

THE PRS REIT PLC
INTERIM REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022



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INTERIM REPORT AND FINANCIAL STATEMENTS
For the six months ended 31 December 2022

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Very strong asset performance and portfolio now at over 4,980 completed homes

HIGHLIGHTS

Financial

	Six months ended 31 December 2022	Six months ended 31 December 2021	Change
Revenue	£24.2m	£19.9m	+22%
Net rental income	£19.6m	£16.4m	+20%
Adjusted earnings*	£16.9m	£12.9m	+31%
Operating profit	£22.7m	£44.0m	-48%
Profit after tax	£14.7m	£38.6m	-62%
Basic earnings per share	2.7p	7.4p	-64%

* Operating profit excluding changes in the fair value of investment properties

- Profitability in line with management expectations and the year-on-year change mainly reflects the difference in gains from fair value adjustments on investment property between the two periods, with £5.8m recognised in the period under review ("H1 2023") compared to £31.1m in the comparative period ("H1 2022"). These gains are non-cash items.

	At 31 Dec 2022	At 30 Jun 2022	Change
Net assets	£643m	£639m	+1%
IFRS NAV and EPRA NTA per share	117.1p	116.4p	+1%

Operational

Portfolio delivery	At 31 Dec 2022	At 30 Jun 2022	At 31 Dec 2021
No. of completed homes	4,913	4,786	4,489
Estimated rental value ("ERV") per annum	£50.7m	£47.8m	£43.5m
No. of contracted homes	613	693	949
ERV per annum	£6.6m	£7.2m	£8.2m
Completed and contracted sites	71	68	67
ERV per annum	£57.3m	£55.0m	£51.7m
No. of completed and contracted homes	5,526	5,479	5,438

Portfolio performance	At 31 Dec 2022	At 31 Dec 2021
Cost management of Gross to Net	18.8%	17.6%
Rent collection (rent collected in H1 relative to rent invoiced in H1)	98%	99%
Like-for-like rental growth (based on average rent per unit for stabilised sites)	5.7%	3.2%
Average yield on assets in the portfolio	4.3%	4.2%

- Housing delivery in its final stages, with 127 homes completed in H1 2023, taking the Company's portfolio to 4,913 completed homes with an ERV of £50.7m p.a. at 31 December 2022 and a further 613 homes under way
 - four development sites were acquired, which will deliver 97 homes once completed
- Completed assets continued to perform strongly; occupancy at 97% (98% including homes reserved for applicants who have passed referencing and paid deposits) and rent collection also at 98%

HIGHLIGHTS (Cont.)

- like-for-like rental growth for the year to 31 December 2022 on stabilised sites was c. 5.7% - with renewals up by c.5% and re-lets to new tenants up by c.10%
- arrears remained low at c.1% of annualised ERV
- net rental income up 20% to £19.6m (H1 2022: £16.4m)
- average rent as a proportion of gross household income was at c.25% - well below Homes England's upper limit of 35%
- Bloomberg cumulative total return from IPO to 31 December 2022 of 13.5p
- Net asset value per share increased in H1 2023 to 117.1p (30 June 2022: 116.4p). This reflects strong ERV growth, which offset the softening in the net average investment yield
 - The Single Family Rental sub-sector delivered the most robust performance in investment yields across the property sector, reflecting the resilience of this category¹
- Delivery estimated to finalise at c.5,600 homes, with an ERV of c.£58m per annum*

Outlook

- Dividends amounting to 2.0p per share were declared in H1 2023 (H1 2022: 2.0p). Total dividend target for FY 2023 remains 4.0p per share*, which is expected to be almost fully covered by earnings on an annualised run-rate basis by the financial year-end
- Between 1 January and 10 March 2023, 68 new homes were added to the portfolio, taking it to 4,981 completed homes with an ERV of £52.2 million p.a. A further 545 homes were under construction at 10 March 2023
- Rental demand for high-quality family homes remains very strong nationally and is expected to grow against a background of structural under supply, interest rate rises and cost-of-living pressures

Steve Smith, Non-Executive Chairman of The PRS REIT plc, said:

"The PRS REIT's portfolio of high-quality, professionally managed, build-to-rent family homes continues to perform very strongly. Demand, affordability, occupancy levels and rent collection are all high and arrears remain low. This supports cash generation and predictable income flows as our portfolio nears completion."

"On 10 March 2023, the portfolio reached 4,981 homes and expects to reach 5,000 completed units by the end of March. Once delivery is fully complete, we expect the portfolio to comprise around 5,600 homes, with an estimated rental value of £58 million per year."

"Market factors remain strongly in our favour, and our sector – single family rental – is very robust. This reflects lack of supply, strong rental growth, and the benefit of multiple individual counterparties, which reduces concentration risk. Our homes are affordable for ordinary families up and down the country and we remain very confident of prospects for the PRS REIT."

**These are targets only and not a forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results.*

¹ CBRE UK Investment Yields Report (March 2023)

CHAIRMAN'S STATEMENT

Overview

I am pleased to present The PRS REIT plc's (the "Company" or "PRS REIT") financial results for the six months ended 31 December 2022. The portfolio is in the final stages of its delivery programme; almost 90% finished, with 4,981 completed new homes at 10 March 2023 and 545 under way. Completed assets are continuing to perform strongly.

Largest portfolio of single-family rental homes in the UK

The Company's portfolio of build-to-rent ("BTR") family homes grew by an additional 127 homes over the six-month period. This took the total number of homes to 4,913 by 31 December 2022, a 9% increase against the same point last year (31 December 2021: 4,489 completed homes).

The estimated rental value ("ERV") of the 4,913 completed homes was £50.7 million per annum, increasing the portfolio's ERV by 17% year-on-year (31 December 2021: £43.5 million). The percentage rise in the portfolio's rental value against the percentage increase in the number of completed homes over the period reflects rental growth over that time.

At 31 December 2022, a further 613 homes with an ERV of £6.6 million per annum were under way and at varying stages of the construction process. Included within that number are 97 homes, which are under construction across four development sites in Warwickshire, Shropshire, South Yorkshire and Staffordshire and were acquired in the period with the September 2021 equity placing proceeds.

