Company Number 10638461

THE PRS REIT PLC

INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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INTERIM REPORT AND FINANCIAL STATEMENTS
For the six months ended 31 December 2023

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Continued very strong asset performance,
Portfolio now at over 5,300 completed homes
Dividend fully covered on an annualised run-rate basis from March 2024

HIGHLIGHTS

Financial

	Six months ended 31 December 2023	Six months ended 31 December 2022	Change
Revenue	**£28.1m**	£24.2m	+16%
Net rental income	**£22.9m**	£19.6m	+17%
Adjusted earnings*	**£18.7m**	£16.9m	+11%
Operating profit	**£39.2m**	£22.7m	+73%
Profit before tax	**£30.3m**	£14.7m	+106%
Basic earnings per share	**5.5p**	2.7p	+104%
EPRA earnings per share	**1.8p**	1.6p	+13%

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

- Profitability in line with management expectations; the year-on-year change mainly reflected the difference in gains from fair value adjustments on investment property between the two periods, with £20.5m recognised in the period under review ("**H1 2024**") compared to £5.8m in the comparative period ("**H1 2023**"). These movements are non-cash items.
- Net asset value per share increased to 123.6p (30 June 2023: 120.1p). This reflected strong ERV growth, which offset a marginal softening in the average net investment yield.

	At 31 Dec 2023	At 30 Jun 2023	Change
Net assets	**£679m**	£660m	+3%
IFRS NAV and EPRA NTA per share	**123.6p**	120.1p	+3%

Operational

Portfolio delivery	At 31 Dec 2023	At 30 Jun 2023	At 31 Dec 2022
No. of completed homes	**5,264**	5,080	4,913
ERV per annum	**£60.3m**	£55.0m	£50.7m
No. of contracted homes	**312**	444	613
ERV per annum	**£3.1m**	£3.8m	£6.6m
Completed and contracted sites	**72**	71	71
ERV per annum	**£63.4m**	£58.8m	£57.3m
No. of completed and contracted homes	**5,576**	5,524	5,526

Portfolio performance	At 31 Dec 2023	At 31 Dec 2022
Gross to net	**18.5%**	18.8%
Rent collection (rent collected in H1 relative to rent invoiced in H1)	**99%**	98%
Like-for-like rental growth (based on average rent per unit for stabilised sites)	**11.1%**	5.7%
Average yield on assets in the portfolio	**4.5%**	4.3%

- Housing delivery is in its final stages for the current portfolio, with 184 new homes added to the Company's portfolio in H1 2024 (H1 2023: 127). This included the acquisition of a fully completed and let development site of 52 homes. A further 312 homes were under way at 31 December 2023 (31 December 2022: 613)
    - portfolio total at 31 December 2023: 5,264 completed homes with an ERV of £60.3m p.a.

HIGHLIGHTS (Cont.)

- Completed assets performed strongly over the period:
  - occupancy at 97% (or 98% including homes reserved for applicants who had passed referencing and paid deposits) (H1 2022: 97% and 98% respectively)
  - rent collection at 99% (H1 2023: 98%)
  - like-for-like rental growth for the year to 31 December 2023 was 11.1% (31 December 2022: 5.7%) - with renewals up by c.9% and re-lets to new tenants up by c.16%
  - total arrears net of bad debt provision remained low at c.£1.0m at period end (31 December 2022: £0.7m) and reduced to £0.6m at 31 January 2024
  - net rental income increased by 17% to £22.9m (H1 2023: £19.6m)
  - affordability remained strong: average rent as a proportion of gross household income was c.23% - significantly better than Homes England's guidance limit of 35%

- Net asset value per share increased to 123.6p (30 June 2023: 120.1p). This reflected strong ERV growth, which offset a marginal softening in the average net investment yield to 4.5% (30 June 2023: 4.47%)
  - the Single Family Rental sub-sector continues to deliver the most robust performance in investment yields across the property sector, reflecting the resilience of this category[1]

- Total housing delivery currently anticipated at c.5,600 homes, with an ERV of c.£64m p. a.*

Dividend

- Dividends amounting to 2.0p per share were declared in H1 2024 (H1 2023: 2.0p). Total dividend target for FY 2024 remains 4.0p per share*
  - the 4.0p dividend target is fully covered on an annualised run-rate basis from March 2024

Outlook

- Between 1 January and 8 March 2024, 42 new homes were added to the portfolio, taking it to 5,306 completed homes with an ERV of £61.7m p.a. A further 270 homes with an ERV of £2.5m were under construction at 8 March 2024

- Rental demand for high-quality family homes remains very strong nationally and is expected to grow against a background of structural under supply, higher interest rates and continued 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 has delivered another strong performance. Despite the continued pressure in the wider economy, I am pleased to report that occupancy levels, rent collection, affordability and demand have all remained at very high levels, whilst arrears continued to stay low. These factors have helped to drive the increase in cash generation and predictable income flows achieved in the period as our portfolio moves closer to completion. I am also pleased to report that the 4.0p target dividend for the year is fully covered on an annualised run-rate basis from March 2024.

"On 8 March 2024, the portfolio reached 5,306 homes and we expect to achieve c.5,600 completed units by early summer 2025, if current progress is maintained. Once delivery is fully complete, we anticipate that the portfolio will have an estimated rental value of £64 million per year.*

"We operate in a very robust segment of the property rental market – single family rental – and macro factors remain very supportive of the business. This reflects the structural lack of supply of homes in the UK, and strong demand, which has been further fuelled by the adverse effects of higher interest rates for prospective home buyers. Industry forecasts anticipate further rental growth in 2024, which concurs with our view. We have built a portfolio of high-quality homes that are affordable for ordinary families across the country and remain very confident of ongoing 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.*

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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 2023.

The PRS REIT's current housing delivery programme is in its final stages, with more than 95% of the programme fulfilled. At 8 March 2024, the Company's portfolio stood at 5,306 completed new homes, with a further 270 homes under way. The portfolio continues to perform strongly and I am pleased to report that the annual dividend target of 4.0p for the current financial year is fully covered on an annualised run-rate basis from March 2024.

Largest portfolio of single-family rental homes in the UK

The Company's portfolio of build-to-rent ("**BTR**") family homes is the largest of its kind in the UK. It is geographically diverse, with 72 developments (31 December 2022: 71 sites) across the major regions of England - in the North-West, North-East, Yorkshire, the Midlands, East of England and South-East (excluding London) – and single developments in Scotland and Wales.

The portfolio grew by an additional 184 homes in the first six months of the financial year, which included the acquisition of a completed development site of 52 new homes. This took the total number of completed homes in the portfolio to 5,264 at 31 December 2023 (31 December 2022: 4,913 completed homes).

