000
Steffan Francis	105,000	80,000	£3,700	£3,200
Steve Smith	155,000	80,000	£5,450	£4,000
Jim Prower	52,000	22,000	£1,780	£1,100
Geeta Nanda*	-	-	-	-

*Appointed 24 March 2021

For the current financial year, Directors' fees of £170,000 (2021: £148,000) were incurred.

33. Transactions with Investment Adviser

On 31 March 2017, Sigma PRS was appointed 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 2022, fees of £5.2 million (2021: £4.4 million) were incurred and payable to Sigma PRS in respect of investment advisory services. At 30 June 2022, £0.9 million (2021: £1.5 million) remained unpaid.

For the year ended 30 June 2022, development fees of £2.5 million (2021: £4.6 million) were incurred and payable to Sigma PRS. At 30 June 2022, £0.1 million (2021: £0.3 million) remained unpaid.

For the year ended 30 June 2022, administration and secretarial services of £85,000 (2021: £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 2022, £49,000 (2021: £40,500) remained unpaid.

During the year ended 30 June 2021, Sigma PRS acquired 1,500,000 shares in the Company in the market. The shares purchased were acquired in the market at an average price of 76.4 pence per share. Sigma PRS's shareholding as at 30 June 2022 was 5,889,852 (2021: 5,889,852), which represents 1.07% (2021: 1.19%) of the issued share capital in the Company. All the shares acquired in the prior year were in accordance with the Development Management Agreement between the Company and Sigma PRS.

For the year ended 30 June 2022, Sigma PRS received dividends from the Company of £236,000 (2021: £249,000).

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 Parcel D) Limited	£4.5 million
Sigma PRS Investments (Bury St Edmunds Parcel D II) Limited	
Sigma PRS Investments (Plough Hill Road) Limited	£10.2 million
Sigma PRS Investments (Plough Hill Road II) Limited	
Sigma PRS Northern (Bertha Park) Limited	£4.8 million
The PRS REIT (Drakelow Park) Limited	£8.0 million
Total	£27.5 million

34. Post balance sheet events

Development site acquisitions

During August and September four development sites were acquired for a total consideration of £5.9 million.

Dividends

On 25 July 2022, 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 26 August 2022 to shareholders on the register as at 5 August 2022.

Taxation

The UK Government announced on the 23rd September 2022, that the increase in corporate tax rate from 19% to 25% which is effective from 1 April 2023 will now not go ahead. There is no impact on the financial statements as at 30 June 2022 as a result of this announcement.

SUPPLEMENTARY INFORMATION

I. EPRA PERFORMANCE MEASURES SUMMARY	2022	2021
EPRA earnings per share	3.0p	1.0p
EPRA net tangible asset value (EPRA NTA)	116.4p	99.0p

The Group considers EPRA NTA to be the most relevant measure for its operating activities and has therefore adopted this as the Group's primary measure of net asset value.

II. INCOME STATEMENT	2022 £'000	2021 £'000
Rental income	41,963	26,636
Non-recoverable property costs	(7,635)	(5,186)
Net rental income	34,328	21,450
Other income	470	353
Administrative expenses	(7,511)	(7,081)
Operating profit before interest and tax	27,287	14,722
Net finance costs	(11,125)	(9,592)
Profit before taxation	16,162	5,130
Taxation on EPRA earnings	-	-
EPRA earnings	16,162	5,130
Weighted average number of Ordinary Shares	535,203,388	495,277,294
EPRA earnings per share	3.0p	1.0p

III. STATEMENT OF FINANCIAL POSITION	2022 £'000	2021 £'000
Investment properties	961,915	780,366
Other net assets	23,983	65,794
Net borrowings	(346,660)	(355,890)
Total shareholders' equity	639,238	490,270
Adjustments to calculate EPRA NTA:	-	-
EPRA net tangible assets	639,238	490,270
Ordinary Shares in issue at year end	549,251,458	495,277,294
EPRA NTA per share	116.4p	99.0p





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