The value of our net assets at 31 December 2022 stood at £643 million, up by 12% year-on-year and by 1% since 30 June 2022 (31 December 2021: £573 million and 30 June 2022: £639 million). This equates to a net asset value ("NAV") per share of 117.1p. The Bloomberg cumulative total return from IPO to 31 December 2022 is 13.5p per share.

The Company's portfolio of high-quality single-family homes remains the largest of its kind in the UK. Assets are geographically widely spread. Currently, we have 71 sites (31 December 2021: 67 sites) across the major regions of England, in the North-West, North-East, Yorkshire, the Midlands, East of England and South-East (excluding London), with a single site in Scotland at present.

The number of new homes continues to rise. Our most recent delivery data at 10 March 2023 shows that the portfolio has risen to 4,981 homes, taking its ERV to £52.2 million, with a further 545 homes under way. Once the delivery programme is complete, we currently estimate that the portfolio will comprise some 5,600 homes with an ERV of approximately £58 million per annum once the homes are fully let.

Continued strong asset performance

Occupancy and rent collection

We continued to experience high demand for our homes in the period, and occupancy and rent collection remained very strong. Occupancy at 31 December 2022 stood at 97%, with 4,788 of the 4,913 completed homes occupied (31 December 2021: 98%). A further 44 homes were reserved for applicants who had passed referencing and paid rental deposits, giving an occupancy rate of 98%. Rent collection (measured as rent collected relative to rent invoiced in the period) was 98% (31 December 2021: 99%).

Affordability and Arrears

The affordability ratio of homes remains very healthy, with average rent as a proportion of gross household income at approximately 25%. This is significantly within Home England's upper limit of 35%.

Total arrears remained low at 31 December 2022 at £0.7 million, which equated to approximately 1% of annualised ERV on completed units (H1 2022: £0.5 million on 4,489 completed units).

Rental income growth

The growth of the portfolio and strong asset performance is reflected in the 20% increase in net rental income to £19.6 million (H1 2022: £16.4 million). Like-for-like rental growth per unit on stabilised sites was 5.7% up over the twelve months to 31 December 2022 and up by 2.8% over the six months to 31 December 2022. Rental growth on lets to new tenants averaged a little over 10% and marginally below 5% on renewals with existing tenants.

CHAIRMAN'S STATEMENT (CONT)

The strong asset performance reflects the demand for high-quality family rental homes, which remain structurally undersupplied. Rightmove's Rental Trends Tracker report for Q4 2022² highlighted the ongoing high demand for rental properties, with the number of enquiries up 7% on 2021 and up by 53% on 2019, before the coronavirus pandemic. Rightmove forecasts national average asking rents for newly-available properties rising by a further 5% in 2023, if there is no significant addition to the national rental stock.

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

Financial results

Revenue, which is derived entirely from rental income, increased by 22% to £24.2 million against the same period last year (H1 2022: £19.9 million). This reflected growth in completed and let homes. After non-recoverable property costs, the net rental income for the period was £19.6 million, a 20% rise on the first half of 2022 (H1 2022: £16.4 million). Other income of £1.3 million (H1 2022: £0.3m) related to compensation payments arising from delayed housing delivery across development sites.

As expected, profit from operations decreased to £22.7 million (H1 2022: £44.0 million), with the reduction principally reflecting the significant difference in gains from fair value adjustment on investment property between the two periods as well as the maturity of the delivery programme. In H1 2023, there were gains of £5.8 million from fair value adjustments on investment property, which compared to gains of £31.1 million in H1 2022. These gains are non-cash items. Profit from operations is also stated after total expenses, which were £4.1 million (H1 2022: £3.8 million).

Profit before tax was £14.7 million (H1 2022: £38.6 million), and basic earnings per share were 2.7p (H1 2022: 7.4p). Of this, 1.6p represented recurring earnings per share in line with the EPRA definition and provided 80% dividend cover in the period, with dividends of 2.0p per share.

Net assets increased over the year by 12% to £643 million as at 31 December 2022 (31 December 2021: £573 million and 30 June 2022: £639 million). This equates to a net asset value ("NAV") of 117.1p per share on an International Financial Reporting Standards ("IFRS") basis and on the European Public Real Estate Association ("EPRA") Net Tangible Asset ("NTA") basis (30 June 2022: IFRS and EPRA NTA both 116.4p).

	Six months ended 31 December 2022	Six months ended 31 December 2021	Year ended 30 June 2022
NAV movement:			
Opening NAV	116.4p	99.0p	99.0p
Valuation and development	1.1p	5.9p	18.4p
Earnings	1.6p	1.4p	3.0p
Dividends paid	(2.0)p	(2.0)p	(4.0)p
Closing NAV	117.1p	104.3p	116.4p

The movement in the NAV position, from 116.4p to 117.1p between 30 June 2022 and 31 December 2022, is after total dividend payments of 2.0p per share (£11.0 million). These dividend payments related to the fourth quarter of the 2022 financial year and the first quarter of 2023 financial year, and were paid in August and November 2022, respectively.

Operating cash inflows continued to exceed operating outflows and covered the Company's cost base.

² <https://hub.rightmove.co.uk/rental-trends-tracker-q4-2022/>

	Six months ended 31 December 2022 (unaudited)	Six months ended 31 December 2021 (unaudited)	Year ended 30 June 2022 (audited)
IFRS EPS (pence per share)	2.7	7.4	21.4
EPRA EPS (pence per share)	1.6	1.4	3.0

	As at 31 December 2022 (unaudited)	As at 31 December 2021 (unaudited)	As at 30 June 2022 (audited)
IFRS NAV (pence per share)	117.1	104.3	116.4
EPRA NTA (pence per share)	117.1	104.3	116.4

Dividends

Two dividend payments, each of 1.0p per ordinary share, were made in the period. They related to the last quarter of the financial year ended 30 June 2022 and the first quarter of the current financial year and were paid on 26 August and 30 November 2022 respectively.

