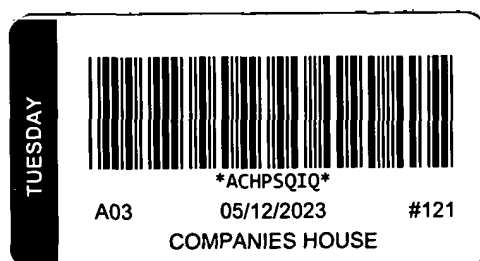


THE PRS REIT PLC

10638461



Annual Report & Financial Statements

For the year ended 30 June 2023

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HIGHLIGHTS

HIGHLIGHTS

Portfolio now at
5,129 COMPLETED
HOMES

Assets are performing strongly,
and rental demand continues to grow.

.....

Key points

Financial

	Year to 30 June 2023	Year to 30 June 2022	Change
Revenue	£49.7m	£42.0m	+18%
Net rental income	£40.2m	£34.3m	+17%
Operating profit	£58.9m	£127.0m	-54%
Profit after tax	£42.5m	£115.9m	-63%
Basic earnings per share	7.7p	21.4p	-64%
EPRA earnings per share ¹	3.1p	3.0p	+3%
Adjusted earnings per share excluding amortised debt costs ²	3.5p	3.4p	+3%
Net assets at 30 June	£660m	£639m	+3%
IFRS NAV and EPRA NTA per share ³	120.1p	116.4p	+3%

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

² Finance costs adjusted to exclude amortised debt costs of £2.1m (2022: £2.2m)

³ A reconciliation of IFRS NAV to EPRA NTA can be found in note 29 of the Financial Statements

Operational

	At 30 Sept 2023	At 30 June 2023	At 30 June 2022	Year-on- year change
Number of completed homes	5,129	5,080	4,786	+6%
Estimated rental value ("ERV") per annum	£57.6m	£55.0m	£47.8m	+15%
Number of contracted homes	395	444	693	-36%
ERV per annum	£3.1m	£3.8m	£7.2m	-47%
Completed and contracted sites	71	71	68	+4%
ERV per annum of completed and contracted sites*	£60.7m	£58.8m	£55.0m	+7%
Rent collected (as a percentage of total rent invoiced for the period)	98%	99%	99%	-

*based on all completed units being occupied/income producing

HIGHLIGHTS

.....

Net asset value increased to £660m/120.1p per share at 30 June 2023 (2022: £639m/116.4p per share), underpinned by strong ERV growth

- > as at 30 June 2023, ERV was estimated to be £5.1m higher than passing rent (2022: £2.7m higher), another indicator of the strong rental market
- > EPRA NTA increased by 3% to 120.1p per share (2022: 116.4p)

Portfolio grew by 294 homes over the year to 5,080 completed homes at 30 June 2023, up 6% (2022: 802 new homes added; 4,786 completed homes)

- > ERV of the 5,080 homes is up to £55.0m p.a. (2022: 4,786 homes with ERV of £47.8m)
- > further 444 homes with an ERV of £3.8m p.a. were under way at 30 June 2023

As at 30 September 2023 the ERV of the completed and contracted homes was £60.7m p.a.

Decrease in operating profit to £58.9m (2022: £127.0m) reflects the lower gains from fair value adjustments on investment property compared to the prior year - £25.4m vs. £99.7m

- > ERV continued to grow strongly in FY23
- > yields softened in FY23 to 4.47% from 4.13% while FY22 saw yields tighten from 4.3% to 4.13%
- > yield movements in FY23 have however been more than offset by the increase in ERV

Completed assets continued to perform strongly over the year:

- > rent collection at 99% for FY 2023 (2022: 99%)
- > occupancy at 97% at 30 June 2023 (2022: 98%)

- > gross arrears at £1.0m at 30 June 2023 (30 June 2022: £0.6m)
- > like-for-like blended rental growth⁴ of c.7% over the year on stabilised sites (where all units were completed and either all, or nearly all, had been let at the end of the comparative period)
 - re-lets to new tenants achieved c.12% rental growth (2022: c.10%)
- > affordability (average rent as a proportion of gross household income) very strong at 22% as at 30 June 2023 (2022: 25%)
- > continued high levels of customer satisfaction – 98% of tenants surveyed six months into their tenancy stated they were happy with their home (2022: 95%)
- > property costs were well managed - small increase to 19.1% (2022: 18.2%) mainly reflected the increased number of assets out of warranty and the slightly older age of the portfolio

Average net investment yield on the portfolio softened to 4.47% (30 June 2022: 4.13%)

EPRA loan to value ('LTV') on portfolio low at 37% (2022: 34%)

Approx. 82% of the current £427m of investment debt is fixed at an average interest rate of 3.8% (post July 2023 re-financing)

Adjusted EPS, excluding amortised debt costs but including non-utilisation fees, was 3.5p (2022: 3.4p)

Total dividends of 4.0p per share declared (2022: 4.0p)

⁴ Like-for-like blended rental growth on stabilised sites is defined as the annual rental growth on sites where all units have been completed and either all or nearly all have been let

Steve Smith, Chairman of the PRS REIT, commented:

"The PRS REIT remains a leader in the single-family rental sector. Almost 300 new rental family homes were added to the portfolio during the financial year, with a further 49 added over the first quarter of the new financial year. This has taken the number of completed homes in the portfolio at the end of September to 5,129.

"Our homes continue to rent extremely strongly. Our developments are attractive places in which to live, and are well-located. They are affordable – tenants' average spend on rent is currently 22% of gross household income, and we pay significant attention to customer service.

"We are well-advanced in the delivery of an initial portfolio of around 5,500 homes, providing over £1 billion of assets with an anticipated rental income stream of over £60 million a year.

"Our model is highly resilient. Following our debt refinancing in July, more than 80% of our long-term investment debt is at favourable fixed rates for an average 16 years, and the portfolio gearing is low at 37%.

"Prospects are very positive. The structural shortage of high-quality rental homes in the UK and rising demand place the Company in a strong position. Our high-quality, professionally-managed, single-family rental homes are helping to fix an urgent social problem."

Once all the existing sites are completed and homes let, the portfolio will comprise over 5,500 homes, with ERV of £60.7m p.a.

Q1 FY24 (three months to 30 September 2023) – portfolio performance remains very strong

- > portfolio expanded to 5,129 completed homes, with ERV of £57.6m p.a. at 30 September 2023
- > further 395 homes with an ERV of £3.1m p.a. under way
- > occupancy high at 98%
- > like-for-like rental growth of 9.8%
- > affordability (average rent as a proportion of gross household income) excellent at 22%
- > rent collection* very strong at 98%

Prospects remain very positive

- > supported by structural shortage of quality family rental homes in the UK; the number of properties available to rent is at a 14-year low⁵
- > under supply exacerbated by private landlords exiting rental market, weak sales market and rising rental demand
- > Propertymark reported in September 2023 that the number of new applicants registered in August per member branch was up by 32% year-on-year and that the number of properties available to rent per member branch in August was an average of 11, unchanged on the same month a year ago
- > British Property Federation reported in July 2023 that only c.9,200 suburban build-to-rent homes were in planning and c.9,100 units were under construction

Target dividend of 4.0p per share for FY24; this is expected to be covered on a run-rate basis during FY24 with YTD coverage at a run rate of 90%

⁵ TwentyCi <https://www.twentyci.co.uk/resources/>

STRATEGIC REPORT

Chairman's Statement

Introduction

I am pleased to present The PRS REIT plc's (the "**PRS REIT**", or the "**Company**", or the "**Group**") audited financial results for the year ended 30 June 2023. The Company's portfolio of completed rental homes continues to perform very well and, in the second half of the financial year, passed the milestone of 5,000 homes. The Group is now over 90% through its current delivery programme.

Largest portfolio of single-family rental homes in the UK

The PRS REIT's portfolio remains the largest portfolio of single-family rental homes in the UK. During the year, a total of 294 new rental homes were added to the portfolio, taking the number of completed homes by the financial year-end to 5,080 (30 June 2022: 4,786 completed homes), a 6% increase. A further 444 homes were contracted at that date and were at varying stages of the construction process.

The estimated rental value ("**ERV**") of the 5,080 completed homes is £55.0 million per annum (30 June 2022: £47.8 million per annum on 4,786 completed home), a 15% rise. The percentage increase in rental value over the year compared to the percentage increase in the number of completed homes over the same period mainly reflects rental growth over the period. The 444 homes under way have an ERV of £3.8 million per annum.

The portfolio's assets are predominantly spread across the major regions of England. At 30 June 2023, there were 71 sites in total (2022: 68 sites) ranged across the North-West, North-East, Yorkshire, the Midlands, the South-East (excluding London) and East of England, with one site in North Wales and another in Central Scotland.

The ERV of our portfolio, some 5,500 homes in total, including those still in the delivery process, is around £60.7 million per annum.

Strong asset performance

The PRS REIT's assets performed extremely strongly throughout the financial year. Occupancy and rent collection (measured as rent collected relative to rent invoiced in any given period) remained high, with rent collection at 99% (2022: 99%) and occupancy at 97% at 30 June 2023 (2022: 98%), with 4,932 homes occupied out of 5,080 completed homes. Including those homes where a letting had been agreed, but occupancy had not commenced, occupancy was 98% (2022: 99%).

Like-for-like rental growth over the year on stabilised sites (where all units were completed and let, or nearly all let at the end of the comparative period) was 7.5%. This reflects a blended growth rate of c.12% on re-lets to new tenants and c.7% on renewals with existing tenants. Gross rent arrears remained modest despite the growth in the portfolio, standing at £1.0 million at 30 June 2023 (2022: £0.6 million).

Homes remain very affordable. The portfolio's affordability ratio, measured as average rent as a proportion of gross household income, is currently at 22% (2022: 25%). This is significantly better than Homes England's guidance that rent should be less than 35% of tenants' gross household income. It reflects both the strong tenant base and wage increases.

Net rental income over the financial year increased by 17% to £40.2 million (2022: £34.3 million). The rise was driven by a combination of a full year's rental income on properties that had been completed and let part way through the prior financial year, increased unit numbers and rental growth.

The portfolio's outstanding asset performance to date demonstrates the continuing market need for high-quality family rental homes. Supply side issues have worsened over the year, with private landlords continuing to exit the market, while demand has been further fuelled by rising interest rates and general economic uncertainty. These factors have put further obstacles in place for potential homeowners.

In its latest Housing Insight Report, published in September 2023, Propertymark, the leading professional body for estate and letting agents, commercial agents, auctioneers, valuers and inventory providers, stated that the number of new applicants registered in August 2023 per member branch was up by 32% year-on-year, and that the number of properties available to rent per member branch in August was an average of 11, unchanged from August 2022. This "remains drastically below what is needed to keep up with current demand". Propertymark expects this gap to widen as more people come to the market to look for a home with very few properties available to rent. Research by TwentyCi, which provides UK residential property data, shows that the number of UK homes available to rent has dropped to a 14-year low. The Company's experience of tenants bidding above asking prices to secure rental property reflects this mismatch of supply versus demand.

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

Financial Results

Revenue, which is generated wholly from rental income, increased by 18% year-on-year to £49.7 million (2022: £42.0 million). This reflected a combination of the increase in the portfolio and strong rental growth. Non-recoverable property costs rose slightly to 19.1% of revenue (2022: 18.2%), mainly reflecting the increasing number of assets out of warranty and marginally increased maintenance costs. After these were deducted, net rental income for the financial year was £40.2 million (2022: £34.3 million), an increase of 17% year-on-year.

Expenses in the year rose to £8.3 million (2022: £7.5 million) as the portfolio grew, with the increase also reflecting some cost inflation.

The gain from the fair value adjustment on investment property reduced significantly, as expected, to £25.4 million (2022: £99.7 million) and reflects the combined impact of ERV and average net investment yield movements.

ERV on completed and let properties at 30 June 2023 was approximately £5.1 million (2022: £2.7 million), higher than passing rent, and reflects continuing demand for the Company's product. The fair value of investment property is based on the valuer's estimate of ERV rather than actual passing rent.

Operating profit decreased by 54% to £58.9 million (2022: £127.0 million), which reflected the expected decrease in gains from fair value adjustments on investment property. These gains are non-cash items.

Finance costs were higher at £16.5 million (2022: £11.1 million) as the Company drew down and utilised the variable rate LBG / RBS investment debt facility during the year. The movement in interest rates over the period of 3.75% (from 1.25% in June 2022 to 5.0% in June 2023) applied to the average balance of floating rate investment debt drawn, resulted in an increase in the interest expense of c.£2 million, which negatively affected EPS by 0.1p. The impact of the increase in interest rates in the period was mitigated by the quantum of lower cost fixed rate investment debt with Scottish Widows. Finance income from short-term deposits in the year was £49,000 (2022: £4,000), again reflecting the increase in interest rates during the financial year.

Profit after taxation decreased by £73.4 million or 63% to £42.5 million (2022: £115.9 million) while basic and diluted earnings per share reduced by the same proportion to 7.7p (2022: 21.4p) on an IFRS basis.

The Group's IFRS net asset value ("**NAV**") per share and EPRA net tangible asset ("**NTA**") per share at 30 June 2023, both increased to 120.1p (31 December 2022: 117.1p and 30 June 2022: 116.4p). This is a year-on-year increase of 3% and a 3% increase over the prior six months.

Net assets at 30 June 2023 were 3% higher year-on-year at £660 million (30 June 2022: £639 million). This is after paying dividends of £22.0 million in the year (2022: £21.4 million).

Dividends

For the year to 30 June 2023, aggregate dividends of 4.0p per share were declared and paid to shareholders (2022: 4.0p per share). Including the dividend paid on 1 September 2023, total dividends paid since the Company's inception in May 2017 amount to 26.0p per share.

The year's dividend of 4.0p was almost fully covered on a run-rate EPRA EPS basis at the end of the financial year. Dividend cover will continue to grow as construction, completions and lettings advance. The Company is targeting a dividend of 4.0p per share for the new financial year ending 30 June 2024. This is expected to be covered on a run-rate basis during FY24.

Debt Facilities

The Company had £440 million of committed debt facilities available for utilisation as at 30 June 2023. This comprised £400 million of investment debt facilities and £40 million of development debt facilities. Just after the financial year-end, the total was increased to £460 million (£427 million of investment debt facilities and £33 million of development debt facilities) following a debt refinancing process, which is detailed below.

Debt refinancing

At the beginning of July 2023, the Company completed the refinancing of its £150 million revolving credit facility ("RCF") provided by The Royal Bank of Scotland plc ("RBS") and Lloyds Banking Group plc. A £102 million fixed-rate debt facility was agreed for 15 years with Legal and General Investment Management and a £75 million floating-rate debt facility was agreed for two years with RBS. The latter facility provides the Company with the flexibility to refinance this element at a potentially lower rate over the two year term of the loan. An interest rate cap was also put in place on the floating rate debt in order to hedge against downside risk on further interest rate movements.

Approximately two-thirds (£115 million) of the total debt of £177 million was immediately deployed, specifically the entire £102 million fixed-rate facility and £13 million of the floating-rate facility, to fund already completed and stabilised sites. The balance of floating-rate debt (£62 million) is expected to be drawn down to fund sites completing and stabilising before the end of calendar year 2024.

Separately, the Barclays Bank PLC development debt facility of £40 million was reduced to £33 million in September 2023.

The PRS REIT now has total fixed long-term debt facilities of £352 million, with an average blended interest rate of 3.8%. This compares favourably with the average net investment yield of 4.47% as at 30 June 2023.

- > Approximately 82% of the Company's overall debt is now covered by long-term facilities, which have an average term of 16 years. This compared to 63% of overall debt previously covered by long-term facilities, with an average term of 17 years.
- > The two new facilities have significantly lengthened the maturity of the Company's overall debt facilities.
 - > The average term for all debt has increased to 13.7 years at 30 June 2023, from 10.9 years at 31 December 2022.
- > Future annual debt amortisation costs will also reduce reflecting lower arrangement fees and a longer period of amortisation.

Following the refinancing, 82% of the £427 million of investment debt is fixed rate at an average of 3.8%.

Approximately £390 million of debt facilities have been drawn to date, with the remainder presently forecast to be utilised over the next 18 months as the current phase of construction finishes and homes are let.

The portfolio's gearing remains low at 37% EPRA LTV (2022: 34%), and, as determined by the Company's Investment Policy, the debt facilities are subject to the maximum gearing ratio of 45% of gross asset value.

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 latter £33 million debt facility is available to be drawn as development debt, which enables multiple sites to be developed simultaneously.

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. This includes the review of investment activity and performance.

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 also a signatory and participant of the United Nations Global Compact. Sigma PRS is a subsidiary of Sigma, part of PineBridge Investments, a private, global asset manager with over US\$140bn in assets under management at June 2023.

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

Board Changes

We are delighted to announce the appointment of Karima Fahmy as an Independent Non-Executive Director. She succeeds Jim Prower, who will be retiring from the Company at the forthcoming Annual General Meeting on 4 December 2023. On behalf of the Board, I am pleased to welcome Karima and to thank Jim for his valuable contribution over his tenure as a non-executive director.