The estimated rental value ("**ERV**") of the 5,264 completed homes was £60.3 million per annum (31 December 2022: 4,913 homes and ERV of £50.7 million). This reflects c.7% growth in the number of units and c.12% growth in ERV over that time.

At 31 December 2023, a further 312 homes with an ERV of £3.1 million per annum were under way, at varying stages of the construction process.

The value of net assets at 31 December 2023 stood at £679 million, up by 6% year-on-year and 3% higher than at 30 June 2023 (31 December 2022: £643 million and 30 June 2023: £660 million). The net asset value ("**NAV**") per share is 123.6p.

We estimate that, when the current delivery programme is complete, the portfolio will comprise some 5,600 homes with an ERV of approximately £64 million per annum once fully let.

Continued strong asset performance

Occupancy and rent collection

Occupancy and rent collection remained very strong. Physical occupancy at 31 December 2023 stood at 97%, with 5,087 of the 5,264 completed homes occupied (31 December 2022: 97%). A further 47 homes were reserved for applicants who had passed referencing and paid rental deposits, giving a total occupancy rate of 98% at the period end. Rent collection (measured as rent collected relative to rent invoiced in the period) was 99% (H1 2023 2022: 98%) with no discernible difference attributable to prevailing economic conditions.

Affordability and Arrears

Affordability, which is calculated as average rent as a proportion of gross household income, continues to be very healthy, with the ratio at approximately 23%. This is significantly better than Homes England's 35% upper guidance limit for what it views as affordable rent.

Total arrears net of bad debt provision remained low at 31 December 2023 at £1.0 million on 5,264 completed units (H1 2023: £0.7 million on 4,913 completed units) and reduced to £0.6m at 31 January 2024 on 5,275 completed units.

Rental income growth

The portfolio's growth and the strong performance of its assets is reflected in the 17% increase in net rental income to £22.9 million (H1 2023: £19.6 million). Like-for-like rental growth on stabilised sites increased by 11.1% over the twelve months to 31 December 2023 (12 months to 31 December 2022: 5.7%). Rental growth on lets to new tenants averaged approximately 16%, and on renewals with existing tenants, rental growth averaged approximately 9%.

CHAIRMAN'S STATEMENT (CONT)

The portfolio's excellent asset performance reflected continued strong demand for high-quality family rental homes, which remain undersupplied. Rightmove's Rental Trends Tracker report for the last quarter of 2023[2] highlighted a new record high in average advertised rent (outside of London). The new peak of £1,280 per calendar month meant that the average advertised rent (outside of London) was 9.2% higher than the prior year. The report, which was published in January 2024 and is the largest quarterly dataset of UK rental activity, also predicted that average rents will continue to rise, although it also stated that there are signs of more tenants hitting an affordability ceiling. The average number of enquiries that agents were receiving for every available rental property at the start of 2024 was 11. This compares to an average of four in 2019, showing a continuing imbalance between supply and demand.

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 16% to £28.1 million against the same period last year (H1 2023: £24.2 million). This reflected growth in the number of completed and let homes as well as increased rental levels. After non-recoverable property costs, the net rental income for the period was £22.9 million, a 17% rise on the first half of 2023 (H1 2023: £19.6 million). Other income of £0.1 million (H1 2023: £1.3m) related to compensation payments arising from delayed housing delivery across development sites.

Profit from operations increased by 73% to £39.2 million (H1 2023: £22.7 million), with the increase 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 2024, there were gains of £20.5 million from fair value adjustments on investment property, which compared to gains of £5.8 million in H1 2023. These non-cash items were mainly driven by the increased ERV given a slight softening in average net investment yield. Profit from operations is also stated after total expenses, which amounted to £4.4 million (H1 2023: £4.1 million).

Profit before tax more than doubled to £30.3 million (H1 2023: £14.7 million), and similarly, basic earnings per share more than doubled to 5.5p (H1 2023: 2.7p). Of this, 1.8p represented recurring earnings per share in line with the European Public Real Estate Association ("**EPRA**") definition and with dividends of 2.0p per share paid in the first half (H1 2023: 2.0p), on this basis, actual dividend cover was 90%.

Net assets increased over the year by 6% to £679 million as at 31 December 2023 (31 December 2022: £643 million and 30 June 2023: £660 million). This equates to a NAV of 123.6p per share on both an International Financial Reporting Standards ("**IFRS**") basis and on the EPRA Net Tangible Asset ("**NTA**") basis (30 June 2023: IFRS and EPRA NTA both 120.1p).

NAV movement:	**Six months ended 31 December 2023**	**Six months ended 31 December 2022**	**Year ended 30 June 2023**
Opening NAV	120.1p	116.4p	116.4p
Valuation and development	3.7p	1.1p	4.6p
Earnings	1.8p	1.6p	3.1p
Dividends paid	(2.0)p	(2.0)p	(4.0)p
Closing NAV	**123.6p**	**117.1p**	**120.1p**

The movement in the NAV position, from 120.1p to 123.6p between 30 June 2023 and 31 December 2023, is after total dividend payments of 2.0p per share (£11.0 million).

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

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2 https://www.rightmove.co.uk/news/rental-price-tracker

	Six months ended 31 December 2023 (unaudited)	Six months ended 31 December 2022 (unaudited)	Year ended 30 June 2023 (audited)
IFRS EPS (pence per share)	**5.5p**	2.7p	7.7p
EPRA EPS (pence per share)	**1.8p**	1.6p	3.1p

	As at 31 December 2023 (unaudited)	As at 31 December 2022 (unaudited)	As at 30 June 2023 (audited)
IFRS NAV (pence per share)	**123.6p**	117.1p	120.1p
EPRA NTA (pence per share)	**123.6p**	117.1p	120.1p

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 2023 and the first quarter of the current financial year and were paid on 1 September and 1 December 2023 respectively.

A dividend of 1.0p per ordinary share relating to the second quarter of the current financial year was paid on 8 March 2024 to shareholders on the register at 16 February 2024. This brought the total of dividends paid to date since the Company's inception in May 2017 to 28.0p per share.

The Board presently 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. As at 31 December 2023, the 4.0p per share dividend was almost fully covered (97%) by EPRA earnings on an run-rate basis. Dividend cover has continued to increase as home completions and lettings have advanced, and as we exit March 2024, earnings have reached a level on an annualised run-rate basis that fully covers the target dividend.

Debt Facilities

As at 31 December 2023, the Company had £460 million of committed debt facilities available for utilisation. This comprised £427 million of investment debt facilities and £33 million of development debt facilities. Our lending partners are:

- Scottish Widows (£250 million);
- Legal and General Investment Management (£102 million);
- The Royal Bank of Scotland plc (£75 million); and
- Barclays Bank PLC (£33 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 £415 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 £352 million have an average term of 16 years and an average weighted cost of 3.8%. This compares favourably with the average net investment yield of 4.53%. The short-term RBS investment debt facility expires in July 2025, and the short-term Barclays development debt facility is due to expire in August 2025.