A dividend of 1.0p per ordinary share relating to the second quarter of the current financial year was paid on 3 March 2023 to shareholders on the register at 17 February 2023. This brought the total of dividends paid to date since the Company's inception in May 2017 to 24.0p per share.

The Board expects to announce the payment of an interim dividend for the third quarter of the current financial year in April.

The Board continues to target a total dividend of 4.0p per ordinary share for the current financial year. A 4.0p per share dividend is expected to be almost fully covered by earnings on an annualised run-rate basis by the end of the current financial year, with coverage continuing to grow during the year as construction, completions and lettings advance.

Debt Facilities

As at 31 December 2022, the Company had £440 million of committed debt facilities available for utilisation. This comprised £400 million of investment debt facilities and £40 million of 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).

The Barclays Bank PLC debt facility is available to be drawn as development debt, which enables a number of sites to be developed simultaneously.

The debt facilities are subject to the maximum gearing ratio of 45% of gross asset value, in line with the Company's Investment Policy. Approximately £374 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.

In the light of significant market volatility, the Company obtained, in December 2022, an extension to its £150 million revolving credit facility with Lloyds/RBS, which had been due to mature in February 2023. This short-term extension provides additional time for market conditions to stabilise and has been secured for the period to 14 July 2023 at the same margin above the three-month SONIA rate as the existing arrangements. The Company is now better placed to consider its funding options and positive discussions are ongoing with a number of parties, with a view to securing long-term investment debt. The Board expects to be in a position to enter into heads of terms in due course.

CHAIRMAN'S STATEMENT (CONT)

Environmental, Social and Governance ("ESG") Practices

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

The Board 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 the management of 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 Capital Group Limited ("Sigma"), and a signatory and participant of the United Nations Global Compact. Sigma Capital Group Limited is part of PineBridge Investments, a private global asset manager with \$143bn in assets under management as at December 2022.

Details of ESG policies and activities are contained separately in the Investment Adviser's Report.

Outlook

The national supply of new homes continues to remain below required levels. Elevated house prices and increased borrowing costs remain obstacles to home purchases. This is illustrated in a survey published by Rightmove in August 2022³, which reported that across Great Britain the average price of a first-time buyer home was 7.2 times the average salary. Affordability constraints are also being stretched by the increase in the cost-of-living. We expect these factors to continue to drive demand for rental property and the potential for further rental growth in 2023.

Against this backdrop, the Company is offering high-quality, modern, energy-efficient homes (for further information on energy-efficiency, see the Energy Performance data section in the Investment Adviser's Report), supported by high customer service standards provided by the award-winning rental brand, 'Simple Life'. The homes we provide are for the long-term and so remove the uncertainty many residents feel when renting in the private sector. We aim to foster a sense of community across our developments with regular events and an app that also acts as a hub, bringing together all of our stakeholders.

Critically, our homes are priced at an affordable level for average families. As previously stated, the portfolio's average rent as a proportion of household income is c.25%, well within Home England's stated affordability target of 35%.

We fully expect our assets to continue to perform strongly, with high occupancy, strong rent collection levels and continuing low arrears.

The delivery of the final tranche of the Company's portfolio is continuing in line with forecast as we approach our estimated target of 5,600 homes with an ERV of c.£58 million per annum.

The Board is confident that the Company is on track to meet its targets for the financial year and to continue to progress to an almost fully covered annual dividend of 4.0p per share on an annualised basis by the end of the 2023 financial year.

Finally, I would like to acknowledge all our stakeholders involved in the funding, delivery, and management of the new homes we are building, and to thank, in particular, our investors, housebuilder partners and supporters in government, all of whom have faced severe challenges in the recent past. Our project continues to deliver significant benefits to both the UK housing market and, most importantly, to the families who have chosen to rent our homes.

Steve Smith
Chairman

20 March 2023

³ <https://www.rightmove.co.uk/press-centre/coastal-areas-see-biggest-affordability-decline-during-pandemic/>

INVESTMENT ADVISER'S REPORT

Sigma PRS Management Ltd ("Sigma PRS"), the Investment Adviser ("IA") to the PRS REIT is pleased to report on the Company's progress for the six months to 31 December 2022. Sigma PRS is a wholly-owned subsidiary of Sigma Capital Group Limited ("Sigma"), which is part of PineBridge Investments, a private global asset manager with over \$143bn in assets under management.

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 a scalable business model, which utilises the Investment Adviser's PRS property delivery and management platform to deliver and manage new homes across multiple geographies and sites across the UK.

The Company's portfolio of homes is targeted at the family market, which is the largest and growing 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 targeted sites in the largest employment centres in England (outside London), predominantly in the Midlands and the North of England. Locations are chosen for their accessibility to main road and rail links, good 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. Tenants enter into a rental agreement with a minimum tenure of six months, after which the tenancy can be extended or terminated.

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

- In the first instance, Sigma PRS selects suitable development sites ("PRS development sites"), works with house builders to obtain detailed planning permission before the development site is acquired by PRS REIT, 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 supporting the homogeneity of the PRS REIT's 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 uses 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

INVESTMENT ADVISER'S REPORT (Cont.)

opportunities.

The Sigma PRS Platform comprises of relationships with construction partners, central government, and local authorities. Key construction partners include Countryside Partnerships, Vistry Group, EQUANS (formerly Engie) and Seddon. Homes England, an executive non-departmental public body sponsored by the Department for Levelling Up, Housing and Communities, 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 & build contract with one of Sigma's housebuilding partners. During the construction phase, many of the properties are pre-let and subsequently occupied once complete.

The Sigma PRS Platform sources land for development sites through its wide network of relationships, and delivers 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.

Delivery and pipeline

A total of 127 new homes were added to the PRS REIT's portfolio in the first half of the current financial year. This took the total number of completed homes in the Company's portfolio at 31 December 2022 to 4,913, a 9% increase period-on-period (31 December 2021: 4,489 homes). The portfolio's estimated rental value ("ERV") at the end of the first half was £50.7 million per annum (31 December 2021: £43.5 million per annum), a rise of 17% from the same date in 2021.