Karima is a corporate lawyer with extensive experience of the UK property market. She worked at Grosvenor Group ("Grosvenor"), the international property group, latterly as General Counsel until 2020. She was a member of Grosvenor's UK Executive Committee, and was involved in all aspects of Grosvenor's property business, advising on a range of ventures,

including new community schemes and placemaking projects. Prior to that, she worked at Hogan Lovells, the global law firm, advising both listed and unlisted companies. She is also Non-executive Director of Latimer Developments Limited and of BCP FuturePlaces Limited. Latimer Developments Limited is the development arm of the Clarion Housing Group, the UK's largest housing association, and BCP FuturePlaces Limited is the urban regeneration company created by Bournemouth, Christchurch and Poole (BCP) Council.

In addition, Karima is an Independent Board Member of University of Cambridge Property Board and Non-executive Director of Bournemouth University. She is a trustee of United Learning Trust, a schools group, a trustee of Clarion Futures, Clarion Housing Group's charitable foundation, and trustee of Great Ormond Street Hospital's Children's Charity, where she is also a Member of its Property & Development Committee.

On 21 March 2023, the Board was pleased to appoint Coeta Nanda, an existing non executive director as Senior Independent Non-executive Director.

Outlook

During the first quarter of the new financial year, 49 new homes were added to the portfolio, taking the total number of completed homes at 30 September 2023 to 5,129. The ERV of completed homes has increased accordingly to £57.6 million per annum (30 September 2022: 4,856 completed homes with an ERV of £49.4 million per annum).

Asset performance remains strong. Rent collection in the first quarter was 98% (2022: 99%) and total occupancy was at 98% at the end of September (30 September 2022: 98%), with 4,995 homes occupied out of the total of 5,129. A further 68 homes were reserved for applicants who had passed referencing and paid rental deposits. Total arrears at 30 September 2023 were low at £1.1 million. Like-for-like blended rental growth on stabilised sites was 9.8%.

We are targeting a total dividend of 1.0p per share* for the new financial year, and will declare the interim dividend for the first quarter of the financial year in November 2023.

As ever, my fellow Directors and I would like to express our thanks to all involved in the creation and management of this pioneering venture in the single-family homes rental market. This includes our investors, housebuilding partners, financiers and supporters in government. The PRS REIT is providing much needed housing for families and individuals and forging a new direction for the UK's housing market.

As we have said previously, the business model remains firmly supported by market fundamentals. Population growth, changing household formations and low new housing volumes continue to drive demand. Our homes are built to be attractive and comfortable and are well-located and professionally managed. We expect them to continue to rent very well into the future. The July debt refinancing has provided a high degree of certainty over financing costs.

The PRS REIT is a market leader and the Board remains confident about prospects, with affordability – average rent as a proportion of gross household income – and asset performance both very strong.



Steve Smith
Chairman

9 October 2023

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

IFRS and EPRA Performance Measures

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

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

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

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

KPI	Explanation	Performance	
		Year to 30 June 2023	Year to 30 June 2022
IFRS NAV (see note 29)	Unadjusted net asset value	120.1p per share	116.4p per share
EPRA NTA (see note 29)	EPRA Net Tangible Asset is net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term property business model.	120.1p per share	116.4p per share
IFRS EPS (see note 16)	Unadjusted earnings per share	7.7p per share	21.4p per share
EPRA EPS (see note 16)	Earnings per share excluding investment property revaluations, gains and losses on disposals, changes in the fair value of financial instruments, and associated close-out costs and their related taxation.	3.1p per share	3.0p per share
EPRA Earnings (see note 16)	EPRA Earnings is a measure of operational performance and represents the net income generated from the operational activities excluding changes in value of investment properties.	£'000 17,099	£'000 16,162
EPRA Net Initial Yield ('NIY') (see supplementary information, page 149)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	4.1%	3.9%
EPRA Cost Ratio including direct vacancy costs (see supplementary information, page 149)	Administrative and operating costs (including costs of direct vacancy) divided by gross rental income.	35.9%	36.1%
EPRA Loan to Value (LTV) (see supplementary information, page 150)	The Group's net debt expressed as a percentage of the investment property portfolio.	36.6%	34.0%

Market Dynamics

The growth opportunity available in the UK Build-to-Rent ("BTR") sector is significant. While the market continues to grow, the total number of BTR homes built in the UK remains very modest. In a report on UK BTR published in September 2021⁶, JLL, a global commercial real estate and investment management company, concluded that the sector has potential to increase 10 times in size if it achieves equivalence with the US market.

The British Property Federation in July 2023⁷ reported that the number of BTR homes in the UK, completed, under construction or in planning, stood at 253,402 at 30 June 2023. This represented an increase of 12% on 2022. Of these 253,402 BTR homes at 30 June 2023, around 35% (c.88,100) were built, 21% (c.53,500) were under construction, and 44% (c.111,800) were in planning.

In addition, the report showed that the overwhelming number of BTR homes built remains in urban rather than suburban settings and are flatted rather than single-family homes, which is the PRS REIT's focus. The number of urban BTR homes in planning stood at around 103,000 against around 9,200 suburban BTR homes in planning. The report also showed that the UK single-family rented housing sector is growing but that numbers are small, with nearly c.28,000 homes at the end of June 2023, of which c.9,600 were complete, c.9,100 units under construction and c.9,200 in the planning pipeline.

The total number of rental properties in the UK has not increased significantly since 2016 although demand for rental accommodation continues to rise. According to Zoopla, a leading UK aggregator of property listings, the ongoing chronic imbalance between supply and demand has pushed rents higher across all parts of the UK. It forecasts continued demand and rental inflation into H2 2023⁸.

Landlords in the buy-to-let sector, still the largest provider of rental properties in the UK, have been under greater pressures and confidence is low according to the National Landlords Association. Its Landlord Confidence Index in Q1 2023⁹ showed landlord confidence at -28 (the negative number indicating more landlords are negative about the next twelve months than are positive). It stated that the record proportion of landlords who had increased rents in the last twelve months are doing so for negative reasons, including the pipeline of regulatory changes and in response to cost inflation and rising interest rates.

Private landlords have faced greater pressures since 2016 when an extra 3% was added on stamp duty for additional home purchases. This was followed by reform on mortgage interest rate relief. Proposed rental reform measures in the Government's Renters (Reform) Bill have further added to pressures on private landlords. These include the proposed abolition of fixed-term tenancies and reform of the grounds for repossession. The Government's proposed change to increase the minimum

energy efficiency standard that a rental property must reach before it can be legally let from EPC E to EPC C, and higher interest rates give further cause for concern for private landlords, although the minimum energy efficiency standard proposal was subsequently dropped in September 2023.

According to the National Landlords Association¹⁰, even though rental demand is high, the proportion of landlords looking to reduce their portfolio over the next twelve months continues to rise and landlords "planning to sell" are now at record highs, with 30% planning to cut the size of their portfolios. Hamptons, the property consultancy, reports that 140,000 landlords left the sector last year and expects the run-rate of landlords leaving the sector to be 100,000 per year for the next five years.

Challenges to home ownership have not eased, further fuelling rental demand. Increased interest rates have created new pressures for prospective homeowners wishing to purchase their first home and for homeowners with mortgages due for renewal. The median house price to income ratio, according to the Office for National Statistics¹¹ is currently 8.16, and on 4 August 2023, the average interest rate on a two-year fixed mortgage was 6.85% according to financial data provider, Moneyfacts, with the average rate on a five-year fixed mortgage at 6.35%. By comparison, the PRS REIT's homes remain very affordable. At 30 September 2023, the average household income of a PRS REIT tenant was £51,000 (30 September 2022: £41,000) and the average rent was £934 per calendar month (2022: £849), meaning that rent as a proportion of household income was 22% (2022: 25%). We believe that it is reasonable to assume this improvement reflects a combination of wage inflation and the emergence of a wealthier cohort of disenfranchised would-be home buyers.

In summary, it is clear that the market opportunity in BTR remains significant and that the sector remains an important means of fulfilling a social need and meeting demand for high-quality, well-managed rental housing in the UK.

Private Rented Sector Reform

In June 2022, the Government published a policy paper, which set out its long-term vision for the private rented sector. Titled "A fairer private rented sector"¹², it contained plans to fundamentally reform the private rented sector in the country and level up housing quality. Subsequently, in May 2023, the Government introduced the Renters (Reform) Bill to Parliament.

The Bill is little changed from the 2022 policy paper, which we reported on in June 2022. We are in favour of proposals that support the rights of tenants to a decent home while also supporting responsible landlords. As a professional landlord, the PRS REIT is in the market for the long-term and does not view the Bill as likely to impact adversely the Company's operations.

⁶ Jones Lang LaSalle (JLL), UK Build To Rent (BTR) Report, September 2021

⁷ British Property Federation, Build-to-Rent Report, Q2 2023

⁸ Zoopla Rental Market Report, June 2023

⁹ National Residential Landlords Association, Landlord Confidence Index (LCI) No.17: 2023 Q1

¹⁰ National Residential Landlords Association, Landlord Confidence Index (LCI) No.18: 2023 Q2

¹¹ Office for National Statistics, Housing Purchase Affordability, UK: 2022

¹² Department for Levelling Up, Housing & Communities, A Fairer Private Rented Sector, June 2022

Portfolio Analysis

As at 30 June 2023, the value of the Group's completed property portfolio was £1 billion (2022: £962 million). The investment value of all sites at that date was £1.1 billion on completion (2022: £1 billion) with their current ERV at £58.8 million (2022: £55 million).

Property Portfolio by Regional Split – at 30 June 2023

The portfolio is geographically diversified and the regional split by investment value at 30 June 2023 was as follows:

- > North West 51% (2022: 52%);
- > West Midlands 21% (2022: 21%);
- > South East 11% (2022: 12%);
- > Yorkshire 11% (2022: 9%);
- > North East 3% (2022: 3%);
- > Wales 2% (2022: 2%); and
- > Scotland 1% (2022: 1%).

Other Metrics – at 30 June 2023

- > Rent roll: the rent roll at 30 June 2023 was £55.0 million (2022: £47.8 million) and the average rent was £10,831 per annum or £903 per month (2022: £10,004 per annum or £834 per month).
- > Average size of site: the average size of site was 74 (2022: 78) housing units.
- > Properties by bedroom number: the split between 1, 2, 3 and 4-bed properties was approximately 3%, 26%, 62% and 9% respectively (2022: 3%, 26%, 62% and 9% respectively).
- > Housebuilder relationships: the split for units under construction was – Countryside 96%, Vistry 3%, and Seddon 1% (2022: Countryside 86%, Vistry 8%, Seddon 5%, and EQUANS (formerly Engie) 1%).
- > Gross-to-net: the deduction from gross to net rent across the portfolio for the year ended 30 June 2023 was 19.1% (2022: 18.2%).
- > Bad debt: bad debts expense for the year was £0.2 million (2022: £0.4 million) and the bad debt provision at the year-end was £0.5 million (2022: £0.3 million) reflecting a prudent approach in the current economic climate.

HIGHLIGHTS

STRATEGIC REPORT

CORPORATE GOVERNANCE

INDEPENDENT AUDITOR'S REPORT

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Age Groupings

The largest age grouping across the customer base at the time of sampling on 30 June 2023 was 26-35 years. This age group represented 47% of the total customer base, and was also the largest group in 2022 although it accounted for a lower proportion of the total customer base at 38%. All other age groups are broadly in line with 2022, with the exception of those aged 65 years and over, where the proportion of residents has reduced by almost half from a low percentage.

Household Income Bracket

Across the mid ranges of household incomes, 2023 groupings are similar to 2022, although there is a notable rise in households above the £45,000 gross income bracket.

The greatest changes between 2023 and 2022 are in the lowest and highest income brackets. There has been a decrease of c.50% in the lowest income households, earning £25,000 or less. This grouping has reduced to 12% of households over the course of the year. We assume that rising rents have impacted those on the lowest incomes. Households with income of £65,000 and over have increased to over a quarter of the customer base and households in the income bracket £55,000 - £65,000 have also risen sharply year-on-year. We believe that this reflects would-be home buyers turning to the rental market as interest rates have risen and constrained mortgage affordability.

Tenancies with Children

Approximately 40% of households included children. This is broadly unchanged from last year. It is reasonable to assume that some in the 26-35 year-old group are moving into the homes with the intention of starting a family, but the high volume of renters without children may indicate a tendency to defer or abandon family formation. The two largest groupings of tenants with children are those with two or four children. This is similar to the prior year.

Distance Travelled

The distance travelled by tenants from their previous address to their new 'Simple Life'¹³ home is also recorded. The two largest categories are those travelling less than 3 miles and greater than 50 miles. As the brand is nationwide, we believe that this shows increasing brand awareness and that the model for site selection in and around major conurbations is capturing residents moving for employment reasons.

All 2023 statistics are based on new applicant data between July 2022 and June 2023. Both sets of data are based on successful applicants only reflective of the whole Simple Life Homes regional brand.

¹³ 'Simple Life' - The PRS REIT's rental homes are marketed under the 'Simple Life' brand.

Property Portfolio – North West

2,968 Number of units

51%
of Portfolio by Investment Value

Address	Units
Empyrean (Lower Broughton 5), Salford M7 1GA	298
Reynolds Place (Eaton Works), Walkden M28 3GW	148
Canalside (Whitworth Way), Wigan WN6 7QF	145
Prescot Park (Carr Lane), Prescot L34 1NS	140
Coppenhall Place (Bombardier), Crewe CW1 3JB	131
Beehive Mill, Bolton BL3 2NF	127
Holyoake Road, Walkden M28 3DL	123
Baytree Lane, Middleton M24 2EL	110
Hilton Park (Chadwick Street), Leigh WN7 1RL	103
Brookside Grange (Roch Street), Rochdale OL16 2NG	100
Earle Street, Newton-le-Willows WA12 9XD	97
Highfield Green (Tower Hill 3), Knowsley L33 1DF	96
Abbotsfield (Reginald Road), St Helens WA9 4HX	92
Shrewsbury Close (Tintern Avenue), Middleton M24 6JQ	88
Brookfield Vale Phase 1, Blackburn BB2 3TZ	85
Havenswood (Newhaven Business Park), Eccles M30 0HH	84
Hollystone Bank (Riverside College), Runcorn WA7 4DS	83
Durban Mill, Oldham OL8 4JT	80
Our Lady's (Our Lady's School), Little Hulton M28 0HF	73
Norwich Green (Norwich Street), Rochdale OL11 1LL	70
Coral Mill, Newhey, Rochdale OL16 3SS	69
Brookfield Vale Phase 2, Blackburn BB2 3TZ	69
Queen Victoria Place (Queen Victoria Street), Blackburn BB2 2QG	68
Hamilton Square (Howe Bridge Mill), Atherton M46 6JQ	59
Juniper Grove (Leach Lane), St Helens WA9 4PJ	55
Woodford Grange (Woodford Lodge Phase 1&2), Winsford CW7 4EH	54
Rochwood Rise (Entwisle Road), Rochdale OL16 2LJ	54
Woodbine Road (Mackets Lane), Halewood, Liverpool L25 9PB	50
Belmont Place (Owens Farm), Hindley Green WN2 4XS	50
Ribblesdale Place, Accrington BB5 5BQ	47
Highfield Green (Tower Hill 2), Knowsley L33 1DF	42
Chase Park, Ellesmere Port CH65 5DE	40
Harewood Close (Durham Street,) Rochdale OL11 1AH	38

Property Portfolio – West Midlands

1,168 Number of units

21%
of Portfolio by Investment Value

Address	Units
James Mill Way (Cable Street), Wolverhampton WV2 2QD	164
Dracan Village at Drakelow Park Phase 1, Burton-on-Trent DE15 9UA	154
Sutherland Grange (Sutherland School), Trench, Telford TF2 7JR	123
Stonefield Edge (Bilston Urban Village), Wolverhampton WV14 0LA	123
Ward's Keep (Heathfield Lane Phases 1&2), Darlaston WS10 8QY	109
Silkin Green, Hinkshay Road, Telford TF4 3PF	78
Galton Lock (Mafeking Road), Smethwick B66 2EG	63
Stanley Park (Stanley Potteries), Stoke ST6 3PP	63
Baberton Grange, Plough Hill, Nuneaton CV10 9NZ	50
Dracan Village at Drakelow Park Phase 2, Burton-on-Trent DE15 9UA	41
Kingsmakers View Wolvey, Hinkley, LE10 3JF	32
Bluebell Manor (Dawley Road), Telford TF1 2LT	31
Lea Hall Gardens, Handsworth B20 2AP	31
Spirit Quarters, Monkwood Crescent, Coventry CV2 1FG	29
Brickkiln Place (Brickkiln Ph1&2), Wolverhampton WV3 0BS	24
Spirit Quarters, Milverton Crescent, Coventry CV2 1GN	20
Ashbank Heights, Werrington, Stoke, ST9 0JR	16
Brickkiln Place (Brickkiln Ph3), Wolverhampton WV3 0BS	7
Charlton Gardens, Phase 1, Telford, TF1 6BN	7
Charlton Gardens, Phase 2, Telford, TF1 6BN	3

Property Portfolio – Yorkshire

574 Number of units

11%
of Portfolio by Investment Value

Address	Units
Prince's Gardens (Manor Top Phase 2), Sheffield S2 1EY	85
Prince's Gardens (Manor Top Phase 1), Sheffield S2 1EY	78
Ashfield Park, Station Road, Normanton WF6 2ND	72
Pullman Green (Hexthorpe Phase 1), Doncaster DN4 0BE	69
East Hill Gardens (East Bank Road), Sheffield S2 3PX	58
Yew Gardens, Granby Road, Doncaster DN12 1JU	53
Pullman Green (Hexthorpe Phase 2), Doncaster DN4 0BE	49
Holybrook (Romanby Shaw), Bradford BD10 0EH	47
Pullman Green (Hexthorpe Phase 4), Doncaster DN4 0BE	39
Park Grange House (Norfolk Park), Sheffield S2 3RE	24