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 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 is majority owned by PineBridge Investments, a private global asset manager with $157bn in assets under management as at December 2023.

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

Gender diversity

The current male-to-female ratio of the Board of Directors is 60:40 (H1 2023: 80:20). The Company is fully compliant with the new Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1).

The following table sets out the gender and ethnic diversity of the Board as at 31 December 2023 in accordance with the Listing Rules:

Gender Diversity	Number of Board members	Percentage of the Board %	Number of senior positions on the Board[3]
Men	3	60	1
Women	2	40	1
Not specified / prefer not to say	-	-	-

Ethnic Diversity			
White British or other White (including minority white groups)	3	60	1
Mixed/ Multiple Ethnic Groups	1	20	-
Asian/ Asian British	1	20	1
Black / African / Caribbean / Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not specified / prefer not to say	-	-	-

Outlook

Housing delivery progressed well and the performance of the portfolio remains extremely strong across all key measures. The latest portfolio data for 1 January to 8 March 2024 shows that another 42 new homes have been added to the portfolio, taking it to 5,306 completed homes, with an ERV of £61.7 million. A further 270 homes were at varying stages of the construction process with an ERV of £2.5m. Occupancy over this period to 8 March stood at 96%, rent collection at 99% and total arrears net of provision stood at £0.6 million. Like-for-like blended rental growth on stabilised sites to the end of February was 11.6%. Importantly, affordability also continues to be very healthy with average rent as a proportion of gross household income at 22%.

There are long-term drivers supporting the private rented housing sector, most fundamentally lack of supply and burgeoning demand, which is driven by many factors, especially the affordability challenges of buying a home and population growth.

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[3] Senior positions include Chair and Senior Independent Director

These factors support the long-term prospects for the PRS REIT, and we believe our homes will continue to rent very well over the long-term. This reflects not only macroeconomic factors, but also the attractions of our high-quality, well-located, and professionally-managed homes, which have been designed to be affordable for the typical family. The portfolio's average rent as a proportion of household income is about 23%. It is also relevant to note that a consistent and strong theme we receive from residents' feedback is the greater peace of mind they feel as renters because our homes are available to rent for the long-term. We also place a great deal of importance on creating a sense of community across all our estates, with regular social events, amongst other initiatives designed to promote and encourage community engagement.

The Board recognises the heightened risks associated with current geopolitical tensions across the globe. While there may be little it can do to influence these events, the Board continuously monitors them and their potential impact on market and economic conditions.

As we look across the remainder of the financial year, we remain confident of housing delivery and continuing strong asset performance. Industry forecasters are predicting continued rental growth across the country over 2024 although not at the same level as 2023. If current delivery schedules remain on track, we expect the balance of housing delivery to be completed by early summer 2025. This should take the portfolio to our estimated target of 5,600 homes with an ERV in excess of c.£64 million per annum, reinforcing the PRS REIT's position as market leader in the provision of new single-family homes for the private rented sector.

Our dividend target for the full year remains 4.0p per share, with this payment fully covered on an annualised run-rate basis from March 2024.

Finally, I would like to thank our Investment Adviser, Sigma PRS, and all our stakeholders, including our investors, housebuilder partners and supporters in government. In challenging times, together, we are creating a portfolio of energy efficient and desirable rental homes for families across the UK and playing a part in providing much needed social infrastructure.

Steve Smith
Chairman
19 March 2024

INVESTMENT ADVISER'S REPORT

Sigma PRS, a wholly-owned subsidiary of Sigma Capital Group Limited, is the Company's Investment Adviser. It is pleased to provide a report on the PRS REIT's activities and progress for the six months to 31 December 2023. Sigma is majority owned by PineBridge Investments, a private global asset manager with over $157bn 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. It is delivering this through the establishment of a large-scale portfolio of newly-constructed residential rental homes in or near towns and cities in the UK for the private rented sector.

The Company's scalable business model is able to deliver new homes across multiple regions and sites. It utilises the Investment Adviser's PRS property delivery and management platform (the "**Sigma PRS 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 has concentrated on traditional housing, with broad appeal across the demand spectrum, and its portfolio comprises differing house types, built to standardised specifications. They cater for different life stages, including smaller houses for young couples and retirees, and larger houses for growing families. The Company has also invested in some low-rise flats in appropriate locations to broaden its rental offering.

The Company's homes are located across multiple sites in the UK, outside London. Sites are predominantly in the Midlands and the North, with locations chosen for their accessibility to main road and rail links, good primary schooling, and proximity to centres of economic activity, which promote long-term employment prospects. The new-build nature of the assets means that they benefit from a 10-year building warranty, typically from the NHBC (National House Building Council), and manufacturers' warranties. 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 has been building its portfolio in two ways.

- In the first instance, Sigma PRS has selected suitable development sites which already have detailed planning permission and then agreed a fixed price design & build contract with one of Sigma PRS's construction partners. Sigma PRS then manages the delivery process on behalf of the Company.

  Assets are acquired with detailed planning consent and fixed price design & build contracts, thereby minimising the Company's exposure to development risk. Construction risk has been further mitigated with standard fixed-price 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 and an indemnity for losses incurred. Over three-quarters of the Company's assets have been sourced through this way.

- In the second instance, assets have been acquired by entering into forward purchase agreements with Sigma, the holding company of Sigma PRS. The assets are acquired once fully completed and let. Typically, they have been constructed by the same construction partners and supply chain as other assets whose development is described above, thereby ensuring homogeneity of the Company's housing stock. Completed and stabilised developments may also be purchased from other third-parties using approved construction partners.

In both instances, assets are acquired at the valuation provided by the PRS REIT's independent valuer. The PRS REIT retains the right of first-refusal to acquire and develop any sites sourced by Sigma PRS that meet the Company's 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 Platform**") to scale the PRS REIT's portfolio and to minimise development and operational risks.

Dedicated Sigma teams manage legal due diligence, corporate debt provision, site identification, development management, accounting and financial reporting, brand representation, and leasing and property management.

The efficacy of the Platform is well established across multiple regions, geographic locations and portfolios, and the scale of the Platform brings significant financial and operational benefits to the PRS REIT. Benefits include the Platform's relationships with development partners, which support the identification and acquisition of new homes, the award-winning 'Simple Life' brand, which has widespread consumer recognition, and the Platform's economies of its scale. These advantages help to facilitate growth opportunities, and support income growth and cost control.

Dedicated Finance Team

Sigma has a dedicated PRS REIT accounting and financial reporting team, which cover all aspects of the Company's finances. This includes site acquisition, funding, board, management and statutory reporting, performance monitoring, forecasting, debt covenant compliance and taxation.