Purchases of investment property over the first half to 31 December 2022 totalled £30.5 million (H1 2022: £48.0 million). The year-on-year reduction reflects the maturity of the portfolio and the normal cycle of property development expenditure, where expenditure is typically higher during the earlier months of acquiring and developing a site and reduces as homes complete across a site.

The Company's gross funding of £956 million (including debt), which includes an equity placing of £55.6 million (gross) completed in September 2021, has been fully allocated. During the first half of the financial year, part of the September equity placing proceeds were used to acquire four development sites. These are located in Warwickshire, Shropshire, South Yorkshire and Staffordshire, and when completed, the sites will add 97 new homes to the portfolio.

The table below provides a summary of development activity and shows the cumulative number of PRS units that have been completed since the launch of the Company on 31 May 2017 and the ERV of homes under construction or completed.

	At 31 Dec 2022	At 30 Jun 2022	At 31 Dec 2021
No. of completed PRS units	4,913	4,786	4,489
ERV per annum	£50.7m	£47.8m	£43.5m
No. of contracted homes	613	693	949
ERV per annum	£6.6m	£7.2m	£8.2m
Total number of sites (completed and contracted)	71	68	67
No. of completed and contracted units	5,526	5,479	5,438
ERV per annum	£57.3m	£55.0m	£51.7m

Geographic diversification

The number of sites in the Company's portfolio stood at 71 on 31 December 2022 (31 December 2021: 67). Sites span the major regions of England, with a single site in central Scotland at present.

Approximately 58% of homes in the portfolio, both completed and under development, are located in the North West of England, 21% are sited in the Midlands, and 13% are in Yorkshire and the North East. Of the balance, approximately 7% of homes are in the South of England and the remaining 1% of homes are situated in central

INVESTMENT ADVISER'S REPORT (Cont.)

Scotland. The wide geographical spread of homes has created a diverse customer base, which helps to balance risk, especially given current market and economic uncertainties.

As at 31 December 2022, 61 sites were completed and income-producing, with the remaining 10 sites still part-way through development. Many of the partially-completed sites are already producing rental income. This is because sites are developed in such a way that batches of completed homes can be released for letting while construction continues, subject to health and safety reviews. This approach enables development sites to become income-generating relatively quickly.

Rental performance and key performance measures

Demand for The PRS REIT's homes remain high, and the portfolio continues to perform very strongly as it grows.

- **Increased rental income and rental growth**

Annualised gross rental income as at 31 December 2022 increased by 11% year-on-year to £57.3 million and was 4% higher than at 30 June 2022 (31 December 2021: £51.7 million and 30 June 2022: £55.0 million). These increases reflect the rising number of assets in the portfolio and buoyant demand.

Like-for-like rental growth in the 12 months to 31 December 2022 was 5.7% on stabilised sites, with nearly 3% of this increase arising in the first half of the current financial year.

- **High occupancy levels**

Occupancy was at 97% at 31 December 2022 (31 December 2021: 98%). Including prospective tenants who had passed referencing and paid their deposits, but not yet taken occupation as at 31 December 2022, occupancy was 98%.

- **Strong rent collection**

Rent collection remained strong at 98%. Rent collection is measured as rent invoiced in the period relative to rent received in the same period (H1 2022: 99%). Rent arrears continued to be low, at £0.7 million, which is approximately 1% of annualised ERV (H1 2022: £0.5 million, approximately 1%).

- **Cost base covered**

The Company's cost base is covered, and operating cash inflows have increased in the period as rental income from completed and let homes has grown.

Currently, non-recoverable property costs are 18.8% of gross rent, reflecting the lower lettings costs. All other costs are in line with management's targets.

- **Affordable homes**

Homes remain well within Home England's stated affordability upper limit of 35%. The average rent of PRS REIT homes as a proportion of average gross household income is at c.25%.

Bloomberg total return

The Bloomberg cumulative total return from IPO to 31 December 2022 is 13.5p.

INVESTMENT ADVISER'S REPORT (Cont.)

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 ("KPIs"):

	Six months ended 31 Dec 2022	Six months ended 31 Dec 2021
Rental income (gross)	£24.2m	£19.9m
Average rent per month per tenant	£861	£808
Non-recoverable property costs as a percentage of gross rent (gross to net)	18.8%	17.6%
Fair value uplift on investment property	£5.8m	£31.1m
Operating profit	£22.7m	£44.0m
Dividends declared per share in relation to the period	2.0p	2.0p
Dividends paid during the period	2.0p	2.0p
Number of properties available to rent	4,913	4,489
Average yield on assets in the portfolio	4.3%	4.2%

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.

Latest data on delivery and asset performance

Between 1 January and 10 March 2023, we delivered a further 68 rental homes with an ERV of approximately £0.8 million per annum. This has taken the Company's portfolio of completed homes at 10 March 2023 to 4,981 homes, with an ERV of around £52.2 million per annum. A further 545 homes were under way at that point.

Out of 4,981 completed homes, 4,837 homes were let as at 10 March 2023, providing an annualised rental income of £50.7 million. A further 70 homes were reserved to qualified applicants with rent deposits paid at that date.

ESG Approach

The PRS REIT recognises that it is a long-term stakeholder in the communities and neighbourhoods it creates, and understands the social and economic value of strong, stable tenancies and the delivery of new homes. It has delegated the day-to-day management of ESG strategy to Sigma PRS. Sigma PRS takes responsibility for how the Company's ESG priorities are managed at both Company and asset level, and has funded all the PRS REIT's social and charitable activities to date. The PRS REIT will also contribute to funding such activities this year. Its funding will be delivered through a REIT Community Fund, which Sigma PRS will manage.

Sigma PRS reports to the PRS REIT's Board on ESG formally on a bi-annual basis and informally at every Board meeting.

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

In addition, Sigma PRS is committed to completing the UN's Sustainable Development Goals ("SDG") Ambition programme. This is a six-month accelerator programme, which aims to challenge and support participating companies in setting ambitious corporate targets and accelerating integration of the UN Global Compact's 17 SDGs into core business management.