Property Portfolio – South East

381 Number of units

11%
of Portfolio by Investment Value

Address	Units
Milard Grange (Houghton Regis Parcel 6), Houghton Regis LU6 6JZ	129
Millard Grange (Houghton Regis Parcel 8), Houghton Regis LU6 6JZ	113
Base at Newhall (Harlow Phase 2), Harlow CM17 9LR	74
Base at Newhall (Harlow Phase 1a), Harlow CM17 9LR	28
Fornham Place at Marham Park (Marham Park Parcel C), Bury St Edmunds IP31 6NG	21
Fornham Place at Marham Park (Marham Park Parcel D), Bury St Edmunds IP31 6NG	16

Property Portfolio – North East

160 Number of units

3%
of Portfolio by Investment Value

Address	Units
Bracken Grange (Brackenhoe), Middlesbrough TS4 3AE	80
Kirkleatham Green, Redcar TS10 4GY	80

Property Portfolio – Wales

99 Number of units

2%
of Portfolio by Investment Value

Address	Units
Dutton Fields (Airfields), Deeside CH5 2RD	99

Property Portfolio – Scotland

75 Number of units

1% of Portfolio by Investment Value*

Address

Bertha Park, Perth PH1 3JE

Units

75

Development Portfolio

- Mix by Property Size

Awards

Awards

INSIDER NW RESIDENTIAL PROPERTY AWARDS

Sustainability and Social Impact 2023

(Winner)

PROPERTY WEEK RESI AWARDS

Social Impact 2023

(Finalist)

THE YORKSHIRES

Best Large Development 2022 (Pullman Green)

(Winner)

THE HERALD PROPERTY AWARDS

Development of the Year 2022 (Bertha Park)

(Finalist)

HOME VIEWS AWARDS

Top Rated North East Development 2022 (Bracken Grange)

(Finalist)

INSIDER MIDLANDS PROPERTY AWARDS

Large Development of the Year 2023 (Stonefield Edge)

(Shortlisted)

LOVE TO RENT AWARDS

BTR Social Impact Award 2023

(Shortlisted)

INSIDER NW RESIDENTIAL PROPERTY AWARDS

Operator of the Year 2023

(Shortlisted)**PROPERTY WEEK RESI AWARDS**

Landlord of the Year 2023

(Finalist)**THE YORKSHIRES**

ESG Excellence Award 2022 (Pullman Green)

(Shortlisted)**WHATHOUSE? AWARDS**

Best Sustainable Development 2022 (Bertha Park)

(Winner)**HOME VIEWS AWARDS**

Top Rated Midlands Development 2022

(Sutherland Grange, Silkin Green, Stonefield Edge, Wards Keep)

(Finalist)**LOVE TO RENT AWARDS**

BTR Tech Award 2023

(Shortlisted)**LOVE TO RENT AWARDS**

SFH BTR Development 2023 (Stonefield Edge)

(Shortlisted)

Investment Strategy and Business Model

Business Activities

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

The Company completed its IPO on 31 May 2017, raising initial gross proceeds of £250 million through the issue of 250 million ordinary shares of one pence each at an issue price of £1 each, and the shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. Since then, the Company has raised additional funds through two placings and through gearing, taking its total available resources to £983 million (gross). On 2 March 2021, the Company transferred its entire issued share capital to the premium listing segment of the Official List of the FCA and to the London Stock Exchange's premium segment of the Main Market.

Investment Objective, Policy and Business Model

The PRS REIT is seeking to provide investors with an attractive level of income, together with the prospect of income and capital growth, through the establishment of a 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 geographies 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 North, with locations chosen for their accessibility to main road and rail links, good primary schooling, and to centres of economic activity, which promote long-term employment prospects. The new-build nature of the assets 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 ("**PRS 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 Capital Group Limited ("**Sigma**"), the ultimate 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 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 to scale the PRS REIT's portfolio and to minimise development and operational risks. Specifically, the Sigma PRS Platform facilitates the efficient sourcing and development of investment opportunities.

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

All pre-development risks are identified and underwritten by Sigma and its partners, and development sites 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 as they complete.

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

Multiple Geographies

By creating assets across multiple locations and in different regions, the PRS REIT's concentration risk has been reduced.

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

In addition, no investment has been made in any single completed PRS site or PRS development site that exceeds 10% of the aggregate value of the total assets of the Company at the time of commitment.

'Simple Life' Brand

The PRS REIT's rental homes are marketed under the 'Simple Life' brand. The brand has created an identity for the PRS REIT's product and aims to set a 'gold standard' in the private rented sector, by providing high-quality, sensibly-priced rental homes, which are supported by high customer service standards.

The PRS REIT's long-term approach to the ownership of its assets provides reassurance to residents that tenancies have longevity. The Group also actively fosters initiatives that help to create a sense of community within the Group's developments.

Investment Restrictions

The Group observes the following investment restrictions:

- > the Group only invests in private rented residential houses and apartments located in the UK (predominantly in England);

- > the Group invests in assets that require development by means of the Group's forward funding model, (so long as when completed they fall within the Company's investment policy). However, it does not undertake development without planning consent being in place or if the gross committed (but unspent) construction costs to the Group of all such forward funded development exceeds 25% of the aggregate gross value of total assets of the Group at the time of commitment, as determined in accordance with the accounting principles adopted by the Group from time to time (the "**gross asset value**"). Any forward funded development will only be for investment purposes;
- > in order to further manage risk in the portfolio, no investment by the Group in any completed PRS site or PRS development site exceeds 10% of the aggregate value of the gross asset value of the Group at the time of commitment); and
- > the Group does not invest in other alternative investment funds or closed ended investment companies.

Equity and Debt Financing

Three tranches of equity have been raised to date: £250 million (gross) at the Company's IPO on 31 May 2017; £250 million (gross) in February 2018; and £55.6 million (gross) in September 2021.

The PRS REIT utilises gearing to enhance equity returns. The level of borrowing is prudent for the asset class, whilst maintaining flexibility in the underlying security requirements and the structure of both the PRS portfolio and the Group. The Group has raised debt from banks and institutions, with equity from Homes England and the capital markets. In line with the Company's Investment Policy, the aggregate borrowings of the Group are always subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45% of the gross asset value, although the Investment Adviser expects actual gearing to settle to around 40% following stabilisation of the portfolio. See further detail of debt facilities in the Investment Adviser's Report.

Derivatives

The PRS REIT uses derivatives for efficient portfolio management. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred, in accordance with the gearing limits as part of the management of the PRS Portfolio. In July 2023, as part of the debt refinancing process, an interest rate cap was put in place on the RBS £75 million floating rate debt to hedge against downside risk on further interest rate movements. This is in addition to the fixed-rate borrowings with Scottish Widows and Legal and General Investment Management.

REIT Status

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

Investment Adviser's Report

Sigma PRS Management Ltd ("**Sigma PRS**"), a wholly-owned subsidiary of Sigma Capital Group Limited, is the Company's Investment Adviser. It is pleased to provide a report on the PRS REIT's activities and progress for the year ended 30 June 2023 and to outline the portfolio's performance in the first quarter of the new financial year ending 30 June 2024.

Operational Review

Development Activity and Acquisitions

A total of 294 homes were added to the PRS REIT's portfolio in the financial year to 30 June 2023. This compared with 802 in the prior year and reflects the advanced stage of the rollout of the portfolio, with fewer sites under active development as the portfolio approaches maturity.

The total number of completed homes in the portfolio at the end of June 2023 stood at 5,080, an increase of 6% on the same point last year (2022: 4,786). The homes are located predominantly across six of the eight major regions of England, and their combined estimated rental value ("**ERV**"), was £55.0 million per annum as at 30 June 2023. This is a 15% increase in the portfolio's estimated rental value over the year (30 June 2022: ERV of completed homes stood at £47.8 million per annum).

At the beginning of the year, four development sites were acquired. They are located in Warwickshire, Shropshire, South Yorkshire and Staffordshire, and when completed, will add a combined 97 new homes to the portfolio.

The Company's assets now reflect a difference between ERV, used for valuation, and actual passing rent paid by tenants. As at 30 June 2023, ERV was estimated to be £5.1 million higher than passing rent (2022: £2.7 million higher). This reflects the strength of demand for the Company's portfolio of assets. The fair value of the Group's investment properties as at 30 June 2023 is based on ERV as opposed to passing rent. All estimates were compiled independently by Savills.

The table below provides further information on development activity over the financial year, and includes data for the first quarter of the new financial year ending 30 June 2024, as well as comparative data for the financial year ended 30 June 2022.

	At 30 September 2023	At 30 June 2023	At 30 June 2022
Number of completed homes	5,129	5,080	4,786
ERV per annum of completed homes	£57.6m	£55.0m	£47.8m
Completed sites	63	63	58
Contracted sites	8	8	10
Number of contracted homes	395	444	693
ERV per annum of contracted homes	£3.1m	£3.8m	£7.2m

Construction Resource

The construction resource provided by the Sigma PRS Platform has national reach. It has underpinned the continued expansion of the Company to key population centres across the UK, primarily in England, and supported the creation of a geographically diverse portfolio.

There are many benefits for our construction partners in partnering with us. These include strengthening their ability to bid for land with local councils and improving operational efficiencies with their own housing delivery. This partnership approach works well and the model we operate of using standard family house types, fixed price design & build contracts, together with standardised specification, helps to ensure that developments are built to budget. The standardisation of housing type also means that completed assets can be maintained and managed more efficiently.

Financial Results

Income statement

The Group's revenue (which is wholly derived from rental income) increased by nearly 18% over the year to £49.7 million (2022: £42.0 million). After the deduction of non-recoverable property costs, the net rental income was £40.2 million (2022: £34.3 million). Administration expenses were slightly higher at £8.3 million (2022: £7.5 million).

The gain from the fair value adjustment on investment property was £25.4 million (2022: £99.7 million). The gain reflects a combination of higher ERV offset partially by the negative impact of higher yields in the current period as asset values move inversely to yield. As against the comparative period, the overall reduction in the level of the gain principally reflects a higher level of ERV growth during the prior year. Operating profit was £58.9 million (2022: £127.0 million).

Finance costs for the year were £16.5 million (2022: £11.1 million) reflecting the debt utilisation and associated costs during the year as well as an increase in interest rates on variable rate debt during the year. Finance income for the period from short-term deposits was £49,000 (2022: £4,000). The profit after taxation was £42.5 million (2022: £115.9 million).

The basic and fully diluted earnings per share on an IFRS basis for the year were 7.7p (2022: 21.4p).

Dividends

The total dividend for the financial year under review amounted to 4.0p (2022: 4.0p) per ordinary share, declared and paid quarterly as follows:

- > On 2 November 2022, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 July 2022 to 30 September 2022, which was paid on 30 November 2022 to shareholders on the register as at 11 November 2022.
- > On 7 February 2023, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 October 2022 to 31 December 2022, which was paid on 3 March 2023 to shareholders on the register as at 17 February 2023.
- > On 25 April 2023, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 January 2023 to 31 March 2023, which was paid on 26 May 2023 to shareholders on the register as at 5 May 2023.
- > On 2 August 2023, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 April 2023 to 30 June 2023, which was paid on 1 September 2023 to shareholders on the register as at 11 August 2023.

Balance Sheet

The principal items on the balance sheet are investment property of £1.0 billion (2022: £961.9 million), cash and cash equivalents of £13.2 million (2022: £48.7 million), long-term loans of £248.4 million (2022: £246.7 million), short term loans of £126.7 million (2022: £100.0 million) and trade and other payables, accruals and deferred income of £20.1 million (2022: £32.0 million).

Investment property includes completed assets and assets under construction at fair value.

Debt Financing

At 30 June 2023, the PRS REIT had the following debt facilities:

- > £150 million revolving credit facility ("RCF") with Lloyds Banking Group plc / The Royal Bank of Scotland plc ("RBS") for an initial term of three years, extended to mid-July 2023. Interest was based on three-month Sterling Overnight Interbank Average Rate ("SONIA") plus applicable margin and the loan was secured over assets allocated to Lloyds Banking Group. As at 30 June 2023, £115 million had been drawn (2022: £85.4 million);
- > £100 million term loan of 15 years with Scottish Widows, fully drawn as at 30 June 2023 (2022: fully drawn) and maturing in June 2033. Interest is fixed at 3.1% and the loan is secured over assets allocated to Scottish Widows;
- > £150 million term loan of 25 years with Scottish Widows, fully drawn as at 30 June 2023 (2022: fully drawn) and maturing in June 2044. Interest is fixed at 2.8% and the loan is secured over assets allocated to Scottish Widows; and
- > £40 million (2022: £40 million) development debt facility with Barclays Bank PLC, maturing in August 2025. Interest is based on three-month SONIA plus applicable margin and the loan is secured over assets allocated to Barclays Bank PLC. As at 30 June 2023, £12.1 million had been drawn (2022: £15.2 million drawn).

Post period debt refinancing

At the beginning of July 2023, the Company completed the refinancing of the £150 million RCF provided by RBS and Lloyds Banking Group plc. The RCF had been originally due to mature in February 2023 and was extended on substantially the same terms to mid-July 2023 (with an option to extend until October 2023).

A £102 million facility of fixed-rate debt for 15 years was agreed with Legal and General Investment Management, together with a £75 million floating-rate debt facility for two years with RBS. The floating-rate facility provides the Company with the flexibility to refinance this element of debt at a potentially more favourable rate during the two-year term of the loan. An interest rate cap was also put in place on the floating rate debt to hedge against downside risk on further interest rate movements.

The Company immediately deployed almost two-thirds (£115 million) of the revised facilities (specifically the entire £102 million fixed-rate facility and £13 million of the floating-rate facility) to fund already completed and stabilised sites. The balance of £62 million of floating-rate debt is expected to be drawn down to fund sites completing and stabilising before the end of calendar year 2024.

In September 2023, the Barclays Bank PLC development debt facility was reduced from £40 million to £33 million.

Gearing on the portfolio remains low at 37% EPRA LTV. Approximately 82% of the £427 million of investment debt is now fixed rate at an average of 3.8%, which compares favourably against the average net investment yield for valuation purposes of 4.47%.

The PRS REIT's aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45% of the value of the assets. Although the aggregate debt facilities total £460 million, the £33 million Barclays Bank PLC debt facility can be drawn as development debt to enable a larger number of sites to be developed simultaneously. Following practical completion and stabilisation of lettings on sites partially funded by development debt, the assets are refinanced using the Company's longer-term investment debt facilities. On this basis, the total borrowings will not exceed the maximum gearing level of 45% highlighted above.

Key performance indicators

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

KPI	June 2023	June 2022	Change
Rental income (gross)	£49.7m	£42.0m	+18%
Average rent per month per tenant	£903	£834	+8%
Number of properties available to rent	5,080	4,786	+6%
Average net investment yield	4.5%	4.1%	+8%
Non-recoverable property costs as a percentage of gross rent (gross to net)	19.1%	18.2%	+5%
Fair value uplift on investment property	£25.4m	£99.7m	-75%
Operating profit	£58.9m	£127.0m	-54%
Earnings per share ('EPS')	7.7p	21.4p	-64%
EPRA EPS	3.1p	3.0p	+3%
Dividends declared per share in relation to the period	4.0p	4.0p	-
Dividends paid during the period	4.0p	4.0p	-

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.

The valuation of the Group's property assets is based on five key drivers being, land purchase, cost to build, ERV, gross to net income deductions, and yield. Rental income, being passing rent receivable rather than ERV, and gross to net income deductions or operating costs, are the key factors in determining net income. Small variations in these can have a material impact on the valuation of property or the net income levels. These drivers therefore form the basis of the key performance indicators measured and monitored by the Company.

As the majority of the property assets are now complete and let, costs have already been incurred and the focus has moved to rental income, operating expenses and average net investment yield. Levels of rental income are dependent on the number of completions and annual rent levels set at the time of renewals and re-lets. Average rent of £903 per calendar month at June 2023 reflects growth of 8% over the average of £834 at June 2022 and is consistent with the like-for-like growth of 7.5% during the financial year.

The number of completed homes is the other key determinant of gross rental income. At the end of June 2023 the number of completed homes stood at 5,080, up by 294 from 4,786 at the same point in 2022. The delivery of the initial portfolio is nearing an end, with the majority of assets completed and let.

Operating expenses determine the quantum of gross rental income that is converted into net rental income. This, in turn, determines the underlying profitability of the Group. In addition, the independent valuers utilise industry standard assumptions around long-term sustainable operating expenses in performing their valuation work. Monitoring actual operating expense levels against the industry standard assumptions is therefore key in assessing overall asset performance and re-affirming the assumptions utilised by the independent valuers. The prevailing level of operating expenditure of 19.1% (2022: 18.2%) is lower than the long-term sustainable assumption reflecting the age of the assets in the portfolio.

Valuation of the Group's property assets represents the largest component of the balance sheet. Movements in the valuation between balance sheet dates are therefore essential in understanding profitability through the income statement and asset strength on the statement of financial position. The valuation uplift during the year reflects a combination of the development surplus recognised on assets under construction together with the impact of the revaluation of the portfolio at the year end. The valuation uplift of £25.4 million (2022: £99.7 million) reflects the combined impact of ERV and average net investment yield movements. Over the financial year, ERV has grown from £47.8m to £55.0 million for completed homes, an increase of 15%, of which unit numbers account for only 6%, while the average net investment yield has softened from 4.13% to 4.47%. As asset values move inversely to yield, the ERV growth has more than offset the increase in net investment yield.