In-house Debt and Legal Team

The debt and legal teams at Sigma use their extensive knowledge of the PRS REIT and leverage their longstanding relationships with funders within the sector to secure bespoke debt facilities with competitive pricing. These are used to ensure sufficient ongoing support for assets throughout their lifecycles. The legal teams have also built-up strong relationships with funders' advisers and this helps to ensure a streamlined and efficient legal process when transferring assets across debt pools, which in turn drives optimum use of capital within the business.

Development Team

The Platform comprises relationships with construction partners, central government, and local authorities. Key construction partners include Vistry Group including Countryside Partnerships, Kellen Homes, Springfield Properties, Lovell, Telford Homes and Persimmon. 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 development sites agreed through the Platform on behalf of the PRS REIT have an appropriate certificate of title, detailed planning consent and a fixed price design & build contract with one of Sigma's housebuilding partners.

Marketing Team

The PRS REIT's homes are marketed under Sigma's 'Simple Life' brand, which is widely recognised as a leader in the single-family rental sector. The number of enquires received from Simple Life's own marketing channels is now consistently greater than those received from the traditional property portals.

Lettings Management Team

A specialist Sigma team of leasing and property management professionals manage the pricing and the release of new homes as well as the customer journey for all properties. An award-winning, bespoke tenant app. also supports all residents.

Asset Management Team

The Asset Management Team is responsible for detailed reviews of tenancies, income and asset management, which are undertaken on a weekly basis. This underpins an orderly process in the management of both tenancy renewals and new lets, and supports optimal income predictability and generation. The scale of Sigma's broader operations outside the PRS REIT, means that the Platform has significant purchasing power and its economies of scale benefit the PRS REIT, reducing costs and providing greater long-term visibility of costs.

Operational Review

Delivery and pipeline

A total of 184 new homes were added to the PRS REIT's portfolio in the first half of the current financial year. This included the acquisition, from Sigma, of a fully-let new development of 53 homes in Yorkshire. As with previous site acquisitions, it was independently valued by Savills prior to purchase. The site has an ERV of £0.5 million per annum.

The addition of these new homes took the total number of completed homes in the Company's portfolio at 31 December 2023 to 5,264, a 7% increase period-on-period (31 December 2022: 4,913 homes). The portfolio's estimated rental value ("**ERV**") at the end of the first half was £60.3 million per annum (31 December 2022: £50.7 million per annum), a rise of £9.6 million from the same date in 2022.

Development costs of investment property over the first half to 31 December 2023 totalled £15.5 million (H1

2023: £30.5 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, reducing as the development completes.

The Company's gross funding of £983 million (including investment debt) has been fully allocated.

The table below provides a summary of development activity and shows the cumulative number of PRS homes 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 2023	At 30 Jun 2023	At 31 Dec 2022
No. of completed homes	**5,264**	5,080	4,913
ERV per annum of completed homes	**£60.3m**	£55.0m	£50.7m
No. of contracted homes	**312**	444	613
ERV per annum of contracted homes	**£3.1m**	£3.8m	£6.6m
Total number of sites (completed and contracted)	**72**	71	71
No. of completed and contracted homes	**5,576**	5,524	5,526
ERV per annum of completed and contracted homes	**£63.4m**	£58.8m	£57.3m

The Company continues to work with one of its principal house building partners to resolve a planning issue in respect of one of its sites. The value of the site represents approximately 2.3% of the balance sheet investment value of assets as at the interim date. Further details can be found in Note 5.

Geographic diversification

The number of sites in the Company's portfolio stood at 72 on 31 December 2023 (31 December 2022: 71). Sites span the major regions of England, with single sites in Wales and central Scotland.

Based on Investment Value, approximately 51% 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 14% are in Yorkshire and the North East. Of the balance, approximately 11% of homes are in the South of England, 2% in Wales, and the remaining 1% of homes are situated in central 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 2023, 65 of the 72 development sites were completed and income-producing, with the remaining seven sites part-way through construction. 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 on the remainder of a site, 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 remains high, and the portfolio continues to perform very strongly as it grows.

- ***Increased rental income and rental growth***
  The portfolio's annualised ERV (including completed and contracted sites) as at 31 December 2023 increased by 11% year-on-year to £63.4 million (31 December 2022: £57.3 million) and was 8% higher than at 30 June 2023 (£58.8 million). These increases reflect buoyant demand and an increase in the number of assets in the portfolio.

  Like-for-like rental growth in the 12 months to 31 December 2023 was 11.1% on stabilised sites.

- ***High occupancy levels***
  Physical occupancy was at 97% at 31 December 2023 (31 December 2022: 97%). Including prospective tenants who had passed referencing and paid their deposits, but not yet taken occupation as at 31 December 2023, the occupancy rate was 98% (31 December 2022: 98%).

- ***Strong rent collection***
  Rent collection remained strong at 99% (H1 2023: 98%). Rent collection is measured as rent invoiced in the period relative to rent received in the same period. Rent arrears, net of provision, continued to be low, at £1 million (H1 2023: £0.7 million) and reduced to £0.6 million as at 31 January 2024.

- ***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.

  Non-recoverable property costs were 18.5% of gross rental income during H1 2024 (H1 2023: 18.8%), reflecting a combination of increasing rents and control over operating costs. All other costs are in line with management's targets.

- ***Affordable homes***
  Homes remain well within Homes England's stated affordability upper guidance limit of 35%. The average rent of PRS REIT homes as a proportion of average gross household income is at c.23%.

Key performance indicators

The Company's performance is tracked, and the major key performance indicators ("**KPIs**") are shown below:

	Six months ended 31 Dec 2023	Six months ended 31 Dec 2022
Rental income (gross)	**£28.1m**	£24.2m
Average rent per month per tenant	**£955**	£861
Number of properties available to rent	**5,264**	4,913
Average net investment yield	**4.5%**	4.3%
Non-recoverable property costs as a percentage of gross rent (gross to net)	**18.5%**	18.8%
Fair value uplift on investment property	**£20.5m**	£5.8m
Operating profit	**£39.2m**	£22.7m
Earnings per Share ("**EPS**")	**5.5p**	2.7p
EPRA EPS	**1.8p**	1.6p
Dividends declared per share in relation to the period	**2.0p**	2.0p
Dividends paid during the period	**2.0p**	2.0p

All the KPIs are in line with management expectations. Gross and net 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 8 March 2024, we delivered a further 42 rental homes with an ERV of approximately £0.6 million per annum. This has taken the Company's portfolio of completed homes at 8 March 2024 to 5,306 homes, with an ERV of around £61.7 million per annum. A further 270 homes were under way at that point.

Out of 5,306 completed homes, 5,119 homes were let as at 8 March 2024, and a further 64 homes were reserved to qualified applicants with rent deposits paid at that date.