Processes and strategies

As an industry leader in the provision of private rental homes, the PRS REIT is aware of its ESG responsibilities

INVESTMENT ADVISER'S REPORT (Cont.)

and wishes to deliver maximum impact. Sigma PRS therefore aims to work with forward-looking partners who share the Company's goals and aspirations for reduced carbon emissions. It also recognises the need for action in priority areas such as energy and water consumption, non-fossil fuel heating provision, and biodiversity.

As Sigma PRS continues to develop the Company's ESG agenda, goals and strategy, the focus is on embedding best practice, monitoring supply chain activity, and ensuring policies and activities comply with the PRS REIT's commitment to the UN Global Compact.

Partnerships

Sigma PRS engages closely with all partners to deliver the PRS REIT's ESG commitments. Shared priorities include, reducing carbon emissions, measuring impact and gathering data, 'future-proofing' assets, and supporting biodiversity. Sigma PRS is pleased to report good progress in construction data gathering with Countryside and its Sustainability Team, and carbon reduction planning with Vistry Group and its Sustainability Team. Initiatives to reduce traffic flow and site waste, and to recycle and divert waste from landfill remain areas of focus for all partners.

Sigma PRS partnership's GreenTheUK, now in its second year, has established a national community and school Biodiversity Project, which will run over the course of 2023.

Maintenance Support

The repair and management app, *FixFlo*, implemented by the Investment Adviser, continues to provide both a highly convenient way for *Simple Life* customers to report and monitor repair and maintenance issues and for maintenance services to be provided efficiently, with the minimum of physical contractor visits, which typically incur carbon emissions.

From 1 July 2022 to 31 December 2022, of 13,000 maintenance issues raised:

- 46% were resolved through system advice and self-fix, while
- 54% continued to a contractor for resolution.

Energy Performance data

The energy performance of the homes in the portfolio is well above the Government's current and future target levels for rental properties. Currently, all rental properties are required to reach a minimum EPC rating of E, however the Government has recently introduced a new minimum EPC rating of C 2, with all rented properties expected to have reached this rating by 2028.

The PRS REIT's portfolio is well ahead of targeted requirements. Approximately 86% of homes are rated in band A or B (1% in band A and 85% in band B), with 14% rated in band C.

In an independent study undertaken by Calfordseaden LLP, the property and construction consultancy, the energy consumption of the PRS REIT's core house types was evaluated against homes from four other eras. The study showed that the PRS REIT's homes are 25% cheaper to run in comparison to properties built between 2007-2011, and up to 74% cheaper to run than older homes.

Charities

Sigma PRS continues to support chosen partner charities and in the period expanded its charitable links while maintaining its focus on building long-term partnerships.

Sigma PRS has also increased its focus on local charities, consulting with residents and colleagues over where to direct support. One example of resident collaboration was the 2022 '12 Days of Christmas' campaign. The campaign received over 140 nominations for different charities from residents, and 12 charities chosen from this list each received £1,000. Sigma PRS intends to strengthen resident collaboration with its charitable activities.

Projects

The long-term partnership with Clever Cogz Learning continues to flourish, and over 1,200 children from 13 schools and groups located close to PRS REIT communities, took part in The Enchanted Forest Escape Rooms learning experience in the period. The focus was on transferring teamwork skills, including co-operation and collaboration, to situations beyond the classroom environment.

In October 2022, a second 'Building for My Future' course was launched with The Outward Bound Trust, an educational charity that aims to help young people to defy limitations through learning and outdoor adventures.

INVESTMENT ADVISER'S REPORT (Cont.)

The 'Building for My Future' course is designed to build life and leadership skills and foster confidence and resilience. Sigma PRS supported 16 young people through this course.

During November and December 2022, Sigma PRS's 'Winter Warmth Project' run in partnership with Craigdon Mountain Sports, the outdoor clothing and equipment retailer based in Edinburgh, delivered warm clothing to charities, schools and youth groups. Surplus stock in excess of £60,000 was kindly donated by the retailer, also promoting the circular economy.

Social events for residents

Sigma PRS's social events for residents remain popular across the PRS REIT's communities. These events are geared towards encouraging social interaction and engendering a greater sense of community and neighbourliness. The PRS REIT places great importance on the value of these events, which reflects its own brand principles.

- Over the summer, Sigma PRS organised ice-cream vans to visit over 50 communities, delivering over 4,000 ice creams and slushies.
- In the autumn, Sigma PRS organised evening pizza events across 13 developments, and an extended entertainment evening was held at the Emyrean development. Over 1,650 pizzas were provided in total.
- At Christmas, Sigma PRS arranged for Father Christmas and an accompanying band to visit sites across the country.
- Sigma PRS also introduced a live bedtime storytelling initiative over four nights on Facebook.
- In December, Sigma PRS announced its partnership with DanceSing, which fuses the arts and fitness for positive mental and physical well-being. DanceSing classes, including pilates, dance fitness, yoga, barre, and singing, are now available to all residents and delivered online.

The Company's Environment, Social and Governance initiatives and policies are detailed in its ESG Report 2022, which can be obtained from the Company's website at, www.theprsreit.com.

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 the Investment Adviser's and the Company's knowledge, principal suppliers and advisors comply with the provisions of the Act. The Company operates a zero-tolerance approach to bribery, corruption and fraud.

Health and Safety

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

Gender diversity

The PRS REIT plc has five Board Directors. The male-to-female ratio of Directors in 2022 was 80:20 (H1 2022: 80:20), and the Company intends to be fully compliant with the new Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1) by no later than the end of calendar-year 2023.

Governance

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

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

INVESTMENT ADVISER'S REPORT (Cont.)

Summary

The delivery programme is in its final stages and progressed well over the period. Since the start of the Company's third financial quarter on 1 January 2023 to 10 March 2023, a further 68 new homes have been completed, taking the PRS REIT's portfolio to 4,981 completed homes, with a further 545 homes under way. The ERV of the portfolio at 10 March 2023 had grown to £57.9 million per annum.