The portfolio's average rental affordability ratio (measured as rent paid as a proportion of gross household income) is very healthy at 22% in 2023 (2022: 25%). This is after like-for-like rental growth of 7.5% over the financial year on stabilised sites (2022: 5.1%). Like-for-like blended rental growth on stabilised sites is the annual rental growth on sites where all units have been completed and either all or nearly all have been let.

Post Period Review

Over the first quarter of the new financial year, 49 new homes were added to the portfolio, taking the number of completed homes at 30 September 2023 to 5,129, and the cumulative ERV of completed homes to £57.6 million per annum. At the end of September 2023, there were an additional 395 homes with a combined ERV of £3.1 million per annum, under way. The portfolio's total ERV of completed and not-yet-completed homes therefore amounted to £60.7 million at 30 September 2023.

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. Further details can be found in Note 18.

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

	At 30 September 2023	At 30 June 2023
Number of completed PRS homes	5,129	5,080
ERV per annum of completed homes	£57.6m	£55.0m
Number of contracted homes	395	444
ERV per annum of contracted homes	£3.1m	£3.8m

The refinancing of the variable rate interest investment debt facility is detailed on page 38.

Resident feedback

All tenants receive a tenant satisfaction survey email one week into their tenancy and then approximately six months later. This helps the Investment Adviser to monitor tenants' experience with the lettings and moving-in teams and then again once settled into their tenancies. Tenants are also surveyed when renewing their tenancies.

The following table provides data based on tenant satisfaction results for the 12-month period from July 2021 to the end of June 2022, in comparison to results for the 12-month period from July 2022 to the end of June 2023.

	Question	July 2021 – June 2022	July 2022 – June 2023
Move in survey	% of tenants who said the team made it easy to apply	93%	96%
	% who said they were kept well-informed during the application process	88%	89%
	% who said they received all the information they required	84%	91%
	% who said they would recommend 'Simple Life'	95%	96%
	% of tenants who said they were still happy with their home	95%	98%
	% who said they were happy with the service provided	89%	89%
6-month survey	% who said they felt they had been kept well-informed	83%	88%
	% who said they felt their Asset Manager was responsive and were satisfied with the service provided	76%	89%
	% who said the communal areas were well maintained	86%	84%
	% who said they feel part of a community	85%	85%
	% who said they felt their maintenance requests were fixed in a timely manner	76%	77%
	% who said they would recommend 'Simple Life'	94%	95%
Renewal survey	% of tenants who were happy with their 'Simple Life' experience so far	96%	96%
	% of people who renewed their tenancies because they love the property	49%	58%
	% who renewed because they love the area	40%	20%
	% who renewed because of the rent (value for money)	9%	5%
	% who renewed because 'Simple Life' offers a better service than a 'one-off' landlord	2%	17%
	% of people who see themselves staying with 'Simple Life' for 4 years or more	62%	58%
	% who see themselves staying for 3 years or more	78%	76%
	% who said they would recommend 'Simple Life'	91%	94%

All results are based on responses on a range from 'neutral' to 'strongly agree'. Tenants are given the option to respond on a range from 'disagree' to 'strongly disagree', these responses are not included in the results reported above.

Overall the results from the latest survey are in line with those of the prior year, with the majority showing an improvement in customer satisfaction.

The biggest increase from the previous year was the feedback on Asset Management, with 89% saying their asset manager was responsive and that they were satisfied with the service provided (2022: 76%). This question was introduced last year to enhance insight and provide another measure of asset manager performance across sites.

It is encouraging to see that across the three surveys the proportion of residents who would recommend *Simple Life* to friends and family has increased by 5% year-on-year.

The strength of the *Simple Life* brand continues to grow. Over the past 12 months the *Simple Life* website received c.1.6 million page views and over 16,000 enquiry submissions. The number of leads obtained through the website continued to exceed enquiries coming from third-party websites, such as Rightmove. Site signage, recommendation and online search continue to be the largest sources of enquiries of those coming through the *Simple Life* website.

Tenant Initiatives

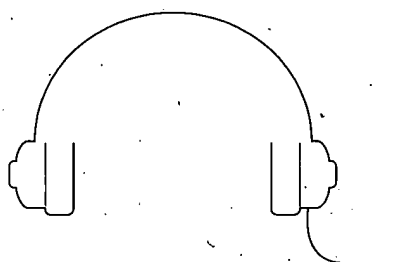
Affordability and Energy Calculator

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

Following the energy efficiency modelling that Sigma undertook last year, the *Simple Life* website now offers an energy efficiency calculator against our most common property types. Users are able to input their usage habits and property details to obtain an energy bill estimate.

Rental Availability

The *Simple Life* website lists the availability of rental homes in real-time. As well as giving potential renters a better service, it also facilitates a more efficient uptake of homes. In 2023, an 'all-available properties' page was introduced, enabling users to view all available properties according to their search criteria. This also helps to give prospective residents an idea of comparable rental prices where a specific development has no live availability.



the simple life chat

'My Simple Life' Mobile App

The bespoke resident mobile app, 'My Simple Life', which was launched in August 2021, provides a convenient and efficient 'one-stop shop' for residents' needs and is available on Google and Apple devices. It provides:

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

New services were added to the app over the financial year. These included the following:

- > content presentation by property type (apartment or house);
- > a notification log;
- > a new meter-reading section, which enables residents to access meter readings and request new meter readings, including 'push' notifications when a new reading is ready to view; and
- > a dedicated health and wellbeing ("**H&W**") section.

App enhancements that are scheduled over the coming year include functionality that will enable tenants to:

- > add images to forum topics and comments – particularly relevant for 'lost and found' inquiries and furniture swaps; and
- > upload health and wellbeing content to the H&W hub.

Affiliate Offers

The Investment Adviser has increased the range of affiliate offers that are available to tenants. These are promoted through the My *Simple Life* mobile app. New offers agreed this year include discounts from Sparkling Cleaning, Sculpt Pilates, Grow Gorgeous, ESPA, Dot. (Professional Organisers), Wash Doctors, Virgin Wines, Simply Cook, Leaf Envy and Smol. These offers supplement existing affiliate offers from Oddbox, Sky, Argos, Dunelm, Wayfair, AO, Pretty Little Thing, Appleyard London Florists, and The Modern Milkman.

Podcast

The Investment Adviser's '*Simple Life Chat*' podcast gained a new host this year, which was Capital Radio presenter, Russ Morris. He continues to address the experience of renting and explores topics of interest to residents, with experts and residents participating in discussions.

New Market Research Survey

The Investment Adviser monitors the rental market on behalf of the PRS REIT in order to enhance decision-making and identify opportunities. During the year, it commissioned a major piece of market research, which surveyed a broad cross-section of some 2,000 UK renters, including some of the Company's tenants, and was supplemented by two focus groups. Some interesting findings that emerged included the following:

- > the average age of a UK renter is 44 years;
- > the main reason for renting – reported by 71% of survey participants – is lack of ability to buy;

- > the average length of time participants had been renting was just under 7 years;
- > property location was a key factor for 89% of survey participants;
- > the average rent paid was £700 per calendar month;
- > home office space was cited as a requirement by 44% of participants, reflecting post-pandemic hybrid working patterns; and
- > environmentally-friendly features were sought by 61% of participants.

The market research report can be viewed online at www.theprsreit.com/company/the-private-rented-sector-marketplace/.

Online reviews

Simple Life is registered with Trustpilot and tenants are routinely invited to leave reviews. This helps the Investment Adviser to identify any areas that need improvement. There are over 750 reviews on Trustpilot and *Simple Life* achieved an overall rating of 4.2 stars out of 5.0. This is significantly above the average of 3.6 for the business category of Property Rental Agency.

Simple Life developments also feature on 'Home Views', a dedicated review website for housing developments. They have gained an average score of 4.28 out of 5.00 from approximately 750 resident reviews (with the BTR benchmark at 4.19). Nine *Simple Life* developments were rated above the industry benchmark for facilities, design, value and management.

Customer testimonials

A selection of customer testimonials are below.

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"Just perfect. The layout of the greenery and roads are fantastic. We even recommended it so much we have friends moving in the area soon! The fact all the front gardens are looked after really helps us during our busy lives. Always kept well and the staff are so friendly."

Aimee (Newhall resident) on Home Views

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"I love the design of the houses. Having a kitchen that you can entertain in is a must for me. The downstairs toilet means no visitors are having to invade on your private space upstairs. The property is warm and I've hardly had to use the heating system although it's good to have a monitor in the bedroom for cold mornings. Any issues I have had I have been able to easily report them through the app and a contractor has been sent to fix the issue almost immediately."

Jade (Stanley Park resident) on Home Views

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"The apartments themselves are very well decorated and I have had a great time living here. The apartments are spacious, and I have had very few problems with the property, and when I have, these have always been resolved quickly by management. The furniture provided is very high quality and adds greatly to the apartment. They have been a very good landlord responding quickly to repairs and have enjoyed some of the organised activities such as free pizza for the opening of the communal garden."

Emily W (Empyrean resident) on Home Views

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"The design of the house is superb, particularly the en-suite room. I really like that appliances are included with the property and the garden is fantastic! The property manager is easy to contact and they are quick to resolve an issue. Overall the property is outstanding."

Adam (Durban Mill resident) on Home Views

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"The development is lovely; everyone seems very friendly and are respectful to the space. The location is ideal as you are close to town but aren't in the centre of everything, which is ideal for me as I have a young baby. The house is gorgeous and Simple Life are very supportive when there are any maintenance issues."

Emily C (Beehive Mill resident) on Home Views

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"We are very happy with our house. It is perfect for our family and very clean and new. We have had great communication with the management team and if we have had a problem or something damaged they work hard to get it fixed asap. Even the rent is very affordable. We are very happy with the location it is a 20min walk to most areas and lots of parks for our kids."

Chris Webb (Silkin Green resident) on Home Views

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"I recently approached Simple Life with a view to renting a home. I spoke to a representative, Jade. She guided us through the process, made herself available at any time - nothing was too much trouble. Such customer service is now rare I feel she must be such an asset to Simple Life."

Janet Wilkinson (Simple Life resident) on Trust Pilot

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"Simple Life do exactly what they say; they make renting simple. The home I rent is of outstanding specifications, maintenance is quick and easy and their app is really useful for tracking your rent account and logging repairs. Overall, Simple Life are an outstanding company who make renting simple!"

Adam (Simple Life resident) on Trust Pilot

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"From moving into our new forever home, has been absolutely wonderful, Simple Life have made it stress free from the very start. I have a lot of health issues which they are aware of, especially Junior. He's been absolutely amazing and very helpful throughout. He is very considerate and compassionate when dealing with any issues I've had. Junior goes above and beyond to help guide me through everything in relation to Simple Life, I think personally every office needs a Junior, thank you so so much."

Dawn (Simple Life resident) on Trust Pilot

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"The quality of the rental property provided by "Simple Life" is truly impressive. The property is impeccably clean, well-maintained, and equipped with all the necessary amenities. It is evident that the company takes great pride in their properties, as everything is in excellent condition. I feel comfortable and at home from the moment I stepped through the door."

Ion Postolachi (Simple Life resident) on Trust Pilot

Summary and Outlook

The PRS REIT's assets continue to perform very strongly as figures for the first quarter of the new financial year show. Demand remains high, occupancy very strong, rent collection extremely robust and affordability well within the guidance provided by Homes England. We expect this to continue, with the structural undersupply of rental homes and other fundamental market drivers supporting the sector. In the near term, higher mortgage rates and general economic uncertainty will also act as stimulants to the rental market.

We are in the final phase of housing delivery for the PRS REIT's initial portfolio. At completion, it is expected to comprise around 5,500 homes with an ERV of £60.7 million per annum, consolidating the PRS REIT's position as the leader in single-family rental homes in the UK. We continue to focus our efforts on steering through remaining delivery, providing our residents with a high standard of customer care, and ensuring all our developments are attractive, sustainable, and neighbourly places in which to live.

Environmental, Social and Governance

ESG statement

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

Approach

The Company recognises that it is a long-term stakeholder in the communities and neighbourhoods it creates and takes this responsibility very seriously. Its Investment Adviser engages with leading industry ESG bodies for support in achieving the Company's ESG goals.

- > The Investment Adviser is a signatory of the United Nations Global Compact ("**UN Global Compact**"). This is a special initiative of the United Nations Secretary-General, which is designed to encourage business leaders to implement universal sustainability principles and, in particular, the UN Global Compact's Ten Principles and so help to deliver the UN's Sustainable Development Goals ("**SDG**"). The 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. The UN Global Compact is the world's large corporate sustainability initiative.
- > The Investment Adviser has also committed to SDG Ambition guides, 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 Investment Adviser is also cognisant of legislative developments in relation to the Government's Biodiversity net gain ("**BNG**") strategy, which aims to safeguard habitat for wildlife, and its encouragement of the energy performance efficiency of rental homes.
- > The PRS REIT is a member of European Public Real Estate Association ("**EPRA**"), a not-for-profit association that represents the publicly-traded European real estate sector. EPRA's mission is to promote, develop and represent the European public real estate sector by, amongst other things, providing better information to investors and stakeholders, actively engaging in public and political debate, and promoting best practices.
- > The Investment Adviser regularly monitors the changing legislative and reporting landscape, including the EU Sustainable Finance Disclosure Regulation ("**SFDR**"), the UN Principles of Responsible Investment ("**PRI**"), the Task Force on Climate-Related Financial Disclosures ("**TCFD**"), the Taskforce on Nature-related Financial Disclosures ("**TNFD**"), the EU's Corporate Sustainability Reporting Directive ("**CSRD**"), as well as national and city-level regulations, which are increasing.

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

Opportunity review

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

Investment decisions

- > ESG issues are listed and addressed in a summary investment paper, which informs decision-making at the Investment Committee approval stage.
- > ESG costs, including for ongoing community involvement, are also determined and factored into investment decision-making processes.

Asset management

- > Appropriate governance structures are established.
- > Relevant laws and regulations are adhered to.
- > ESG issues are monitored and managed.
- > Impacts on the natural habitat surrounding PRS assets are managed.
- > Local community engagement and support plans are established, reviewed and developed.
- > Due diligence is performed on third parties e.g. service providers.
- > Policy reviews and updates are ongoing.
- > Good practice is established.
- > Continued research and review of carbon reduction opportunities are ongoing.
- > Investment restrictions are screened to ensure ongoing compliance.
- > The ability of investments to comply with ESG standards is assessed.

Processes and strategies

As an industry leader in the provision of private rental homes, the PRS REIT recognises its responsibilities regarding the environment and also public priorities. The Government's '10 Point Plan for a Green Industrial Revolution', and "Net Zero Strategy: Build Back Greener" set out pathways to accelerate the UK's attainment of net zero carbon emissions and encompasses energy, production, transport, innovation and the natural environment, with 2050 set as the endpoint of its net zero goal.

In the real estate sector, there is a continuing need for action in areas including energy and water consumption, non-fossil fuel heating provision and biodiversity. In developing the Company's ESG agenda, the Investment Adviser has embedded best practices, and works closely with supply chain and construction partners to ensure that their policies and activities comply with the PRS REIT's commitment to legislative requirements and best practice.

Environmental Impact and Data

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

A particular focus for the Company is ensuring that the homes in its portfolio are highly energy efficient. All homes added during the financial year ended 30 June 2023 had an EPC rating of at least a B, and across the Company's portfolio 87% of homes are rated A or B. The balance has an EPC rating of C. The portfolio was therefore in compliance with the Government's proposed new Minimum Energy Efficiency Standard, requiring all rental homes to have a minimum rating of C by 2028. The Government dropped this measure in September 2023, in policy change to take a more pragmatic, proportionate and realistic approach to reaching net zero.

The total EPC data for the Company's homes is as follows:

EPC Rating	No. of Homes	%
A	47	1%
B	4,352	86%
C	681	13%
Total	5,080	100%

The Company provides residents with access to clean and renewable energy through the installation of electric vehicle ("EV") charging facilities and solar photovoltaic panels, where possible. To date, 188 homes have access to EV chargers, 255 homes have been installed with wiring looms, which are specially designed wiring systems that provide for greater efficiency, protection and safety, and 18 EV chargers have been installed at apartment blocks. Photovoltaic panels have been installed at 966 homes.

Homes with photovoltaic panels	% of portfolio with photovoltaic panels	Estimated generated kWh/yr	Estimated avoided CO2 emissions kg/yr
966	21%	592,584	148,864

Sigma PRS is working closely with the Company's construction partners to understand and monitor the greenhouse gas emissions and waste produced in the construction of homes. Gathering relevant and meaningful data to help direct future design and asset maintenance is important, and the Investment Adviser is in discussion with building partners, Vistry and Countryside Partnerships to develop a strategy and process for data gathering in this area. Data collation is not an easy task as there is no legal obligation on third parties such as suppliers and customers to provide information. In the absence of relationship and economic leverage, this process is therefore reliant on a voluntary co-operation. Collaboration has involved participation in a sustainability materiality assessment, which will be used to discuss and agree targets.

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

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

Social Engagement

The Company places great importance on engaging with the communities in which its developments are sited. Over the last twelve months, the Company has supported over 20 charities and clubs across the country, either financially or practically, through work undertaken by the Investment Adviser. Residents are often involved in selecting these charities and organisations and the Investment Adviser aims to ensure that residents will readily identify with chosen causes.