ESG approach

The Company recognises that it is a long-term stakeholder in the communities and neighbourhoods it creates and takes this responsibility very seriously. 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 reports to the Company's Board formally on a bi-annual basis and informally at every Board meeting. In order to better achieve its ESG goals, Sigma PRS engages with leading industry bodies that seek to promote high ESG standards and best practice.

Sigma PRS is also 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, particularly 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 has committed to the SDG Ambition Benchmark, which support the UN's goals. It is particularly focusing on the UN's target of Land Degradation Neutrality ("**LDN**") and its LDN principles. Objectives include zero deforestation and enhanced biodiversity through tree and wildflower planting programmes.

The PRS REIT is committed to funding social and charitable activities and these activities are now funded through The PRS REIT ESG Community Fund. Its activities are approved by the Board and managed by Sigma PRS. Between 1 July 2023 and 31 December 2023, approximately £130,000 was invested across a variety of good causes across the Company's geographic footprint.

Processes and strategies

As an industry leader in the provision of private rental homes, the PRS REIT recognises both its responsibilities regarding the environment and public priorities.

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 that 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. These partnerships are prioritising the reduction of carbon emissions, the promotion of biodiversity and the 'future-proofing' assets. Sigma PRS maintains a regular dialogue with construction partners regarding these priority areas, and in particular alternative heat provision and energy efficiency. Alongside this, data gathering and 'impact' measurement remains crucial and Sigma PRS seeks to maintain a collaborative approach with partners.

As part of its biodiversity activities, Sigma PRS has partnered with GreenTheUK Limited to deliver tree planting, rewilding, wildflower and vegetable workshops and sessions to 26 schools close to the Company's developments. Sigma PRS also supports other school and community nature and outdoor learning projects under its Biodiversity Project. So far, this initiative has reached over 300 children across four locations, and further education days are planned for Spring 2024.

Maintenance Support

The repair and management app, *FixFlo*, implemented by the Investment Adviser, continues to provide both a highly convenient way for *Simple Life*[4] customers either to self-fix, where appropriate, or to report and monitor repair and maintenance issues. As well as being a useful tool for residents, it enables maintenance services to be provided more efficiently and reduces physical contractor visits, which typically incur carbon emissions.

Energy Performance data

The Company's homes are energy efficient. Approximately 87% of portfolio homes have an EPC rating in band A or B (1% in band A and 86% in band B), with 13% rated in band C.

This means that their energy performance is well ahead of the both the Government's existing and future minimum energy performance targets for rental properties. Currently, all rental properties are required to reach a minimum EPC rating of E. However, a new minimum EPC rating of C2 has recently been introduced, with all rental properties expected to meet this new minimum rating by 2028.

Charities

Sigma PRS continues to support its chosen partner charities and, in the period, expanded the number of charities with which it works. In providing support, Sigma PRS aims to focus on building long-term partnerships, in particular with charities and causes that have links and connections to the areas in which the Company's developments are located. Sigma PRS also encourages residents to participate by nominating good causes.

In the period, residents put forward a number of new sports clubs and local groups for the REIT to support. Residents also participating in nominations for the 2023 Christmas Donations fund. The fund was able to double its giving and 24 charities each received £1,000 over Christmas. To date, support, both financial and practical, is being given to over 50 charities across the country.

Projects

Over the course of the Summer 2023, the REIT sponsored young people's engagement with The Outward Bound Trust's courses at its Ullswater centre. Participants were drawn from the Company's developments, charity partners and from the wider community.

The REIT's partnership with Speed of Sight, a charity providing driving experiences to the blind and partially-sighted, supported three track days across the country, enabling 60 people to enjoy the benefits of this activity. Plans are in place for four track days in 2024.

Social events for residents

Sigma PRS's social events for residents remain popular across the PRS REIT's communities. These events

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[4] The PRS REIT's rental homes are marketed under the '*Simple Life*' brand

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 its 6th annual ice-cream event, and ice-cream vans visited 52 communities over ten days, delivering over 4,600 ice creams to residents.
- In the Autumn, Sigma PRS organised evening pizza events across 13 developments, and an extended entertainment evening was held at the Empyrean development. Over 1,600 pizzas were provided.
- At Christmas, Sigma PRS arranged for Father Christmas and an accompanying band to visit 56 sites across the country, reaching over 4,800 homes.
- In 2023, Simple Lifestyle, a hub on the My Simple Life app, was launched. It contains content designed to support a healthy lifestyle. Fashioned on the highly successful Health and Wellbeing Series, it connects residents to relevant facilities within their communities, and promotes learning, healthy activity and general wellbeing.

The Company's Environment, Social and Governance initiatives and policies are detailed in its ESG Report 2023, 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. All maintenance operatives are trained on toolbox talks and no incidents have been reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("**RIDDOR**").

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 Board reviews the skills and experience of all Board members and undertakes a Board performance review on an annual basis. In accordance with the AIC Code of Corporate Governance, the Board has an externally facilitated performance review every three years.

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 believes in robust and effective corporate governance and is committed to maintaining high standards and applying the principles of best practice.

Risk

The Board has established procedures to manage risk and oversee the internal control framework. The PRS REIT's principal and emerging risks and uncertainties are monitored closely by the Board on an ongoing basis.

Current Trading and Outlook

Prospects remain very encouraging. New housing delivery is progressing well and the portfolio continues to perform very strongly.

Between the beginning of the third quarter of the financial year, 1 January 2024, and 8 March 2024, an additional 42 new homes have been completed, with a further 270 homes under way at that point. This has expanded the PRS REIT's portfolio of completed homes to 5,306 completed homes with an ERV of £61.7 million per annum.

INVESTMENT ADVISER'S REPORT (Cont.)

Demand for the REIT's homes remains very high and at 8 March 2024, 96% of completed homes were occupied. Including those applicants who had paid deposits and passed the qualification process although not yet taken physical residence, the occupancy rate at 8 March was at 98%.

Between 1 January and 8 March 2024, rent collection (which is measured as rent collected relative to rent invoiced in the same period) was very strong at 99% and active arrears remained low at £0.6 million. Like-for-like blended rental growth on stabilised sites for the year to the end of February was 11.6% while affordability remained very healthy, with average rent as a proportion of gross household income at 22%.

We expect these strong performance figures to be maintained, especially against the backdrop of a severe lack of supply of quality family rental homes in the UK, and continuing mortgage affordability pressures, particularly for first-time buyers in a higher-interest rate environment.

The interim dividend payment for the three months to 31 March 2024 will be considered and declared in the fourth quarter of the current financial year. The Board continues to target* a total dividend of 4.0p per ordinary share for the current financial year. We are very pleased to highlight that, this level of dividend is fully covered by earnings on an annualised run-rate basis from March 2024. Dividend cover should continue to increase further as assets are completed and let, expanding rental income.