Completed assets are performing strongly and demand for homes remains high. As at 10 March 2023, the percentage of occupied homes stood at 97%. Including applicants who had paid deposits and passed our qualification process, but not yet taken occupancy at that date, occupancy was at 99%. Between 1 January and 10 March 2023, rent collection relative to rent invoiced was also very strong at 99%, and arrears remained low at £0.7 million. These figures continue to demonstrate the appeal of our homes and the structural undersupply of quality family rental homes in the UK. We expect cost-of-living increases and higher interest rates to boost demand as mortgage affordability pressures rise, especially for first-time buyers.

The Board will consider the payment of an interim dividend in respect of the three months to 31 March 2023 in the fourth quarter of the current financial year. It continues to target* a total dividend of 4.0p per ordinary share for the current financial year. This level of dividend is expected to be almost fully covered by earnings on an annualised basis by the end of the current financial year. Dividend cover will increase further as assets are completed and let and rental income grows.

Sigma PRS Management Ltd
20 March 2023

**These are targets only and not forecasts. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results*

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that the principal risks and uncertainties as presented on pages 48 to 51 of the Company's 2022 Annual Report were unchanged during the period and will remain unchanged for the remaining six months of the financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have elected to prepare the Interim Financial Report for the Company in accordance with the UK-adopted International Accounting Standards ("IAS").

In preparing the Interim Financial Report for the six month period to 31 December 2022, the Directors confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and that the Chairman's statement includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority namely:

- a) the Interim Financial Report includes a fair review of important events during the period and their effect on the Financial Statements and a description of specific risks and uncertainties for the remainder of the accounting period;
- b) the Interim Financial Report gives a true and fair view in accordance with IAS of the assets, liabilities, financial position and of the results of the Company for the period and complies with IAS and the Companies Act 2006;
- c) the Interim Financial Report includes a fair review of related party transactions and changes therein. There were no related party transactions for the accounting period; and
- d) the Directors believe that the Company has sufficient financial resources to manage its business risks in the current uncertain economic outlook.

The Directors have reasonable expectations that the Company has adequate resources to continue in operational existence for at least the next 12 months, therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Steve Smith
Chairman

20 March 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2022

		Six months ended 31 December 2022 (unaudited) £'000	Six months ended 31 December 2021 (unaudited) £'000	Year ended 30 June 2022 (audited) £'000
	Note			
Rental income		24,171	19,865	41,963
Non-recoverable property costs		(4,548)	(3,493)	(7,635)
Net rental income		19,623	16,372	34,328
Other income	4	1,335	295	470
Administrative expenses				
Directors' remuneration		(85)	(83)	(170)
Investment advisory fee		(2,889)	(2,485)	(5,158)
Other administrative expenses		(1,112)	(1,235)	(2,183)
Total expenses		(4,086)	(3,803)	(7,511)
Gain from fair value adjustment on investment property	5	5,816	31,100	99,727
Operating profit		22,688	43,964	127,014
Finance income		8	-	4
Finance costs		(7,983)	(5,414)	(11,129)
Profit before taxation		14,713	38,550	115,889
Taxation		-	-	-
Total comprehensive income for the period / year attributable to the equity holders of the Company		14,713	38,550	115,889
Earnings per share attributable to the equity holders of the Company:				
Basic earnings per share	7	2.7p	7.4p	21.4p

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.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	As at 31 December 2022 (unaudited) £'000	As at 31 December 2021 (unaudited) £'000	As at 30 June 2022 (audited) £'000
ASSETS				
Non-current assets				
Investment property	5	998,184	859,485	961,915
		998,184	859,485	961,915
Current assets				
Trade and other receivables		8,567	9,105	7,286
Cash and cash equivalents		17,768	48,633	48,682
		26,335	57,738	55,968
Total assets		1,024,519	917,223	1,017,883
LIABILITIES				
Non-current liabilities				
Accruals and deferred income		1,780	3,501	2,243
Interest bearing loans and borrowings	6	248,631	278,214	246,687
		250,411	281,715	248,930
Current liabilities				
Trade and other payables		18,433	18,741	29,742
Interest bearing loans and borrowings	6	112,709	43,884	99,973
		131,142	62,625	129,715
Total liabilities		381,553	344,340	378,645
Net assets		642,966	572,883	639,238
EQUITY				
Called up share capital		5,493	5,493	5,493
Share premium reserve		298,974	298,974	298,974
Capital reduction reserve		129,569	151,539	140,554
Retained earnings		208,930	116,877	194,217
Total equity attributable to the equity holders of the Company		642,966	572,883	639,238
Net asset value per share	8	117.1p	104.3p	116.4p

As at 31 December 2022, there was no difference between NAV per share and EPRA NTA per share.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2021		4,953	245,005	161,984	78,328	490,270
Transactions with owners						
Issue of ordinary shares		540	53,969	-	-	54,509
Dividends paid	11	-	-	(10,446)	-	(10,446)
Comprehensive income						
Profit for the period		-	-	-	38,550	38,550
At 31 December 2021		5,493	298,974	151,538	116,878	572,883
Transactions with owners						
Dividends paid		-	-	(10,984)	-	(10,984)
Comprehensive income						
Profit for the period		-	-	-	77,339	77,339
At 30 June 2022		5,493	298,974	140,554	194,217	639,238
Transactions with owners						
Dividends paid	11	-	-	(10,985)	-	(10,985)
Comprehensive income						
Profit for the period		-	-	-	14,713	14,713
At 31 December 2022		5,493	298,974	129,569	208,930	642,966