A wide range of organisations and social initiatives were supported over the year, ranging from local clubs promoting girls' football and women's cricket and rugby, to smaller and national charities.

Examples of initiatives that were supported include the British Heart Foundation's RevivR project, which teaches vital cardiopulmonary resuscitation, and the NSPCC's parenting skills project, 'Look, Say, Sing, Play' as well as its Adolescence programme in Liverpool, and its "The Net" project to raise awareness of online safety for children in Doncaster and Leeds. A new partnership was started with Alzheimer's Research UK. It has provided residents with the opportunity for significant engagement, including visiting the charity's research laboratories.

The Investment Adviser seeks to establish productive relationships with charity partners. During the year, visits were organised with a number of charity partners, including Embassy Village, Atherton and Leigh Foodbank, Knowsley Foodbank, Salford Loaves and Fishes, Barnardo's Gap Homes Project, Speed of Sight, and Carlisle Men's Shed. They provided the opportunity for the Investment Adviser to discuss how best to provide ongoing support.

Large-scale initiatives during the year included the Simple Life Schools and Communities Biodiversity Project, which was launched in partnership with Green the UK, and the DanceSing Wellbeing initiative. The Simple Life Schools and Communities Biodiversity Project is a countrywide project, which involves communities and schools engaging in activities such as planting trees, vegetables, and wildflowers.

The DanceSing Wellbeing initiative has resident wellbeing at its heart and offers residents online access to a wide range of activities that support physical and mental health.

We are pleased to provide below some of the feedback from the charities and organisations with which we have been involved.

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"Knowsley foodbank started nearly 12 years ago. Now the Big Help Project Food division has a team of eight people working from our warehouse in Kirkby. We have three drivers, two warehouse operatives, and three office-based colleagues alongside a team of dedicated volunteers. The warehouse handles all of the food for our seven foodbanks and 17 food clubs. The foodbank via food clubs has been successful in expanding throughout Knowsley and the Liverpool City Region and the Wirral.

"Last year we distributed over 275.5 tonnes of food to across our foodbanks and food clubs in total, which helped to feed 140,000 people; of this 261 tonnes was surplus food.(saved from going to landfill).

"Donations for the foodbank are essential to ensure that we maintain our support to those people who are living in crisis and poverty. We are grateful to those people and companies that support us in our work as without them we could not achieve what we do within the community."

***Michele Duckworth
Knowsley Foodbank***

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"Thank you so much for the donation to Alzheimer's Research UK. We're so grateful that Simple Life Homes/the PRS REIT plc has supported our work to help bring about life-changing treatments for dementia. Your support makes a difference We're making huge advances in our understanding of dementia, and the breakthroughs keep coming. Support like yours has helped our scientists discover over 20 genes linked to Alzheimer's disease, uncovering new avenues of investigation in the search for new treatments. Thank you once again for your generous donation and we look forward to supporting your efforts in raising awareness of dementia with your local communities.

***Simon McDermot,
Regional Fundraising Officer for Alzheimer's
Research UK***

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"I'm ecstatic to show you our new hoodies which arrived yesterday. And one of our new kit bags so far. I have to say again, a massive thank you to you and your company for making this happen. Feel like we are moving on up in the world"

**Resident Michelle Bryan,
Member of Runcorn Women's Cricket Club**

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"We really value your support, which will help fund our vital service to equip women in need with the clothes, coaching and confidence to secure employment, gain financial stability and change the trajectory of their lives."

**Rachel Shields,
Fundraising and Partnerships Manager,
at Smart Works Scotland**

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"Wow! Thank you so much! This is fantastic news and really very much appreciated - and needed!"

**Jane
The Bereavement Café in Bolton**

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*"We're delighted that you have raised funds for ground-breaking dementia research. That is such a kind and generous thing to do."
"WOW! That is amazing news, I know the team will be so grateful."*

**Octavia and Jade Snedeker,
Corporate Partnerships Officer
from Alzheimer's Research UK**

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"Honestly, I cannot thank you enough. This will benefit the girls so much; you've given us a truly amazing opportunity."

**Becki Stewart,
Normanton U12 Girls Rugby team**

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"Again, I cannot thank you enough for your support! For both Sandymoor and Runcorn Women's cricket team. Honestly, it is massively appreciated what Simple Life have done for both teams!"

**David Nation,
Manager of U18 Sandymoor FC**

Resident Focused Initiatives

The Investment Adviser's Report covers many of our resident-focused initiatives. They are designed to create specific opportunities for residents to engagement with each other and to bring educational, social and other benefits. Two further initiatives are highlighted below.

Outward Bound Trust

Sigma PRS partnership with The Outward Bound Trust, 'Building for My Future', continues to go from strength to strength, with Simple Life residents offered the opportunity to participate, fully funded by Sigma Capital Group. Young people from schools and youth groups close to Simple Life homes joined residents for a week of challenges and adventure. Several young people went on to develop their skills at summer courses, further enhancing the experience. A selection of feedback from participants is below.

Lucja – "This was my second time going for a five-day course with Simple Life Homes, at Outward Bound in Ullswater. Both times have allowed me to stretch my abilities, especially this time around as I took more of a leadership position becoming more connecting with the people in my group. It helped me build confidence, personal strengths and resilience. I am thankful for this opportunity and hope to move into doing the seven-day course to expand my strengths even further."

Nanette – "I'm not a very active or social person but I wanted to try something new and meet new people. I wasn't sure how it would be but I took the chance and I don't regret it. I even became good friends with my wonderful teammates and I actually enjoyed the activities even though they were out of my comfort zone. I can say it's better to try than just to rule something out because if I hadn't tried this course I would have missed out on a lot."

Ben – "The time I spent with my team was some of the most fun I've had in years. It really helped me get past some old stress and get to know some amazing people, who I'm still in contact with. I'd definitely recommend the week for anyone looking to expand your horizons and hope you have as much fun with it as I did. Pushing boundaries with their amazing staff has got me in a healthy state of mind for my coming exams and I'm sure it can help others too."

Book Boxes and Guardians

In August 2022, Sigma PRS launched a Book Box programme across several developments to encourage residents to share books. To date 17 book boxes have been installed providing a means of sharing and accessing free books to over 1,417 homes and enhancing opportunities for community engagement. The book boxes were sustainably made from 100% repurposed materials in partnership with a specialist recycling company, Ground Neutral.

Human Rights

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

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

Health and Safety

In order to maintain high standards of health and safety for those working on sites, monthly checks by independent project monitoring surveyors are commissioned to ensure that all potential risks have been identified and mitigated. These checks supplement those undertaken by construction and development partners. The data is reported to the Board on a quarterly basis in the event of a nil return, and immediately in the event of an incident. There were no reportable incidents over the year (2022: none).

Governance

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

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

Employee Diversity – Gender and Ethnicity

Directors of The PRS REIT plc	2023	2022
Male	80%	80%
Female	20%	20%
White British	80%	80%
Asian / Asian British	20%	20%

Principal Risks and Uncertainties

The Board is responsible for determining the nature and extent of the principal risks that the Group is willing to take in achieving its objectives and has carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity. The Board recognises that its ability to manage risk effectively throughout the organisation is central to the Company's success.

The Board continually consider emerging risks and during the year under review, the weakening macroeconomic environment in the UK, including higher interest rates, inflationary pressures, and the risk of recession, together with the war in Ukraine, were identified.

Risk management and risk appetite

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

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

- > The first line of defence is performed by the management team of the Investment Adviser who are responsible and accountable for identifying and managing risk as part of their objectives. As part of this the Investment Adviser produces a risk register that it provides to the Audit Committee for review and consideration at least twice per year.

- > The second line of defence is the policies, frameworks and challenge provided to ensure that the Investment Adviser is effectively managing risk. This is performed by the Board and reported on by the Audit Committee.
- > The third line of defence is independent assurance provided by the external auditor.

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

Valuation risk – investment property

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

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

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

Site selection

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

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

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

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

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

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

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

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

Access to land

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

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

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

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

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

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

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

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

The Board notes that on 9 September 2021, the entire share capital of Sigma Capital Group Limited was acquired by a wholly-owned indirect subsidiary of investment funds managed by PineBridge Benson Elliott LLP. This represents a change to the ultimate ownership of the Investment Adviser, although there is no change to the obligations and responsibilities of the Investment Adviser pursuant to the terms and conditions of the Investment Advisory Agreement.

The Board mitigates these risks by holding regular Board meetings (at least four times per financial period), which are attended by the Investment Advisor, whilst also having regular informal meetings with the key members of the Investment Adviser on a more regular basis. The Board's Management Engagement Committee also meets at least once a year to consider the performance of the Investment Adviser and the other outsourced professional firms and advisers engaged by the Company. The Board actively engages with key personnel of the Investment Adviser and assesses its key main risks to ensure that it is adequately staffed with suitably qualified personnel and that succession planning is in place.

Risks relating to the REIT status of the Group

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

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

Risks relating to compliance

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

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

Emerging risks

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

During the year the weakening macroeconomic environment in the UK was identified by the Board as a key emerging risk. The risk of higher interest rates affecting the Group's financial performance and banking covenants was of particular focus. The increase in interest rates charged on the variable rate investment and development debt facilities were partially offset by the increase in rental growth experienced in the private rental sector and there were no covenant breaches. Prior to the refinancing announced on 10 July 2023, this was of particular focus as the Group had 37% of its investment debt facilities on floating rates. Subsequent to the refinancing, the Group now has 82% of its debt facilities as long-term, fixed rate arrangements. The process of refinancing the Group's variable rate investment debt was prolonged to ensure that the best interest rates were obtained, and an interest rate cap has been entered into for the remaining variable interest rate investment debt.

With regards to inflationary pressures, the Company remains in a good position to manage and mitigate construction cost increases, using fixed price fixed design & build contracts. The majority of the contracted development sites have now been completed in relation to the target of c.5,500 units. To date this has not had a negative effect on the Company other than delaying completion of assets under construction due to supply chain issues, while offsetting this has been the continued strong demand for Build to Rent assets. The market for such assets remains strong and is reflected in rising rents which have more than offset the slight softening of yield which is included in the valuation of our existing properties. The risk of recession has also been considered, particularly in relation to possible increased tenant default and the subsequent impact on financial returns. This risk continues to be closely monitored and is mitigated by a geographically diverse portfolio, the use of rental insurance contracts where considered appropriate, and a continued focus on identifying at an early stage where there could be potential issues.

In relation to the war in Ukraine, this has not had a direct impact on the Group but it has undoubtedly contributed to the higher inflation and interest rate environments.

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

The Company's Section 172 statement is included on pages 58 to 63.

Stakeholder Engagement and Section 172 Statement

Stakeholder engagement

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

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

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

Section 172 statement

The following serves as the Company's section 172 statement and should be read in conjunction with the Strategic Report on pages 12 to 63. Section 172(1) of the Companies Act 2006, requires Directors to act in good faith, and in a manner which would most likely promote the success of the Company for the benefit of its members as a whole. The Directors should have regard to:

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

The Company does not have any employees and therefore S172(1)(b) is not applicable.

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

Our stakeholders

	Our customers	Our local communities and environment	Our investors and funders
Who are they?	> Our tenants and their families.	> Communities who live in and around our properties as well as local organisations and enterprises, including the natural surroundings of our properties.	> The entities, institutions and individuals who own shares in the Company together with the lenders who provide debt finance.
Why are they important to us?	> Customer service is at the heart of our business. Our tenants provide us with rental income, so it is essential that we serve their needs.	> Given the Company develops real estate, and therefore its assets have an impact on the surrounding communities and natural environment, the Board places an ever-increasing emphasis on the importance of ESG factors. > The Board and the Investment Adviser are fully committed to managing the business and implementing the investment strategy responsibly.	> Continued shareholder and lender support is critical to the sustainability of the Company and delivery of the Company's long-term business growth strategy.
What matters to them?	> Affordable, high quality, well maintained, homes at market prices that suit their needs. > Provision of accommodation in areas of strong employment with good infrastructure, transport links and local education. > Community environment which enhances wellbeing.	> Places which foster social connections and enhance wellbeing. > Our Community Fund. > Support for local organisations, such as schools and charitable institutions. > Minimising carbon emissions during construction and after completion when tenants occupy properties. > Minimising waste and conserving water during construction and after completion when tenants occupy properties. > Promoting environmental responsibility. > Preserving and enhancing biodiversity.	> Attractive returns on their respective equity and debt investments. > Delivery of strategy and financial performance. > Execution of investment objective. > Effective communication of the Company's progress and ongoing strategy.

	Our customers	Our local communities and environment	Our investors and funders
Ways we are engaging with them	<ul style="list-style-type: none"> > 834 tenant surveys completed annually. > Utilisation of an in-house mobile app which provides communication and information between tenant and landlord on a variety of topics. > Further information on how we engage with our customers can be found on pages 48 to 53. 	<ul style="list-style-type: none"> > Ensuring that engagement with shareholders provides an opportunity to discuss ESG matters. > Fostering networks which connect our occupiers with local communities and organisations, providing an opportunity for feedback. > For further information on the Group's ESG policies and performance please see pages 48 to 53, and the full report on the Company's website, www.theprsreit.com 	<ul style="list-style-type: none"> > Through a combination of Annual and Interim Reports, presentation of financial results and announcements to the market. > Provision of financial information and covenant compliance certificates to debt funders. > The Company encourages and welcomes shareholder queries at its Annual General Meeting. > Communication through the Company's joint brokers. > Returns-focused strategy with clear targets set. > Meetings offered to substantial shareholders, debt providers and potential investors who all met at least once in the last year. > Regular formal and informal communication with both equity and debt providers. > Provision of information on the Company's website. > Further information as to how the Company has engaged with its shareholders can be found on page 85.

	Our customers	Our local communities and environment	Our investors and funders
Impact of engagement on key decisions	<ul style="list-style-type: none"> > Seasonal events and marketing activities, such as summer ice cream dashes, outdoor cinema nights, pizza events and Christmas parades. > Delivering properties that target strong environmental certifications and energy efficiency. > Facilitation of resident nominated charity support. 	<ul style="list-style-type: none"> > Promoting the mitigation of carbon emissions on existing properties including installation of PV panels, EV charging points, utilisation of modern methods of construction and reduction of waste. > Identifying opportunities to increase biodiversity on and around properties. > Recycling activities, including installation of clothes banks on sites. > Support for local schools and charities through donations for projects. > Garden maintenance and provision of open green spaces. 	<ul style="list-style-type: none"> > The Board's proposal on the final total dividend for the 2023 financial year of 4.0p per share (2022: 4.0p) reflects the Board's confidence in the Company's long-term financial health and growth prospects. > The Board listened to shareholder feedback and, following engagement with lenders, the LBG / RBS £150 million debt facility was refinanced, and the Company secured a £102 million facility of fixed-rate debt for 15 years, together with a further £75 million of floating-rate debt agreed for two years, providing the Company with the flexibility to refinance this element over that period.

	Our partners and suppliers	Our Investment Adviser
Who are they?	> Construction partners, local authorities, Letting Agent, Company Secretary, other suppliers and all other organisations we have a direct relationship with.	> Sigma PRS.
Why are they important to us?	> As an externally managed REIT, the Company outsources all its administrative functions to external service providers, who are critical to the administration and running of the business.	> Performance of the Investment Adviser is critical for the Company to successfully deliver its investment strategy and meet its performance targets.
What matters to them	<ul style="list-style-type: none"> > Reliability and dependability of the PRS REIT. > Reputation of the Company and maintaining high standards of business conduct. > Customer recommendations, enabling them to win new/additional business. > Contributing to the success of the PRS REIT. > Collaboration and long term partnerships. 	> Provision of support and clear direction by the Board in terms of overall strategy and policy.
Ways we are engaging with them	<ul style="list-style-type: none"> > Maintaining an open and active dialogue both through formal Board meetings and regularly outside of meetings. > Annual evaluation of key service providers. > Developing long term relationships with suppliers. > Payment of suppliers in accordance with credit terms which are typically less than 30 days. 	<ul style="list-style-type: none"> > The Board and Sigma PRS have a close working relationship. The Investment Adviser attends the regular Board meetings and reports to the Board on progress and performance. > The Management Engagement Committee of the Board reviews the performance of the Investment Adviser annually. > Regular informal and formal discussions between members of the Board and the Investment Adviser, together with members of the Audit Committee and the Investment Adviser. > Further information as to how the Company has engaged with our Investment Adviser can be found on page 80.
Impact of engagement on key decisions	> Through the Management Engagement Committee process, the Board continues to provide transparent and actionable feedback to the Company's service providers, which has resulted in service providers continually looking to improve processes and ensure that they are aligned with the high standards of business conduct expected by the Board.	> Strategic oversight and clear direction by the Board has been crucial in ensuring that the Investment Adviser has been able to execute the Company's investment strategy effectively. For example, the Board supported the Investment Adviser in refinancing the Company's the LBG / RBS £150 million debt facility, which enabled the successful conclusion of this process.

Principal Decisions

Principal decisions have been defined as those that have a material impact on the PRS REIT and its key stakeholders. In taking these decisions, the Directors considered their duties under section 172 of the Act.

Dividend and Dividend Policy

The Board made the decision to target a dividend of 4.0 pence per ordinary share in respect of the year ended 30 June 2023, and this target has been met.

The Board provides shareholders with the opportunity to vote on the dividend policy of the Company at the Annual General Meeting.