Sigma PRS Management Ltd
19 March 2024

**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 54 to 57 of the Company's 2023 Annual Report were unchanged during the period and will remain unchanged for the remaining six months of the financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

In preparing the Interim Financial Report for the six month period to 31 December 2023, 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; 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

19 March 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2023

	Note	Six months ended 31 December 2023 (unaudited) £'000	Six months ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Rental income		**28,148**	24,171	49,701
Non-recoverable property costs		**(5,208)**	(4,548)	(9,551)
Net rental income		**22,940**	19,623	40,150
Other income	4	**95**	1,335	1,646
Administrative expenses				
Directors' remuneration		**(110)**	(85)	(180)
Investment advisory fee		**(2,975)**	(2,889)	(5,788)
Other administrative expenses		**(1,299)**	(1,112)	(2,300)
Total expenses		**(4,384)**	(4,086)	(8,268)
Gain from fair value adjustment on investment property	5	**20,533**	5,816	25,353
Operating profit		**39,184**	22,688	58,881
Finance income		**63**	8	49
Finance costs		**(8,969)**	(7,983)	(16,478)
Profit before taxation		**30,278**	14,713	42,452
Taxation		**-**	-	-
Profit after tax		**30,278**	14,713	42,452
Earnings per share attributable to the equity holders of the Company:				
Basic and diluted earnings per share	7	**5.5p**	2.7p	7.7p
EPRA earnings per share		**1.8p**	1.6p	3.1p

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 2023

	Note	As at 31 December 2023 (unaudited) £'000	As at 31 December 2022 (unaudited) £'000	As at 30 June 2023 (audited) £'000
ASSETS				
Non-current assets				
Investment property	5	**1,080,058**	998,184	1,034,732
		1,080,058	998,184	1,034,732
Current assets				
Trade and other receivables		**7,855**	8,567	7,066
Cash and cash equivalents		**16,063**	17,768	13,198
		23,918	26,335	20,264
Total assets		**1,103,976**	1,024,519	1,054,996
LIABILITIES				
Non-current liabilities				
Accruals and deferred income		**1,789**	1,780	2,081
Interest bearing loans and borrowings	6	**382,117**	248,631	248,440
		383,906	250,411	250,521
Current liabilities				
Trade and other payables		**15,364**	18,433	17,076
Provisions		**433**	-	934
Interest bearing loans and borrowings	6	**25,259**	112,709	126,745
		41,056	131,142	144,755
Total liabilities		**424,962**	381,553	395,276
Net assets		**679,014**	642,966	659,720
EQUITY				
Called up share capital		**5,493**	5,493	5,493
Share premium reserve		**298,974**	298,974	298,974
Capital reduction reserve		**113,092**	129,569	118,584
Retained earnings		**261,455**	208,930	236,669
Total equity attributable to the equity holders of the Company		**679,014**	642,966	659,720
Net asset value per share	8	**123.6p**	117.1p	120.1p

As at 31 December 2023, 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 2023

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 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
Transactions with owners						
Dividends paid		-	-	(10,985)	-	(10,985)
Comprehensive income						
Profit for the period		-	-	-	27,739	27,739
At 30 June 2023		5,493	298,974	118,584	236,669	659,720
Transactions with owners						
Dividends paid	11	-	-	(5,492)	(5,492)	(10,984)
Comprehensive income						
Profit for the period		-	-	-	30,278	30,278
At 31 December 2023		**5,493**	**298,974**	**113,092**	**261,455**	**679,014**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2023

	Note	Six months ended 31 December 2023 (unaudited) £'000	Six months ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Cash flows from operating activities				
Profit before tax		**30,278**	14,713	42,452
Finance income		**(63)**	(8)	(49)
Finance costs		**8,969**	7,983	16,478
Fair value adjustment on investment property	5	**(20,533)**	(5,816)	(25,353)
Cash generated from operations		**18,651**	16,872	33,528
Decrease / (Increase) in trade and other receivables		**263**	(2,123)	(578)
Decrease in trade and other payables		**(2,294)**	(11,774)	(1,640)
Net cash generated from operating activities		**16,620**	2,975	31,310
Cash flows from investing activities				
Purchase of investment properties		**(9,100)**	-	-
Development expenditure on investment properties	5	**(15,528)**	(30,453)	(47,458)
Decrease in capital trade and other payables		**-**	-	(10,255)
Finance income		**63**	8	49
Net cash used in investing activities		**(24,565)**	(30,445)	(57,664)
Cash flows from financing activities				
Bank and other loans advanced		**142,556**	47,819	49,801
Bank and other loans repaid		**(108,839)**	(33,998)	(23,304)
Finance costs		**(11,923)**	(6,280)	(13,657)
Dividends paid		**(10,984)**	(10,985)	(21,970)
Net cash generated from / (used in) financing activities		**10,810**	(3,444)	(9,130)
Net increase / (decrease) in cash and cash equivalents		**2,865**	(30,914)	(35,484)
Cash and cash equivalents at beginning of period		**13,198**	48,682	48,682
Cash and cash equivalents at end of period		**16,063**	17,768	13,198

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 19 March 2024.

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

Basis of preparation

The financial information for the period ended 31 December 2023 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 2023, 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 2023 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 2023, 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 2023, except for the adoption of new standards effective as of 1 July 2023.

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 January 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.

Significant accounting estimates and assumptions

The preparation of the Group's financial statements requires the Directors to make 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.

Estimates

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

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

i. ***Acquisition of subsidiaries - as a group of assets and liabilities***

During the period, the Group acquired a property-owning special purpose vehicle. The Directors considered whether this acquisition met 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 acquisition 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 acquisition which were as follows:

	Sigma PRS Investments (Hexthorpe Phase 3) Limited £'000
Investment properties acquired	9,100
Other receivables	55
Other payables	(27)

Total consideration paid	**9,128**

- Investment property is measured at fair value as at the date of the acquisition of the subsidiary by an independent valuation expert.
- Other receivables are taken as being the value recorded in the accounts of the Company acquired, being the best estimate of the amounts actually recoverable.
- Other payable balances are measured at the amounts actually payable.

3. **Going concern**

The interim condensed consolidated financial statements have been prepared on a going concern basis. The Group had net current liabilities of £17.1 million as at 31 December 2023. The decrease in net current liabilities reflects the LBG / RBS debt facility being refinanced on maturity in July 2023. In July 2023, the LBG / RBS variable rate investment debt facility was amended to a 2-year facility of £75 million, of which £13 million was immediately drawn. A new 15-year fixed rate investment debt facility was taken out with LGIM of which £101.9 million was immediately drawn. The amounts drawn on these facilities at 31 December 2023 were £32.8 million and £101.9 million. The Company continues to review options to replace the short term RBS facility with long term investment debt which will further reduce the current liability position. The Group's cash balances at 31 December 2023 were £16.1 million, of which £12.8 million was readily available. The Group had debt borrowing as at 31 December 2023 of £410.8 million (gross of unamortised arrangement fees), and has secured further facilities of £49.2 million. Capital commitments outstanding as at 31 December 2023 were £11.9 million. The Group's ERV as at 31 December 2023 was £60.3 million from 5,264 completed homes and has increased to £61.7 million from 5,306 homes as at 8 March 2024. 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 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 2023. 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 2023, is appropriate.