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

		Six months ended 31 December 2022 (unaudited) £'000	Six months ended 31 December 2021 (unaudited) £'000	Year ended 30 June 2022 (audited) £'000
	Note			
Cash flows from operating activities				
Profit before tax		14,713	38,550	115,889
Finance income		(8)	-	(4)
Finance costs		7,983	5,414	11,129
Fair value adjustment on investment property	5	(5,816)	(31,100)	(99,727)
Cash generated from operations		16,872	12,864	27,287
(Increase) / Decrease in trade and other receivables		(2,123)	(1,884)	124
(Decrease) / Increase in trade and other payables		(11,774)	(4,966)	4,795
Net cash generated from operating activities		2,975	6,014	32,206
Cash flows from investing activities				
Purchase of investment property	5	(30,453)	(48,020)	(81,822)
Finance income		8	-	4
Net cash used in investing activities		(30,445)	(48,020)	(81,818)
Cash flows from financing activities				
Proceeds from issue of Ordinary Shares		-	55,593	55,593
Cost of share issue		-	(1,084)	(1,084)
Bank and other loans advanced		47,819	48,271	89,624
Bank and other loans repaid		(33,998)	(82,789)	(100,014)
Finance costs		(6,280)	(5,321)	(10,809)
Dividends paid		(10,985)	(10,445)	(21,430)
Net cash (used in) / generated from financing activities		(3,444)	4,225	11,880
Net decrease in cash and cash equivalents		(30,914)	(37,781)	(37,732)
Cash and cash equivalents at beginning of period		48,682	86,414	86,414
Cash and cash equivalents at end of period		17,768	48,633	48,682

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The PRS REIT plc (the "Company") 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 is quoted on the Premium Segment of the Main Market of the London Stock Exchange.

This interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 20 March 2023.

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The financial information for the period ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 June 2022, has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial report for the six month reporting period to 31 December 2022 has been prepared on a going concern basis using accounting policies consistent with UK-adopted International Accounting Standards, in accordance with IAS 34 Interim Financial Reporting. The current period financial information presented in this document has not been reviewed or audited.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022, which has been prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006. The Group's annual consolidated financial statements are available on the Company's website, www.theprsreit.com.

Adoption of new and revised standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards effective as of 1 July 2022.

As at the date of authorisation of these financial statements there were standards and amendments which were in issue but which were not yet effective and which have not been applied. The principal ones were:

- classification of Liabilities as Current or Non-Current – Amendments to IAS 1
- disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- definition of Accounting Estimates – Amendments to IAS 8
- deferred tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The Directors do not expect the adoption of these standards and amendments to have a material impact on the financial statements.

In the current period, the following amendments have been adopted which were effective for the periods commencing on or after 1 July 2022:

- property, plant and equipment: Proceeds before intended use – Amendment to IAS 16
- reference to the Conceptual Framework – Amendments to IFRS 3
- onerous contracts – Costs of Fulfilling a Contract – Amendment to IAS 37
- annual improvements to IFRS Standards 2018 - 2020

The adoption of these amendments has not had a material impact on the financial statements.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Directors have made the following

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

judgements which have the most significant effect on the amounts recognised in the consolidated financial statements.

i. 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.

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.

3. Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis. The Group had net current liabilities of £104.8 million as at 31 December 2022. The increase in net current liabilities reflects the LBG / RBS debt facility which is due to be refinanced on maturity in July 2023. The amount drawn on this facility at 31 December 2022 was £106.5 million. 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 Group's cash balances at 31 December 2022 were £18 million, of which £11 million was readily available. The Group had debt borrowing as at 31 December 2022 of £364 million (gross of unamortised arrangement fees), and has secured further facilities of £76 million. Capital commitments outstanding as at 31 December 2022 were £45 million. The Group's ERV as at 31 December 2022 was £50.7 million from 4,913 homes and has increased to £52.2 million from 4,981 homes as at 10 March 2023. This has increased the Company's recurring income and at this level is more than sufficient to cover monthly cash costs and to support dividend payments, thereby maintaining the Company's REIT status. The Company has monitored and performed stress tests throughout the period since the Government imposed the first national lockdown almost two years ago, and these have shown the Group to be in a strong position throughout.

Therefore, the Directors believe the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group 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 interim condensed consolidated financial statements for the six months ended 31 December 2022. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 31 December 2022, is appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

4. Other income

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

5. Investment property

In accordance with International Accounting Standard, IAS 40 Investment Property, investment property has been independently valued at fair value by Savills (UK) Limited, an accredited external valuer with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuation basis conforms to International Valuation Standards and is based on market evidence of investment yields, expected gross to net income rates and actual and expected rental values.

The valuations are the ultimate responsibility of the Directors. Accordingly, the critical assumption used in establishing the independent valuations are reviewed by the Board.

	Completed assets £'000	Assets under construction £'000	Total £'000
As at 1 July 2021	533,774	246,592	780,366
Completed properties acquired on acquisition of subsidiaries	4,565	-	4,565
Property additions - subsequent expenditure	-	43,454	43,454
Change in fair value	17,349	13,751	31,100
Transfers to completed assets	111,935	(111,935)	-
As at 31 December 2021	667,623	191,862	859,485
Completed properties acquired on acquisition of subsidiaries	10,255	11,526	21,781
Property additions - subsequent expenditure	-	12,022	12,022
Change in fair value	52,112	16,515	68,627
Transfers to completed assets	110,365	(110,365)	-
As at 30 June 2022	840,355	121,560	961,915
Property additions - subsequent expenditure	-	30,453	30,453
Change in fair value	7,224	(1,408)	5,816
Transfers to completed assets	57,885	(57,885)	-
As at 31 December 2022	905,464	92,720	998,184

The historic cost of completed assets and assets under construction as at 31 December 2022 was £815.5 million (30 June 2022: £785.0 million, 31 December 2021: £751.2 million).

Fair values

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

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

Investment property falls within Level 3. 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:

Completed assets:

Type	Range
ERV per property	£9k - £22k
Investment yield (net)	4.00% - 4.75%
Gross to net assumption	22.50% - 25.00%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

6. Interest bearing loans and borrowings

	£'000
Current liabilities	
Bank loans at 1 July 2022	99,941
Loans advanced in the period	47,818
Loans repaid in the period	(33,998)
Capitalised loan costs	(1,084)
Bank loans at 31 December 2022	<u>112,677</u>
Lease liability	<u>32</u>
Total loans and borrowings	<u>112,709</u>
Non-current liabilities	
Bank loans at 1 July 2022	245,684
Loans advanced in the year	-
Capitalised loan costs	1,943
Bank loans at 31 December 2022	<u>247,627</u>
Lease liability	<u>1,004</u>
Total loans and borrowings	<u>248,631</u>

The Group's borrowing facilities are with Scottish Widows, Lloyds Banking Group plc / RBS plc and Barclays Bank PLC. At 31 December 2022, these comprised the following:

Lender	Loan facility	Balance drawn 30 June 2022	Loan period	Interest rate (all in)		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	£106.5 million	3 years	5.03%	Variable	July 2023
Barclays Bank PLC	£40 million	£8.0 million	3 years	6.78%	Variable	August 2025

The loans are all compliant with the banks covenant of 55% loan to value and within the Company's Investment Policy limit of a maximum 45% loan to value.