Debt Refinancing

After the year end, the Company completed the refinancing of its £150 million revolving credit facility provided by RBS and Lloyds Banking Group plc. A £102 million facility of fixed-rate debt for 15 years, together with a further £75 million of floating-rate debt agreed for two years, have been secured, providing the Company with the flexibility to refinance this element over that period. An interest rate cap has been put in place on the floating rate debt to hedge against downside risk on further interest rate movements. These new facilities have been established with Legal and General Investment Management and RBS respectively. The Investment Adviser immediately deployed almost two-thirds (£115 million) of the total debt, specifically the entire £102 million fixed-rate facility and £13 million of the floating-rate facility, to fund already completed and stabilised sites.

The balance of £62 million of floating-rate debt is expected to be drawn down to fund sites completing and stabilising before calendar year 2024.

Approximately 82% of the Company's overall debt is now covered by long-term facilities, which have an average term of 16 years, further protecting shareholder returns and supporting the Investment Adviser to deliver on executing the Company's strategic objectives.

Appointment of Senior Independent Director

During the year, the Board made the decision to appoint Geeta Nanda as Senior Independent Director, with effect from 21 March 2023. In taking this decision, the Board considered that Geeta Nanda's skills and experience were suitable for the role and would ensure an additional and effective means of good governance, as well as providing key stakeholders with an additional contact to discuss any issues or concerns.

By order of the Board



Steve Smith

Chairman

9 October 2023

CORPORATE GOVERNANCE

Chairman's Introduction

Dear Shareholders,

I am pleased to introduce the Corporate Governance Report, which covers the year ended 30 June 2023. The Board recognise that a strong corporate governance framework helps provide the foundation for an environment of trust, transparency, and accountability, which is vital to the achievement of the Company's objectives.

The Board continue to work together effectively, facilitating an environment of collaborative decision-making that promotes the long-term success of the Company, on behalf of our shareholders.

During the year, a key focus of the Nomination & Remuneration Committee was to lead a succession process, on behalf of the Board, and to recruit an additional Director. Advancement has been made in this regard, and I am delighted to report that Karima Fahmy has been appointed to the Board, with effect from 10 October 2023. An induction process will be undertaken for Karima to ensure a successful transition into the role. Jim Prower has advised that he will step down at the conclusion of the 2023 AGM. I would like to take this opportunity to thank Jim for his contribution and considerable experience and insight to the Board, Audit Committee and Management Engagement Committee since his appointment on 20 May 2019.

The following Corporate Governance Report sets out the corporate governance principles that the Board has adopted; how these have been applied and highlights the key governance events that have taken place during the period.

Statement of compliance

The Board of The PRS REIT plc is committed to maintaining high standards of corporate governance and considers that reporting against the Principles and Provisions of the AIC Code of Corporate Governance issued in February 2019 (the "**AIC Code**"), provides better information to shareholders as it addresses the Principles and Provisions set out in the 2018 UK Corporate Governance Code (the "**UK Code**"), as well as setting out additional Provisions on issues that are of specific relevance to the Company, and is endorsed by the Financial Reporting Council (the "**FRC**").

The AIC Code is available from the AIC website at <https://www.theaic.co.uk/> and includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. A copy of the UK Code can be obtained at frc.org.uk.

The Company has complied with the Principles and Provisions of the AIC Code throughout the period.

The UK Code includes provisions relating to:

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

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

Directors

Steve Smith, Non-Executive Chairman

(Age 70) appointed 24 April 2017

Steve has over 40 years of experience in the real estate industry. He acted as Chief Investment Officer of British Land Company PLC, the FTSE 100 real estate investment trust, from January 2010 to March 2013, with responsibility for the group's property and investment strategy. Prior to joining British Land, Steve was Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed end funds. Before joining AXA in 1999, he was Managing Director at Sun Life Properties for five years. Steve is also Non-Executive Chairman of Sancus Lending, an AIM listed property finance business. He was formerly Non-Executive Chairman of Starwood European Real Estate Finance Limited and Alternative Income REIT plc and a Non-Executive Director of Tritax Big Box REIT plc and Gatehouse Bank plc.

Steffan Francis, Non-Executive Director

(Age 68) appointed 24 April 2017

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

Roderick MacRae, Non-Executive Director

(Age 59) appointed 24 April 2017

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

Geeta Nanda, OBE, Non-Executive Director & Senior Independent Director

(Age 58) appointed 24 March 2021

Geeta has over 30 years of experience working in the property sector. She is Chief Executive Officer of Metropolitan Thames Valley Housing Association ("MTVH"), having previously led its creation in 2017 with the merger of Metropolitan Housing Trust and Thames Valley Housing Association Ltd, where she was Chief Executive Officer for over 9 years. At MTVH, Geeta is responsible for the management of 60,000 homes, with 120,000 residents, and an ongoing new-build programme of over 1,000 homes a year. She also has significant experience of PRS, having established 'Fizzy Living', the London PRS subsidiary of Thames Valley Housing Association Ltd in 2012. Geeta is a member of the Homes for Londoners mayoral Board, and a Board member of The National Housing Federation, the industry body representing providers of housing. She is also Chair of G15, the group of London's largest housing associations, and is a Non-Executive Director of Redrow plc. She was previously a Non-Executive Director of McCarthy & Stone plc, the retirement communities' developer and manager, from 2015 until its acquisition in early 2021, a Non-Executive Director of The St Mungo Community Housing Association, a charity that helps the homeless, and Vice Chair of SCOPE, the national disability charity. Geeta was appointed as the Senior Independent Director of the Board on 21 March 2023.

Jim Prower, Non-Executive Director

(Age 68) appointed 20 May 2019

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

Advisers

Registered Office

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

Company Secretary

Hanway Advisory Limited
1 King William Street
London
EC4N 7AF

Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Financial Adviser and Broker

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

Joint Broker

Jefferies International Limited
100 Bishopsgate
London
EC2N 4JL

Financial PR

KTZ Communications
No. 1 Cornhill
London
EC3V 3ND

Legal and Tax Adviser

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

Investment Adviser

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

AIFM

G10 Capital Limited
4th Floor, 3 More London Riverside
London
SE1 2AQ

Depository

Crestbridge Property Partnerships Limited
8 Sackville Street
London
W1S 3DG

Valuers

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

Report of the Directors

The Directors are pleased to present the Annual Report, together with the audited financial statements, for the year ended 30 June 2023. The information that fulfils the requirements of the Corporate Governance statement in accordance with rule 7.2 of the DTR can be found in this Report of the Directors and in the Corporate Governance section on pages 78 to 85, all of which is incorporated into this Report of the Directors by reference.

Principal activity

The Company is a closed-ended investment company and is a Real Estate Investment Trust. The principal activity of the Company is the investment in, and management of, new build PRS residential housing which is primarily located in various regions of England. The Directors do not anticipate any change in the principal activity of the Company in the foreseeable future.

The Company commenced trading on 31 May 2017 after the successful initial raising of £250 million gross proceeds through its IPO. Its shares were listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange until 2 March 2021 when it migrated to the Premium Segment of the Main Market of the London Stock Exchange.

Results and dividends

The financial results for the year can be found in the Consolidated Statement of Comprehensive Income on page 114. The Company declared the following interim dividends in respect of the year to 30 June 2023, amounting to 4.0p per share:

Relevant period	Dividend per share (p)	Ex-dividend date	Record date	Payment date
1 July 2022 to 30 September 2022	1.0	10 November 2022	11 November 2022	30 November 2022
1 October 2022 to 31 December 2022	1.0	16 February 2023	17 February 2023	3 March 2023
1 January 2023 to 31 March 2023	1.0	4 May 2023	5 May 2023	26 May 2023
1 April 2023 to 30 June 2023	1.0	10 August 2023	11 August 2023	1 September 2023

Review of the business and future developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company, their positions at the end of the period, and an indication of the likely future developments in the Group's business. This requirement is met by the Strategic Report on pages 12 to 63.

Articles of Association (the "Articles")

The Company's Articles may only be amended with shareholders' approval by special resolution at a general meeting of shareholders.

Directors

The current Directors of the Company are listed on page 68, all of whom held office throughout the year. Karima Fahmy has been appointed as a Director with effect from 10 October 2023 and Jim Prower has announced his intention to step down from his role as Director of the Company with effect from the conclusion of the 2023 AGM. The Board consists solely of Non-Executive Directors, each of whom is independent of the Investment Adviser and the Company. The Company therefore has no executive Directors or employees (2022: none). In accordance with the Articles, every person appointed as a Director during the period must stand for re-election at the next Annual General Meeting ("AGM"). The Board follows the revised AIC Code of Corporate Governance that applies to financial periods commencing after 1 January 2019 and requires that all Directors will stand for re-election annually. The appointment and replacement of Directors is governed by the Company's Articles, the AIC Code, the Companies Act 2006 and any related legislation. The details of the Directors' remuneration along with the Director's beneficial interest in securities of the Company are given in the Directors' Remuneration Report on pages 98 to 100.

Powers of Directors

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

Directors' interests in shares

The Directors' interests in the Company's shares are disclosed in the Directors' Remuneration Report on pages 98 to 100.

Directors' indemnity insurance

Subject to the provisions of any relevant legislation, the Company has agreed to indemnify each Director against all liabilities which any Director may suffer or incur arising out of or in connection with any claim made, or proceedings taken against him/her, or any application made by him/her, on the grounds of his/her negligence, default, breach of duty or breach of trust in relation to the Company or any associated Company.

This policy remained in force during the financial period and also at the date of approval of the financial statements.

The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an ongoing basis.

Share capital

At the AGM held on 28 November 2022, the Directors were authorised to:

- > issue securities up to an aggregate nominal amount of £1,830,838 representing approximately 33.33% of the Company's issued share capital at the time of the annual general meeting;
- > dis-apply pre-emption rights in respect of securities and to issue securities for cash up to an aggregate nominal amount equal to £549,251 which represented 10% of the Company's issued share capital at that time; and
- > allow the PRS REIT to buy back up to 14.99% of the issued share capital of the Company at that time, provided the Directors believed it to be in the best interests of shareholders where to do so would likely result in an increase in earnings per share.

As at 30 June 2023, the Company had 549,251,458 ordinary shares in issue (2022: 549,251,458), none of which were held in treasury (2022: none).

Substantial shareholdings

As at 30 June 2023, the Company is aware of the following substantial shareholdings, which were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital.

Investor	Number of ordinary shares	% holding of issued share capital
Invesco High Income Fund	49,089,585	8.94
Aquila Life UK Equity Index Fund	31,823,602	5.79
Homes & Communities Agency	29,878,047	5.44
Invesco UK Equity Income Fund	21,877,700	3.98

As at 30 September 2023 the following substantial shareholdings were held:

Investor	Number of ordinary shares	% holding of issued share capital
Invesco High Income Fund	49,089,585	8.94
Aquila Life UK Equity Index Fund	31,838,464	5.80
Homes & Communities Agency	29,878,047	5.44
Invesco UK Equity Income Fund	21,877,700	3.98
Smithfield Alternative Investment Fund	17,350,000	3.16

In accordance with DTR 5, the Company was advised of the following significant direct and indirect interests in the issued ordinary share capital of the Company as at 30 June 2023:

Investor	Interests in ordinary shares	% holding disclosed*	Date of notification
Invesco Ltd	81,943,734	14.919	6 October 2021
Homes and Communities Agency	24,999,999	9.99	31 May 2017
Aviva PLC	39,238,737	7.14	26 April 2022
Janus Henderson Group plc	15,099,100	6.04	1 June 2017
Liontrust Investment Partners LLP	25,292,015	5.11	19 June 2020
Columbia Threadneedle	Not disclosed	Below 5	22 December 2020
AXA Investment Managers S.A.	26,917,000	4.90	19 July 2022
Standard Life Aberdeen plc affiliated investment management entities	23,345,700	4.71	24 June 2020
CCLA Investment Management Ltd	25,830,640	4.70	28 September 2022
Waverton Investment Management Limited	22,219,389	4.04	10 August 2022

*The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.

Information provided to the Company pursuant to DTR 5 is available via the Regulatory News section on the Group's website.

Related Party Transactions

Related party transactions during the period to 30 June 2023 can be found in note 33 of the financial statements.

Research and Development

No expenditure on research and development was made during the year (2022: Nil).

Donations and Contributions

In December 2022, the Company established the REIT Community Fund, and made a commitment for the financial year 2022/23 of up to £250,000, to donate towards charitable organisations, activities and events, in support of the residents and wider community. During the period between the establishment of the REIT Community Fund in December 2022 and 30 June 2023, the REIT Community Fund has made donations totalling £84,977 to a range of charities, groups, activities and events that either directly support the Company's residents and wider community, or charities and groups that have been nominated by the residents, in conjunction with the Investment Adviser (2022: Nil).

Branches Outside the UK

There are no branches of the business located outside the United Kingdom.

Restrictions on the transfer of shares

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

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

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

Greenhouse gas emissions reporting

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

During the year ended 30 June 2023:

- > any emissions from the Group's development of investment properties have been the contractors' responsibility rather than the Group's so the principle of operational control has been applied;

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

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

As such, the Board believes that the Company had no reportable emissions for the periods ended 30 June 2023 and 30 June 2022.

Management arrangements

Please refer to the Management Engagement Committee Report on pages 94 to 95 for details on the Company's management arrangements and service providers.

Financial risk management

The principal risks and uncertainties faced by the Company and the Group are set out on pages 54 to 57. Information on the financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 4 to the financial statements.

Treasury activities and financial instruments

The Group's financial instruments comprise cash and cash equivalents, plus other items such as trade and other receivables, trade and other payables and borrowings that arise directly from its operations. At 30 June 2023, the Group had positive cash balances of £13 million (2022: £49 million).

The Group's policy is to keep surplus funds on short term and instant access deposit to earn the prevailing market rate of interest. At 30 June 2023, the Group had borrowings of £250 million with Scottish Widows and a revolving credit facility with Lloyds Banking Group plc and RBS plc of £150 million of which £115 million was drawn. In addition, the Group had a £40 million revolving credit facility with Barclays Bank PLC of which £12 million was drawn. Further information with regard to the Group's cash and cash equivalents is provided in note 21 of the financial statements and borrowings in note 24.

Going concern

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

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

Viability statement

In accordance with Provision 36 of the AIC Code, the Directors have assessed the prospects of the Group and Company and future viability over a three-year period, being the period for which the Board regularly reviews forecasts, and which encompasses the lifetime of the Group's remaining development projects. The Board considers the future performance of the Group beyond three years, but less certainty exists over the forecasting assumptions beyond this period.

The Directors considered a number of other factors when assessing the viability of the Group and Company:

- > strong rent collection rates maintained, cash collections from tenants during the year matched 99% of all rent invoiced during the year;
- > continued strong rental demand;
- > continued increases in estimated rental value;
- > Group loan to value ratio of 37% as at 30 June 2023;
- > Group cash of £13.2 million at 30 June 2023, of which £9.7 million was immediately available;
- > access to approximately £68 million of undrawn debt facilities; and
- > after the refinancing in July 2023, 82% of the Group's investment debt facilities are fixed interest facilities with a weighted average debt maturity of 16 years and an average weighted cost of 3.8%.

In assessing the Company's viability, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Group, as set out on pages 54 to 57.

The Board believes that the three year period selected is an appropriate period over which to assess the viability of the Company. The assumptions underpinning the forecasting model show that within three years all investment property acquisitions are forecast to have been completed, all assets under construction should be developed, and rent stabilisation thereon should be achieved. Sensitivity analysis has been undertaken to consider the potential impacts of the Group's significant risks on the cashflows and covenant compliance. Shortly after the year end, the LBG / RBS £150 million debt facility was refinanced, and the Company secured a £102 million facility of fixed-rate debt for 15 years, together with a further £75 million of floating-rate debt agreed for two years, providing the Company with the flexibility to refinance this element over that period.

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

Environmental, Social and Governance

The Board's report on Environmental, Social and Governance is on pages 48 to 53.

Corporate Governance Statement

The corporate governance statement is set out on pages 78 to 85.

Stakeholder engagement and Section 172 statement

The Group's stakeholder engagement and Section 172 statement are set out on pages 58 to 63.

Auditor

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


Audit information

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

Post balance sheet events

Details of any significant post balance sheet events are detailed on pages 146 to 147, of these financial statements.

By order of the Board



Steve Smith

Director

9 October 2023

Statement of Directors' Responsibilities

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

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

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

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

In preparing each of the Group and Company financial statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and

hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 68 confirm that, to the best of each person's knowledge:

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

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

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

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approval

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



Steve Smith
Chairman
9 October 2023

Corporate Governance Statement

Responsibilities

The Board is collectively responsible for the sustainable long-term success of the Group and to deliver value for shareholders. The Board does not routinely involve itself in day-to-day business decisions. It provides overall leadership and sets the strategic direction of the Group and has oversight over the management and conduct of the Group's business, strategy and development. The Board determines the Group's Investment Policy and risk appetite and ensures compliance with the Group's Investment Policy.

The Board is also responsible for the control and supervision of the Alternative Investment Fund Manager ("AIFM") and the Investment Adviser and compliance with the principles and recommendations of the AIC Code. The Board ensures the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of the systems in place throughout the year. The Board is responsible for approval of any changes to the capital, corporate and/or management structure of the Group.

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

The Investment Adviser is responsible for the asset management of the Group's portfolio, including arranging for the acquisition of PRS development sites and liaising with third parties providing services to the Group. The Investment Adviser also provides certain development management services to the Group, in connection with the construction and delivery of new PRS units.