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 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 assumptions used in establishing the independent valuations are reviewed by the Board.

	Completed assets £'000	Assets under construction £'000	Total £'000
As at 1 July 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**
Property additions - subsequent expenditure	-	17,011	17,011
Change in fair value	19,729	(192)	19,537
Transfers to completed assets	22,534	(22,534)	-
As at 30 June 2023	**947,727**	**87,005**	**1,034,732**
Completed properties acquired on acquisition of subsidiaries	9,100	-	9,100
Property additions - subsequent expenditure	-	15,528	15,528
Change in right of use asset	165	-	165
Change in fair value	16,968	3,565	20,533
Transfers to completed assets	12,580	(12,580)	-
As at 31 December 2023	**986,540**	**93,518**	**1,080,058**

The historic cost of completed assets and assets under construction as at 31 December 2023 was £856.9 million (30 June 2023: £831.8 million, 31 December 2022: £815.5 million).

Fair values

IFRS 13 sets out a three-tier hierarchy for 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	£10k - £22k
Investment yield (net)	4.25% - 5.00%
Gross to net assumption	22.50% - 25.00%

The PRS REIT acquired a site at Coppenhall Place, Crewe, with planning consent during the year ended 30 June 2019. At the same time, the Company also entered into a fixed price design and build contract with one of its principal house building partners to complete 131 units. This represented approximately 50% of the entire Coppenhall Place site with the balance being developed by the house builder as market for sale units. The design and build contract contained standard clauses making the house builder responsible for delivering the site and doing so in compliance with the requirements of the original planning consent.

Shortly after physical completion and letting of more than 95% of the units on the site acquired by the PRS REIT, a dispute arose between the respective Council and the house builder regarding compliance with the original planning consent. After consultation between these two parties, the house builder submitted a further planning application with a view to resolving the areas of dispute. The submission was recommended to the Elected Council Members (“**Members**”) by the Council Executive but a decision was deferred at the hearing in order that the Members could obtain additional information on viability, a peer review to clarify on-site ventilation and clarification on queries regarding potential soil contamination in certain areas of the whole site. The Members are comfortable as regards viability and ventilation. Work has been ongoing to ensure that all parties are comfortable as regards the soil quality with remedial action being undertaken where necessary. As at the date of approval of these interim financial statements the house building partner continues to work with the Council Executive to address the final outstanding matters before reverting to the Members for approval. The Investment Adviser is closely monitoring progress. The Board of the PRS REIT is of the view that remaining areas of work will be completed and the planning issues ultimately finalised to the satisfaction of all parties, including the private owners of the market for sale units.

The financial statements include an investment value for the Coppenhall Place asset of £24.3 million as at 31 December 2023 on the assumption that the planning matters are resolved. The value of the site represents approximately 2.3% of the balance sheet investment value of assets as at the interim date. Given the contractual protections, the risk of any potential impact to the Group is considered highly unlikely, and given the value of the site relative to the overall balance sheet, the risk of any potential impact to the Group is considered to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

6. Interest bearing loans and borrowings

Current liabilities	**2023 £'000**	**2022 £'000**
Bank loans at 1 July	**126,745**	99,941
Loans advanced in the period	**20,920**	47,818
Loans repaid in the period	**(108,839)**	(33,998)
Capitalised loan costs	**(13,599)**	(1,084)
Bank loans at 31 December	**25,227**	112,677
Lease liability	**32**	32
Total loans and borrowings	**25,259**	112,709
Non-current liabilities		
Bank loans at 1 July	**247,432**	245,684
Loans advanced in the year	**121,635**	-
Capitalised loan costs	**11,830**	1,943
Bank loans at 31 December	**380,897**	247,627
Lease liability	**1,220**	1,004
Total loans and borrowings	**382,117**	248,631

The Group's borrowing facilities are with Scottish Widows, Legal & General Investment Management ('**LGIM**'), RBS plc and Barclays Bank PLC. At 31 December 2023, these comprised the following:

Lender	Loan facility	Balance drawn 31 Dec 2023	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
LGIM	£102 million	£101.9 million	15 years	6.04%	Fixed	July 2038
RBS	£75 million	£32.8 million	2 years	6.79%	Variable	July 2025
Barclays Bank PLC	£33 million	£26.1 million	3 years	8.54%	Variable	August 2025

The loans are all compliant with the bank covenant level 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 2023 £'000	**31 December 2022 £'000**	**30 June 2023 £'000**
Earnings per IFRS income statement	**30,278**	14,713	42,452
Adjustments to calculate EPRA Earnings:			
Changes in value of investment properties	**(20,533)**	(5,816)	(25,353)
EPRA Earnings:	**9,745**	8,897	17,099
Weighted average number of ordinary shares	**549,251,458**	549,251,458	549,251,458
IFRS EPS (pence)	**5.5p**	2.7p	7.7p
EPRA EPS (pence)	**1.8p**	1.6p	3.1p

8. **Net Asset Value per share**

EPRA Net Tangible Assets ("**NTA**"), is considered to be the most relevant measure for the Group. 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 2023	**As at 31 December 2022**	**As at 30 June 2023**
IFRS Net assets (£'000)	**679,014**	642,966	659,720
EPRA adjustments to NTA (£'000)	**-**	-	-
EPRA NTA (£'000)	**679,014**	642,966	659,720
Shares in issue at end of period	549,251,458	549,251,458	549,251,458
Basic IFRS NAV per share (pence)	**123.6p**	117.1p	120.1p
EPRA NTA per share (pence)	**123.6p**	117.1p	120.1p

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 £712.5 million (30 June 2023: £712.5 million, 31 December 2022: £712.6 million). As at 31 December 2023, £11.9 million (30 June 2023: £27.3 million, 31 December 2022: £44.6 million) of such commitments remained outstanding.

10. **Transactions with Investment Adviser**

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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

For the period from 1 July 2023 to 31 December 2023, fees of £3.0 million (1 July 2022 to 31 December 2022: £2.9 million) were incurred and payable to Sigma PRS in respect of asset management fees. At 31 December 2023, £0.5 million remained unpaid (30 June 2023: £0.5 million, 31 December 2022: £0.5 million).