7. Earnings per share

Earnings per share ("EPS") amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are no dilutive instruments, only basic EPS are quoted below.

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

	31 December 2022 £'000	31 December 2021 £'000	30 June 2022 £'000
Earnings per IFRS income statement	14,713	38,550	115,889

Adjustments to calculate EPRA Earnings:

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Changes in value of investment properties	(5,816)	(31,100)	(99,727)
EPRA Earnings:	8,897	7,450	16,162
Weighted average number of ordinary shares	549,251,458	521,374,692	535,203,388
IFRS EPS (pence)	2.7	7.4	21.4
EPRA EPS (pence)	1.6	1.4	3.0

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

8. Net Asset Value per share

The Group adopted the EPRA issued new best practice guidelines in the year ended 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 period. As there are no dilutive instruments, only basic NAV per share is quoted below.

Net asset values have been calculated as follows:

	As at 31 December 2022	As at 31 December 2021	As at 30 June 2022
IFRS Net assets (£'000)	642,966	572,883	639,238
EPRA adjustments to NTA (£'000)	-	-	-
EPRA NTA (£'000)	642,966	572,883	639,238
Shares in issue at end of period	549,251,458	549,251,458	549,251,458
Basic IFRS NAV per share (pence)	117.1	104.3	116.4
EPRA NTA per share (pence)	117.1	104.3	116.4

The NTA per share calculated on an EPRA basis is the same as the IFRS NAV per share for all period ends.

9. Capital commitments

The Group has entered into contracts with unrelated parties for the construction of residential housing with a total value of £712.6 million (30 June 2022: £689.8 million, 31 December 2021: £671.4 million). As at 31 December 2022, £44.6 million (30 June 2022: £50.2 million, 31 December 2021: £54.8 million) of such commitments remained outstanding.

10. Transactions with Investment Adviser

On 31 March 2017, Sigma PRS Management Ltd ("Sigma PRS") was appointed as the Investment Adviser ("IA") of the Company.

For the period from 1 July 2022 to 31 December 2022, fees of £2.9 million (1 July 2021 to 31 December 2021: £2.5 million) were incurred and payable to Sigma PRS in respect of investment advisory services. At 31 December 2022, £0.5 million remained unpaid (30 June 2022: £0.9 million, 31 December 2021: £0.5 million).

For the period from 1 July 2022 to 31 December 2022, development fees of £1.3 million (1 July 2021 to 31 December 2021: £1.6 million) were incurred and payable to Sigma PRS. At 31 December 2022, £0.1 million (30 June 2022: £0.1 million, 31 December 2021: £0.2 million) remained unpaid.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

11. Dividends paid and proposed

	Six months ended 31 December 2022 (unaudited) £'000	Six months ended 31 December 2021 (unaudited) £'000	Year ended 30 June 2022 (audited) £'000
Dividends on ordinary shares declared and paid:			
3 months to 30 June 2021: 1.0p per share	-	4,953	4,953
3 months to 30 September 2021: 1.0p per share	-	5,492	5,492
3 months to 31 December 2021: 1.0p per share	-	-	5,492
3 months to 31 March 2022: 1.0p per share	-	-	5,493
3 months to 30 June 2022: 1.0p per share	5,493	-	-
3 months to 30 September 2022: 1.0p per share	5,492	-	-
	10,985	10,445	21,430
Proposed dividends on ordinary shares:			
3 months to 31 December 2021: 1.0p per share	-	5,492	-
3 months to 30 June 2022: 2.0p per share	-	-	5,493
3 months to 31 December 2022: 1.0p per share	5,492	-	-
	5,492	5,492	4,953

The proposed dividend was paid on 3 March 2023, to shareholders on the register at 17 February 2023.

12. Post balance sheet events

Dividends

On 7 February 2023, the Company declared a dividend of 1.0p per ordinary share in respect of the second quarter of the current financial year. The dividend was paid on 3 March 2023, to shareholders on the register as at 17 February 2023.

SUPPLEMENTARY INFORMATION

I. EPRA PERFORMANCE MEASURES SUMMARY

	31 December 2022	31 December 2021	30 June 2022
EPRA earnings per share	1.6p	1.4p	3.0p
EPRA net tangible asset value (EPRA NTA)	117.1p	104.3p	116.4p

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

	31 December 2022 £'000	31 December 2021 £'000	30 June 2022 £'000
Rental income	24,171	19,865	41,963
Non-recoverable property costs	(4,548)	(3,493)	(7,635)
Net rental income	19,623	16,372	34,328
Other income	1,335	295	470
Administrative expenses	(4,086)	(3,803)	(7,511)
Operating profit before interest and tax	16,872	12,864	27,287
Net finance costs	(7,975)	(5,414)	(11,125)
Profit before taxation	8,897	7,450	16,162
Taxation on EPRA earnings	-	-	-
EPRA earnings	8,897	7,450	16,162
Weighted average number of Ordinary Shares	549,251,458	521,374,692	535,203,388
EPRA earnings per share	1.6p	1.4p	3.0p

III. STATEMENT OF FINANCIAL POSITION

	31 December 2022 £'000	31 December 2021 £'000	30 June 2022 £'000
Investment properties	998,184	859,485	961,915
Other net assets	6,122	35,496	23,983
Borrowings	(361,340)	(322,098)	(346,660)
Total shareholders' equity	642,966	572,883	639,238
Adjustments to calculate EPRA NTA:	-	-	-
EPRA net tangible assets	642,966	572,883	639,238
Ordinary Shares in issue at year end	549,251,458	549,251,458	549,251,458
EPRA NTA per share	117.1p	104.3p	116.4p