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

- > Board membership and powers including the appointment and removal of Board members taking account of recommendations from the Nomination & Remuneration Committee;
- > Establishing the overall control framework, Stock Exchange related matters, including the approval of communications to the Stock Exchange, and communications with shareholders, other than announcements of a routine nature;
- > Appointment, termination, and regular assessment of the performance of the principal advisers, including the AIFM, Investment Adviser, legal and tax advisers, administrator, valuer, financial adviser and broker, registrar and Auditor;
- > Approval of acquisitions from Sigma Capital Group Limited and subsidiary undertakings;
- > Approval of annual and half yearly financial reports, to 30 June and 31 December respectively, dividends, accounting policies and significant changes in accounting practices;
- > Review of the adequacy of corporate governance procedures;
- > Review of the risk management systems and the effectiveness of internal controls;
- > Alterations to and approval of the Group's capital structure, dividend policy, treasury policy, borrowing facilities and any banking relationships;
- > Approval of any related party transactions subject to further regulatory requirements; and

- > Oversight of the Group's operations, ensuring compliance with statutory and regulatory obligations.

The Board has carried out a robust assessment of the emerging principal risks affecting the business, including those which would threaten its business model, future performance, solvency or liquidity. Details of these risks and their management are set out in this report on pages 54 to 57.

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

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

Internal Control Review

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

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

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

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

Internal Control Assessment Process

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

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

- > a risk register which identifies key and emerging risks and the controls in place to mitigate those risks (this register is maintained by the Investment Adviser subject to oversight of the Audit Committee);
- > a procedure to monitor the compliance status of the Company to ensure that it can continue to be approved as a REIT;
- > the Investment Adviser and the Administrator prepare forecasts and management accounts which allow the Board to assess performance;
- > the controls employed by the Investment Adviser and other third-party service providers are periodically reviewed by the Audit Committee; and there are agreed and defined investment criteria, specified levels of authority and exposure limits in relation to investments, leverage and payments; and
- > the Audit Committee reviews the internal control recommendations made by the external auditors, including the results of periodic testing of key controls as part of their audit work.

The risks of any failure of internal controls and impact of such risks are identified in the risk register, which is regularly reviewed by the Board, through the Audit Committee. Taking into account the review of the Group's principal and emerging risks, and its knowledge of the business, the Audit Committee has reviewed and approved any statements included in the annual report concerning internal controls (including the financial reporting process for the entities included in the consolidation as a whole) and risk management and has determined that the effectiveness of the internal controls was satisfactory. The principal and emerging risks and uncertainties identified from the risk register can be found on pages 54 to 57.

Investment Adviser

The Company and the AIFM appointed Sigma PRS as the Investment Adviser in March 2017. Sigma PRS is responsible for the management of the assets of the Company and advising the Company and the AIFM on a day-to-day basis in respect of the Company's Investment Policy. The Investment Adviser is part of the Sigma Capital Group, a leading provider of PRS properties in the UK. As a wholly owned subsidiary of Sigma, the Investment Adviser benefits from the extensive experience and expertise of the Sigma team with access to its PRS property platform to source investment opportunities that meet the investment objectives of the Company, management of all properties within the portfolio, and providing marketing and investor relations services to the Company.

The agreement with the Investment Adviser is terminable on not less than 12 months' notice by either party, such notice not to expire earlier than 31 December 2026. The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the period by the Board at its quarterly meetings. The Board considers a number of factors including investment performance, the skills and experience of key staff and the capability and resources of the Investment Adviser to deliver satisfactory performance for the Company in accordance with its Investment Objective. The Board is satisfied with the performance of the Investment Adviser and considers its continued appointment on the terms agreed to be in the best interests of the Company and its shareholders as a whole.

Board membership and meeting attendance

During the year to 30 June 2023, the number of scheduled Board meetings attended by each Director was as follows:

Director	Attendance*	Date of Appointment	Length of Service at 30 June 2023
Steve Smith	5/5	24 April 2017	6 years
Steffan Francis	5/5	24 April 2017	6 years
Rod MacRae	5/5	24 April 2017	6 years
Geeta Nanda	5/5	24 March 2021	2 years
Jim Prower	4/5	20 May 2019	4 years

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

Composition

The Board consists of a Non-Executive Chairman and four other Non-Executive Directors, including a Senior Independent Director, all of whom were considered independent on and since their appointment. All the Directors are independent of the Investment Adviser and the AIFM.

Steve Smith is the Chairman of the Company and is responsible for leadership and oversight of the Board to ensure that it functions effectively. The Chairman, in conjunction with the Company Secretary, ensures that accurate, timely and clear information is received, and sufficient time is given in meetings to review all agenda items thoroughly. He promotes constructive debate and facilitates a supportive, co-operative and open environment between the Investment Adviser and the Directors. He is also responsible for ensuring that the Company's obligations to its shareholders are understood and met. The Chairman is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. The Chairman has no significant commitments other than those disclosed in his biography on page 68.

The Company appointed Geeta Nanda as Senior Independent Director, with effect from 21 March 2023. The Senior Independent Director acts as a sounding board and intermediary for the other Directors and for shareholders.

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

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

In accordance with the Articles of Association, every person appointed as a Director during the period must stand for re-election at the next Annual General Meeting ("**AGM**"). The Board follows the revised AIC Code of Corporate Governance that applies to financial periods commencing after 1 January 2019 and requires that all Directors will stand for re-election annually, in accordance with the Board's tenure policy set out on page 83.

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

Board Committees

The Board has established a Management Engagement Committee, an Audit Committee, and a Nomination & Remuneration Committee.

The Management Engagement Committee meets at least once a year and keeps the terms of engagement with the AIFM and Investment Adviser under review and examines the performance of the AIFM, Investment Adviser, Administrator, Depositary, Company Secretary, valuer and other service providers. The Management Engagement Committee comprises the whole Board given the size of the Board, with each member independent of the AIFM and the Investment Adviser. The Management Engagement Committee receives reports and analysis from each of the Investment Adviser and AIFM and reviews these, making recommendations for change or requests for additional information where appropriate to ensure ongoing performance under the terms of their respective contractual arrangements. Steve Smith is the Chairman of the Management Engagement Committee. Further details about the Management Engagement Committee can be found on pages 94 to 95.

The Audit Committee meets at least three times a year and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external Auditors, including the provision of non-audit services. The Audit Committee also examines the effectiveness of the Company's internal control systems. The Audit Committee comprises four of the Non-Executive Directors given the size of the Board and to benefit from the broad range of financial, commercial and property sector experience which enables them

to provide better oversight of financial and risk matters. Rod MacRae is Chairman of the Audit Committee. Further details about the Audit Committee can be found on pages 86 to 88.

A Nomination & Remuneration Committee was established during the financial year and comprises three of the Non-Executive Directors. It meets at least once a year or as required. The Nomination & Remuneration Committee assists the Board by reviewing the size, structure and skills of the Board and considering whether any changes are required, or new appointments necessary. It leads the recruitment process for candidates for the Board, and ensures that plans are in place for orderly succession to the Board, whilst overseeing the development of a diverse pipeline. The Nomination & Remuneration Committee also reviews any proposed changes to the remuneration of the Directors of the Company for recommendation to, and discussion with, the wider Board.

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

Board Meetings

During a full financial period, the Board meets formally on, at least, a quarterly basis with additional meetings arranged as necessary. During the current period, there were five meetings. The additional meeting in the year was in connection with the approval of the 2022 Annual Report and Financial Statements.

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

Discussions of the Board

During the year, the Board considered the following key matters:

- > Review of health and safety matters, including the potential impact of the Fire Safety Act 2021 and Building Safety Act 2022 on the Company's portfolio;
- > Review of the Investment Adviser's processes with regards to asset allocation;
- > Review of the proposed refinancing of the Company's £150m revolving credit facility provided by Lloyds Banking Group and RBS, and eventual approval of a £102 million facility of fixed-rate debt for 15 years, together with a further £75 million of floating-rate debt agreed for two years, provided by Legal and General Investment Management and RBS respectively;
- > The wider macro-economic conditions and the market sentiment towards the UK REIT sector, and the challenges this presented towards the Company's share price;
- > Review and approval of the Company's 2022 Annual Report and interim results;
- > Discussion regarding the implementation of an ESG framework and the putting together of a Company-specific budget for ESG activities;
- > The Group's corporate structure;
- > The key performance indicators by which the Group measures success;
- > Updates on relevant government or regulatory developments;
- > Review of quarterly management accounts;
- > Review of the Company's share price rating, performance and trading and the Group's NAV performance;
- > Declaration of the Company's interim dividends;
- > The Company's compliance with the REIT conditions;
- > Review and update of the Company's Risk Register;
- > Analysis of the Company's shareholder register;
- > Approval of the establishment of a Nomination & Remuneration Committee;
- > Approval of the appointment of Geeta Nanda as Senior Independent Director;
- > Review of the Directors' remuneration benchmarked against peers, and eventual approval to increase the Directors' fees by £7,500 per annum per Director, with effect from 1 April 2023;
- > Review of corporate governance compliance, Group subsidiary activity and Depositary report;
- > Review and approval of the Board's emergency and long-term succession plans.

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

Performance Evaluation

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

The Board conducts a formal annual evaluation process and, recognising the importance of this process, intends to conduct an externally facilitated evaluation once every three years. The last externally facilitated evaluation was undertaken in respect of the year ending 30 June 2022.

The Board has undertaken an internal performance evaluation designed to assess the strengths and effectiveness of the Board and its committees. The Directors were asked to complete a questionnaire, that considered, amongst other things, the composition of the Board and its Committees, leadership, the efficiency of Board processes, and stakeholder engagement.

Having conducted the evaluation, the Board considers that it has performed effectively and that it demonstrates a good balance of skills and knowledge. The Board is also satisfied that the Chairman remains independent of the Investment Adviser and the AIFM and has exhibited a good leadership style, promoting effective decision-making, constructive debate and ensuring the Board functions well as a unit. The Board believes that each individual Director has been effective and demonstrated commitment to the role. The Board discussed the challenges and opportunities identified through the evaluation and agreed that the recommendations will be monitored at the quarterly Board meetings to ensure progress has been made.

Challenges and Opportunities	2023 Development Points
Key Performance Indicators	It is recommended that the Board continue to critically evaluate the KPIs, to ensure that they support the objectives, purpose and strategy of the Company, and support the embedding of the ESG strategy and targets.
Professional Development	It is recommended that the Board dedicate more time to enhance the professional development of the Directors, to ensure continuous improvement of knowledge and skills. With a new Director due to join the Board, the existing Directors should be conscious of ensuring that they receive a comprehensive induction and are integrated well within the Board.
Board Diversity	To keep the diversity of the Board under regular review, particularly when a recruitment exercise is undertaken.
Consistency of Service Provider Performance	To assist the Management Engagement Committee in the review of the performance of service providers, it is recommended that representatives of the key service providers are invited to the meetings for the Committee to review performance.

Diversity Policy

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

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

The Board agrees with the principles of the new Listing Rules LR 9.8.6R(9) and LR 15.4.29AR. The Board has fulfilled the targets to have at least one member from a minority ethnic background and, following Geeta Nanda's appointment as a Senior Independent Director with effect from 21 March 2023, for at least one of the senior Board positions to be held by a woman. The Board monitors the balance of skills, knowledge, experience and diversity on the Board and leads succession planning.

The Directors remain committed to taking steps to increasing both the diversity of the Board and meeting all of the targets set out in the Listing Rules. The Board has made progress towards compliance with the recommendations as set out above and is pleased to confirm that the Company will be compliant with the relevant targets by the end of 2023. The Board, led by the

Nomination & Remuneration Committee, instructed Nurole Ltd, an external search consultancy (there is no connection between the Company or any individual Directors and the external search consultancy), to commence a robust succession exercise to recruit a new Non-Executive Director, and is pleased to report that Karima Fahmy has been appointed as Non-Executive Director with effect from 10 October 2023. As part of this succession exercise, the Board has taken into consideration the diversity targets set out in the Listing Rules, and considers this to be in the interests of the Group and its shareholders.

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

Tenure Policy

In accordance with best practice, the Board considers that the length of time each Director, including the Chairman, serves on the Board should be limited to a maximum of nine years. To facilitate the development of an effective succession pipeline and a diverse board, this period can be extended for a limited time if necessary.

Continuity, self-examination and ability to do the job are the relevant criteria on which the Board assesses a Director's independence. Length of service of current Directors, succession planning and independence will be reviewed each year as part of the Board evaluation process.

Culture

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

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

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

Conflicts of interest

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

The Group reserves the right to withhold information relating to or relevant to a conflict matter from the Director concerned, and/or to exclude the Director from any Board information, discussions or decisions which may or will relate to that matter of conflict, or where the Chairman considers that it would be inappropriate for a Director to take part in such discussion or decision, or receive such information. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis and the Board is satisfied that these procedures are working effectively.

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

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

Professional development

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

During the period, the Directors received periodic guidance on regulatory and compliance changes at quarterly Board meetings.

Succession Planning

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

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

Health and safety

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

Anti-Bribery Policy

PRS REIT has a zero-tolerance policy towards bribery and is committed to carrying out its business fairly, honestly, and openly. The anti-bribery policies and procedures apply to all its officers and to those representing the PRS REIT.

Transparency

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

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

Shareholder engagement

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

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

The Company's next Annual General Meeting will be held on 4 December 2023, at which shareholders are encouraged to attend and vote, along with any other shareholder meetings, so they can discuss governance and strategy and the Board can enhance its understanding of shareholder views. The Board attends the Company's shareholder meetings to answer any shareholder questions and the Chairman makes himself available, as necessary, outside of these meetings to speak to shareholders.

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

Audit Committee Report

The following pages set out the Audit Committee report of The PRS REIT plc for the financial year ended 30 June 2023.

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

Committee Membership

During the financial year ended 30 June 2023, the Audit Committee comprised Rod MacRae, Jim Prower, Steffan Francis and Geeta Nanda (appointed to the Audit Committee with effect from 10 August 2022), who all have a broad range of financial, commercial and property sector expertise which enables them to provide oversight of both financial and risk matters. The Board is satisfied that the combined knowledge and experience of its members is such that the Audit Committee discharges its responsibilities in an effective manner and has competence relevant to the sector in which it operates.

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

Meetings

There are at least three scheduled Audit Committee meetings per any financial period and its quorum is two members. For the period from 1 July 2022 to 9 October 2023, the Committee has met five times. The attendance at these meetings was as follows:

Director	Attendance*
Rod MacRae (Chairman)	5/5
Steffan Francis	5/5
Jim Prower	4/5
Geeta Nanda**	5/5

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

** Appointed with effect from 10 August 2022.

Role of the Audit Committee

The principal duties of the Audit Committee are:

Financial reporting

- > consider the integrity of the interim and full year financial statements and any formal announcements relating to the financial results;
- > report to the Board on any significant financial reporting issues and judgments having regard to any matters communicated to it by the Auditor; and
- > as requested by the Board, to review the contents of the annual report and financial statements and advise the Board on whether the report and financial statements provide a true and fair view of the Company's financial position as at 30 June 2023 and further provides shareholders with sufficient information to assess the financial position of the Company and Group, and the Group's performance, investment strategy and investment objectives.

Risk management and control

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

External audit

- > to manage the relationship with the Company's external Auditor, including reviewing the Auditor's remuneration, independence and performance and making recommendations to the Board as appropriate;
- > to review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- > to review the policy on the engagement of the Auditor; and
- > to safeguard the Auditor's independence and objectivity.

External property valuation

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

Other

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

The Audit Committee reports and makes recommendations to the Board, after each meeting.

Matters considered by the Audit Committee

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

- > reviewed the internal controls and risk management systems of the Company;
- > reviewed the Company's half-year and full-year financial results;
- > agreed the audit plan with the Auditor, including the agreement of the audit fee;
- > reviewed the need to establish an Internal Audit function;
- > reviewed the adequacy of the Company's arrangements as they relate to compliance, whistleblowing and fraud;
- > reviewed the annual valuation reports from the independent valuation expert, Savills (UK) Limited;
- > reviewed the provision of non-audit services by the Auditor;
- > reviewed the independence of the Auditor;
- > made recommendations to the Board to put to shareholders for their approval at the AGM regarding the re-appointment of the external Auditor and approval of the remuneration and terms of engagement of the external Auditor;
- > reviewed the Audit Findings Report and discussed findings from the audit with the Auditor; and
- > reviewed the Group's financial statements and advised the Board accordingly.

The Company's principal risks can be found on pages 54 to 57. The Administrator and the Investment Adviser update the Audit Committee on changes to accounting policies, risk, legislation and areas of significant judgement by the Investment Adviser.

Significant matters considered by the Audit Committee in the year**Property portfolio valuation**

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

The investment properties are independently valued by an external valuation expert, Savills (UK) Limited. The valuations are prepared in accordance with the RICS Valuation - Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022, together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book". The Investment Adviser has held open discussions with the valuers throughout the period on the valuation process to discuss various elements of the property valuations and the Auditor also has direct access to them as part of the audit process. Given the audit risks related to the valuation of the property portfolio, the Auditor engaged its own independent valuation expert to review the Group's valuation. Since the year-end, the Audit Committee has reviewed the valuation reports and has discussed these reports with the valuer, the Investment Adviser and the Auditor. The Audit Committee was satisfied with the valuation reports. In addition, since the year-end, members of the Audit Committee have met independently with the valuer.