For the period from 1 July 2023 to 31 December 2023, development management fees of £0.6 million (1 July 2022 to 31 December 2022: £1.3 million) were incurred and payable to Sigma PRS. At 31 December 2023, £0.1 million (30 June 2023: £0.2 million, 31 December 2022: £0.1 million) remained unpaid.

For the period from 1 July 2023 to 31 December 2023, administration and secretarial services of £35,000 (2022: £35,000) were incurred and payable to Sigma Capital Property Ltd, a fellow subsidiary of the ultimate holding company of the Investment Adviser. At 31 December 2023, £9,000 (2022: £9,000) remained unpaid.

Sigma PRS's shareholding as at 31 December 2023 was 5,889,852 (2022: 5,889,852), which represents 1.07% (2022: 1.07%) of the issued share capital in the Company. All the shares acquired were in accordance with the Development Management Agreement between the Company and Sigma PRS.

For the period ended 31 December 2023, Sigma PRS received dividends from the Company of £118,000 (2022: £118,000).

During December 2023, the Group acquired Sigma PRS Investments (Hexthorpe Phase 3) Limited, a subsidiary from Sigma Capital Group Limited, for consideration of £9.1 million.

11. Dividends paid and proposed

	Six months ended 31 December 2023 (unaudited) £'000	Six months ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Dividends on ordinary shares declared and paid:			
3 months to 30 June 2022: 1.0p per share	-	5,493	5,493
3 months to 30 September 2022: 1.0p per share	-	5,492	5,492
3 months to 31 December 2022: 1.0p per share	-	-	5,492
3 months to 31 March 2023: 1.0p per share	-	-	5,493
3 months to 30 June 2023: 1.0p per share	5,492	-	-
3 months to 30 September 2023: 1.0p per share	5,492	-	-
	10,984	**10,985**	**21,970**
Proposed dividends on ordinary shares:			
3 months to 31 December 2022: 1.0p per share	-	5,492	-
3 months to 30 June 2023: 1.0p per share	-	-	5,493
3 months to 31 December 2023: 1.0p per share	5,492	-	-
	5,492	**5,492**	**5,493**

The proposed dividend was paid on 8 March 2024, to shareholders on the register at 16 February 2024.

12. Post balance sheet events

Dividends

On 31 January 2024, 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 8 March 2024, to shareholders on the register as at 16 February 2024.

SUPPLEMENTARY INFORMATION

I. EPRA PERFORMANCE MEASURES SUMMARY

	31 December 2023	31 December 2022	30 June 2023
EPRA earnings per share	**1.8p**	1.6p	3.1p
EPRA net tangible asset value (EPRA NTA)	**123.6p**	117.1p	120.1p
EPRA cost ratio (including vacant property expenses)	**34.1%**	35.7%	35.9%
EPRA cost ratio (excluding vacant property expenses)	**33.8%**	35.5%	35.6%
EPRA Net Initial Yield (“NIY”)	**4.2%**	4.2%	4.1%
EPRA Loan to Value (“LTV”)	**37.1%**	35.6%	36.2%

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 2023 £’000**	**31 December 2022 £’000**	**30 June 2023 £’000**
Rental income	**28,148**	24,171	49,701
Non-recoverable property costs	**(5,208)**	(4,548)	(9,551)
Net rental income	**22,940**	19,623	40,150
Other income	**95**	1,335	1,646
Administrative expenses	**(4,384)**	(4,086)	(8,268)
Operating profit before interest and tax	**18,651**	16,872	33,528
Net finance costs	**(8,906)**	(7,975)	(16,429)
Profit before taxation	**9,745**	8,897	17,099
Taxation on EPRA earnings	**-**	-	-
EPRA earnings	**9,745**	8,897	17,099
Weighted average number of Ordinary Shares	**549,251,458**	549,251,458	549,251,458
EPRA earnings per share	**1.8p**	1.6p	3.1p

III. STATEMENT OF FINANCIAL POSITION

	31 December 2023 £’000	**31 December 2022 £’000**	**30 June 2023 £’000**
Investment properties	**1,080,058**	998,184	1,034,732
Other net assets	**6,332**	6,122	173
Borrowings	**(407,376)**	(361,340)	(375,185)
Total shareholders’ equity	**679,014**	642,966	659,720
Adjustments to calculate EPRA NTA:	**-**	-	-
EPRA net tangible assets	**679,014**	642,966	659,720
Ordinary Shares in issue at year end	**549,251,458**	549,251,458	549,251,458
EPRA NTA per share	**123.6p**	117.1p	120.1p

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

IV. EPRA COST RATIO

	31 December 2023 £'000	31 December 2022 £'000	30 June 2023 £'000
Property operating expenses	**5,208**	4,548	9,551
Administrative expenses	**4,384**	4,086	8,268
EPRA costs (including vacant property expenses) (A)	**9,592**	8.634	17,819
Vacant property costs	**(67)**	(61)	(114)
EPRA costs (excluding vacant property expenses) (B)	**9,525**	8,573	17,705
Gross Rental Income (C)	**28,148**	24,171	49,701
EPRA Cost Ratio (including vacant property expenses) (A/C)	**34.1%**	35.7%	35.9%
EPRA Cost Ratio (excluding vacant property expenses) (B/C)	**33.8%**	35.5%	35.6%

V. EPRA NET INITIAL YIELD ("NIY")

	31 December 2023 £'000	31 December 2022 £'000	30 June 2023 £'000
Total investment property	**1,080,032**	998,184	1,034,732
Less: development properties	**(93,481)**	(92,720)	(87,043)
Less: right of use asset	**(1,205)**	(1,036)	(1,040)
Completed property portfolio	**985,346**	904,428	946,649
Allowance for estimated purchasers' costs	**22,663**	20,802	21,773
Gross up completed property portfolio valuation (B)	**1,008,009**	925,230	968,422
Annualised cash passing rental income	**54,588**	50,013	51,264
Property outgoings	**(12,282)**	(11,253)	(11,534)
Annualised net rents (A)	**42,306**	38,760	39,730
Add: notional rent expiration of rent free periods or other lease incentives	**-**	-	-
Topped-up net annualised rent (C)	**42,306**	38,760	39,730
EPRA NIY (A/B)	**4.2%**	4.2%	4.1%
EPRA 'topped up' NIY (C/B)	**4.2%**	4.2%	4.1%

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

VI. EPRA LOAN TO VALUE ("LTV")

	31 December 2023 £'000	31 December 2022 £'000	30 June 2023 £'000
Borrowings (net)	**406,124**	360,304	374,145
Net payables	**10,983**	12,682	14,065
Less: Cash and cash equivalents	**(16,063)**	(17,768)	(13,198)
Net debt (A)	**401,044**	355,218	375,012
Investment properties at fair value	**1,080,058**	998,184	1,034,732
Total property value (B)	**1,080,058**	998,184	1,034,732
EPRA LTV (A/B)	**37.1%**	35.6%	36.2%