Maintenance of REIT status

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

External audit process

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

True and fair view

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

Audit fees and non-audit services

An audit fee of £140,000 has been agreed in respect of the audit of the Company for the year ended 30 June 2023 (2022: £120,000). The audit fees of the Group for the period ended 30 June 2023 totalled £288,000 (2022: £234,000).

The cost of non-audit services provided by the Auditor to the Company for the financial period ended 30 June 2023 was £22,500 (2022: £20,500) of which £22,500 related to the agreed upon procedures on the interim financial statements (2022: £20,500). To safeguard the external Auditor's independence and objectivity there was prior approval of a detailed scope of work and no additional safeguards were considered necessary due to the nature of procedures involved. BDO LLP have been engaged to advise on taxation compliance matters.

Independence and objectivity of the Auditor

RSM UK Audit LLP ("RSM") were appointed as Auditor to the Company on 25 April 2017. In accordance with the rules around audit partner rotation, Mr Graham Ricketts, Partner at RSM, succeeded Mr Euan Banks, Partner at RSM, for the year ended 30 June 2023 as the responsible individual on the audit. No tender for the audit of the Company has been undertaken.

In evaluating RSM's performance, the Audit Committee considered the effectiveness of the audit process; quality of delivery, staff expertise, audit fees and the Auditor's independence, along with matters raised during the audit. The Audit Committee received confirmation from RSM that they maintain appropriate internal safeguards in line with applicable professional standards. In accordance with new requirements relating to the appointment of Auditors, the Company will need to conduct an audit tender no later than for the accounting period beginning 1 July 2026. Having considered the Auditor's independence in respect of the year ended 30 June 2023, the Audit Committee is satisfied with the Auditor's performance, objectivity and independence.

Review of Auditor appointment

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

Internal audit

The Audit Committee has determined that there is not presently a need for establishing an Internal Audit function, taking into account the size and complexity of the Company and its business. In coming to this conclusion, the Audit Committee noted that the external auditors check the operation of certain controls on a sample basis as part of their audit.

The Audit Committee will continue to review this position on an annual basis and make recommendations to the Board as appropriate.

Performance Evaluation

Refer to the above Corporate Governance Statement on pages 82 to 83, for further details on the performance evaluation.



Rod MacRae
Audit Committee Chairman
9 October 2023

Nomination & Remuneration Committee Report

The following pages set out the Nomination & Remuneration Committee report of The PRS REIT plc for the financial year ended 30 June 2023.

The Nomination & Remuneration Committee was established with effect from 28 November 2022.

Committee Membership

The Committee comprises Steve Smith as Chairman, Steffan Francis and Geeta Nanda.

Meetings

There is at least one scheduled meeting per financial year and its quorum is two members. For the period from 28 November 2022 to 9 October 2023, the Committee met three times. The attendance at these meetings was as follows:

Director	Attendance*
Steve Smith (Chairman)	3/3
Steffan Francis	2/3
Geeta Nanda	3/3

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

Role of the Nomination & Remuneration Committee

The Nomination & Remuneration Committee's main function is to evaluate the performance of the Board, ensure the Board composition, skills and experience are optimal, lead the process for appointments to the Board and oversee an orderly succession plan to the Board, ensuring the development of a diverse pipeline for succession. The Nomination & Remuneration Committee also reviews any proposed changes to the remuneration of the Directors of the Company for recommendation to, and discussion with, the wider Board.

Matters Considered by the Nomination & Remuneration Committee

The Nomination & Remuneration Committee discussed matters including, but not limited to: tenure policy, diversity policy, Board composition, Board skills, Board experience, succession planning, time commitments, remuneration, and the Listing Rule requirements on Board diversity.

Succession Planning and Recruitment

A key focus of the Nomination & Remuneration Committee since its establishment has been implementing a long-term succession plan for the Board. Under its Terms of Reference, once a decision is made to recruit an additional Director, the Nomination & Remuneration Committee has the responsibility for identifying and leading that process on behalf of the Board. A formal role description is created, which is based upon requirements identified from a review of the current balance of experience and skills, as well as due regard to the benefits of diversity of gender, social and ethnic factors, cognitive and personal strengths. The Nomination & Remuneration Committee is responsible for identifying suitable candidates, usually engaging with an independent consultant to facilitate the search through an open and transparent process, in order to identify appropriate candidates, including those from different social and ethnic backgrounds.

During the year, the Nomination & Remuneration Committee engaged with Nurole Ltd to support in its recruitment process. Nurole Ltd provided a long list of candidates which was reviewed by the Nomination & Remuneration Committee to create a shortlist. Interviews then took place with short-listed candidates and the Nomination & Remuneration Committee members, as well as members of the wider Board. Feedback was then provided, and once a preferred candidate was selected, the Nomination & Remuneration Committee recommended the individual to the Board for appointment.

The Nomination & Remuneration Committee, following the process outlined above is pleased to confirm that Karima Fahmy has been selected to join the Board on 10 October 2023. Karima brings a wealth of legal, property investment, development, and management knowledge, gained from extensive experience as a corporate lawyer within the UK property sector, and will succeed Jim Prower, who will step down from the Board at the conclusion of the 2023 AGM.

Performance Evaluation

Refer to the above Corporate Governance Statement on pages 82 to 83, for further details on the performance evaluation.

Re-election of Directors

All Directors submit themselves for election or re-election on an annual basis. Having notified the Board of his intention to retire following the conclusion of the AGM in December 2023, Jim Prower will not be standing for re-election. All other Directors in office as at the date of this report are to be proposed for re-election at the 2023 AGM.

Tenure Policy and Diversity Policy

Refer to the above Corporate Governance Statement on page 83, for further details on the Tenure and Diversity Policies.

Remuneration

During the period, the Nomination & Remuneration Committee requested that a remuneration peer benchmarking exercise take place, following which the Board agreed to increase fees by £7,500 per annum for each Non-Executive Director. Further details can be found in the Directors' Remuneration Report on page 98.

Diversity

FCA Listing Rule diversity targets

The FCA's Listing Rules require that the Company reports on whether the following targets have been met: at least 40% of individuals on the Board are women; at least one of the senior Board positions is held by a woman; and at least one individual on its Board is from a minority ethnic background.

NOMINATION & REMUNERATION COMMITTEE REPORT (Cont.)

The following table sets out the gender and ethnic diversity of the Board as at 30 June 2023 in accordance with the Listing Rules:

Gender Diversity	Number of Board members	Percentage of the Board %	Number of senior positions on the Board ¹³
Men	4	80	1
Women	1	20	1
Not specified / prefer not to say	–	–	–

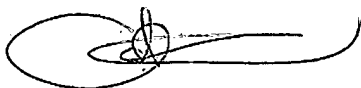
Ethnic Diversity	Number of Board members	Percentage of the Board %	Number of senior positions on the Board ¹³
White British or other White (including minority white groups)	4	80	1
Mixed / Multiple Ethnic Groups	–	–	–
Asian / Asian British	1	20	1
Black / African / Caribbean / Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified / prefer not to say	–	–	–

¹³ Senior positions include Chair and Senior Independent Director

In the 2022 Annual Report, the Board committed to taking steps to increasing both the diversity of the Board and meeting all the targets set out in the Listing Rules and expected to be compliant with the relevant targets by the end of 2023. On 21 March 2023, Geeta Nanda was appointed as Senior Independent Director, fulfilling the requirement that a senior Board position should be held by a woman.

During the year, Nurole Ltd, an external search consultant, was engaged to support to the process for the recruitment of a new Non-Executive Director. Following a robust interviewing and selection process, Karima Fahmy has been appointed to the Board, with effect from 10 October 2023, with Jim Prower stepping down at the conclusion of the 2023 AGM. These changes will bring female representation on the Board to 40%, and result in full compliance with the Listing Rule targets by the end of 2023. Therefore, the Company has acted towards meeting the recommended targets, whilst ensuring that succession has been managed in an orderly manner.

As an investment company with solely independent, Non-Executive Directors, the Company does not have a Chief Executive or Chief Financial Officer and has no employees. Accordingly, no disclosures regarding executive management positions have been included.



Steve Smith
Nomination & Remuneration Committee Chairman
 9 October 2023

Management Engagement Committee Report

The following pages set out the Management Engagement Committee report of The PRS REIT plc for the financial year ended 30 June 2023.

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

Committee Membership

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

Meetings

There is at least one scheduled meeting per any financial year and its quorum is two members. For the period from 1 July 2022 to 9 October 2023, the Committee met twice. The attendance at these meetings was as follows:

Director	Attendance*
Steve Smith (Chairman)	2/2
Steffan Francis	2/2
Rod MacRae	2/2
Geeta Nanda	2/2
Jim Prower	1/2

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

Role of the Management Engagement Committee

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

The Management Engagement Committee also monitors and evaluates the performance of other key service providers to the Company.

Matters Considered by the Management Engagement Committee

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

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

Performance Evaluation

Refer to the above Corporate Governance Statement on pages 82 to 83, for further details on the performance evaluation.

Management Arrangements

Investment Adviser

The Company and the AIFM have appointed Sigma PRS as the Investment Adviser. Sigma PRS is responsible for the management of the assets of the Company and advising the Company and the AIFM on a day-to-day basis in respect of the Company's Investment Policy. Sigma PRS may transact on the Company's behalf in relation to the acquisition of PRS development sites and completed PRS sites in accordance with the Company's investment objectives and investment policy. The Investment Advisory Agreement (the "**Agreement**") was extended, with effect from 1 January 2021. The Agreement signed on 3 May 2017 provided for an initial minimum contracted term of five years to 31 May 2022, being the fifth anniversary of the initial admission of the Company's shares to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange, with a one year notice period thereafter. Under the new agreement, the contracted term has been extended to 31 December 2025, with a one year notice period thereafter, with a reduction in the Investment Adviser fee rates above £500 million of net asset value compared to the original arrangement. The Agreement may be terminated by the Company and the Company's Alternative Investment Fund Manager ("**AIFM**") immediately if the Investment Adviser is in material breach of the Agreement or is the subject of insolvency proceedings. The Investment Adviser fee arrangement in respect of Sigma PRS is detailed in note 11 of the financial statements, in addition the Investment Adviser is entitled to a development management fee of 4.0% of gross development spend.

AIFM

G10 Capital Limited (part of the IQ-EQ Group) has been appointed as the Company's AIFM. Subject to the overall supervision of the Directors, the AIFM is responsible for overall portfolio management and risk management of the Company, ensuring compliance with the Company's investment policy and the requirements of the UK AIFM Regime and EU Alternative Investment Fund Managers Directive ("AIFMD") that apply to the Company. The AIFM manages the PRS REIT's investments in accordance with the policies laid down by the Board and in accordance with the investment restrictions referred to in the AIFM Agreement. The AIFM Agreement provides that the Company will pay to the AIFM the following fees:

- (a) an initial one-off fee of £12,000;
- (b) a monthly fee of £6,000, increased to £6,930 from September 2022;
- (c) a PRIIPS Monthly Maintenance Fee of £1,155;
- (d) £1,000 per investment committee meeting; and
- (e) Ad-hoc work as required.

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

Depository

Crestbridge UK Limited are the appointed Company's depository for the purposes of the AIFMD. Under the terms of the Depository Agreement, the Depository was paid an initial one-off fee of £5,000. Provided that the assets under management of the Company exceed £100 million, the Company shall also pay the Depository an annual fee. The annual fee starts at £20,000 per annum with an additional fee of 0.667 basis points of any increase above £100 million, subject always to a maximum fee of £40,000 per annum. A 6% increase to the total fee was applied from October 2022. The Company's assets under management are reviewed quarterly. The Depository is entitled to be reimbursed by the Company for all costs and expenses properly and reasonably incurred in the performance of duties under the Depository Agreement.

Administration services

Sigma Capital Property Ltd, also a subsidiary of Sigma, has been appointed as the Company's Administrator to provide day-to-day administration of the Company, and provide development and production of statutory annual accounts, interim accounts and reports to shareholders of the Company in accordance with IFRS and EPRA. The Administrator is also responsible for calculating the Net Asset Value of the Ordinary Shares based on information provided to the Administrator by Sigma PRS. The Administration Agreement provides that the Company will pay the Administrator an annual fee of £70,000 plus VAT, payable monthly in arrears.

Company secretarial

Hanway Advisory Limited, an independent third party, was appointed Company Secretary to the Company with effect from 31 March 2022. Sigma Capital Property Ltd were formerly the Company Secretary. The Company pays annual fees of £50,000 plus VAT, payable quarterly in arrears.

Review of Service Providers

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

Continuing Appointment of the AIFM and Investment Adviser

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



Steve Smith
Management Engagement Committee Chairman
 9 October 2023

Directors' Remuneration Policy

The Directors' Remuneration Policy of the Company is set by the Board and was last approved by shareholders at the Annual General Meeting held on 15 December 2021, and became effective from the conclusion of that meeting. The policy provisions set out below will apply until they are next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or earlier if proposals are made to vary the policy. The Directors' Remuneration Policy is binding and sets the parameters within which Directors' remuneration may be set.

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

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

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

Directors' Remuneration Components

Component	Director	Annual Fee* £'000	Purpose of Remuneration
Annual fee	Chairman	52.5	Commitment as Chairman of a public company
Annual fee	Non-Executive Directors	37.5	Commitment as Non-Executive Directors of a public company
Additional fee	Chairman of the Audit Committee	5.0	For additional responsibilities and time commitment, in addition to Non-Executive Director fee
Additional fee	All Directors	Discretionary	For extra or special services performed in their role as a Director
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director

*From 1 April 2023 an increase of £7,500 was applied to all annual fees

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

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

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

Letters of appointment

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

Approach to recruitment remuneration

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

Views of shareholders

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

Voting at the AGM

The Directors' Remuneration Report for the year ended 30 June 2022 (excluding the Directors' Remuneration Policy) was approved by shareholders at the AGM held on 28 November 2022. The results taken on a poll were as follows:

Directors' Remuneration Report

For – number of votes cast	390,262,447	99.52%
Against - number of votes cast	1,896,508	0.48%
Total votes cast	392,160,261	
Number of votes withheld	1,306	

Directors' Remuneration Report

The Board presents its Directors' Remuneration Report in respect of the year ended 30 June 2023. The Board has prepared this report in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended).

The law requires the Company's Auditor to audit certain disclosures. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Auditor's Report on pages 104 to 111.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2023.

The Board established a separate Nomination & Remuneration Committee during the year which has responsibility for decisions regarding remuneration. The Board consists entirely of Non-Executive Directors and the Company has no employees.

Companies are required to seek shareholder approval of the Remuneration Report each year and of the Directors' Remuneration Policy on at least a three-yearly basis. The vote on the Directors' Remuneration Report is an advisory vote. Resolutions to approve the Directors' Remuneration Report will be put before shareholders at the forthcoming AGM of the Company. During the next financial year, it is expected that there will be no significant change in the implementation of the Directors' Remuneration Policy.

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

For the nine months to 31 March 2023, the Directors' fees were set at a rate of £45,000 per annum in respect of the Chairman and £30,000 per annum in respect of the other Directors, with an additional £5,000 to the Chairman of the Audit Committee. From 1 April 2023, the Directors' fees were set at a rate of £52,500 per annum in respect of the Chairman and £37,500 per annum in respect of the other Directors, with an additional £5,000 to the Chairman of the Audit Committee. The fee increases followed a remuneration benchmarking exercise and independent advice, to ensure that the fees were sufficient to attract and retain Directors of suitable calibre and with the skills, knowledge and experience necessary for the role having regards to the expected time commitment.

There were no other payments for extra services in the period ended 30 June 2023 (2022: £nil).

Directors' fees for the period (audited)

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

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	Change %
Steve Smith (Chairman)	47	45	+4
Steffan Francis	32	30	+6
Rod MacRae (Audit Committee Chairman)	37	35	+5
Geeta Nanda	32	30	+6
Jim Prower	32	30	+6
	180	170	+6

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

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

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

Relative importance of spending on pay	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Directors' aggregate remuneration	180	170
Dividends paid to all shareholders*	21,970	21,430

*includes all dividends paid in relation to the year ended 30 June 2023 and year ended 30 June 2022

Total shareholder return

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

Loss of office

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

Directors' interests (Audited)

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

As at 30 June 2023, the following Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	Ordinary Shares 2023	Ordinary Shares 2022
Steve Smith (Chairman)	305,000	155,000
Steffan Francis	125,000	105,000
Rod MacRae (Audit Committee Chairman)	125,000	100,000
Jim Prower	100,000	52,000
Geeta Nanda	–	–

There have been no changes to Directors' share interests between 30 June 2023 and the date of this report.

The shareholdings of the Directors are not significant and therefore do not compromise their independence. None of the Directors or any person connected with them has a material interest in the Company's transactions, arrangements or agreements during the year.

Statement of voting at general meetings

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

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

Approval

The Directors' Remuneration Report was approved by the Board on 9 October 2023.

On behalf of the Board.



Steve Smith
Chairman
9 October 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The PRS REIT plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023, which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- > the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2023 and of the group's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- > the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	Group <ul style="list-style-type: none">> Valuation of Investment Property Parent Company <ul style="list-style-type: none">> No key audit matters
Materiality	Group <ul style="list-style-type: none">> Overall materiality: £10,500,000 (2022: £10,100,000)> Performance materiality: £7,880,000 (2022: £7,620,000) Parent Company <ul style="list-style-type: none">> Overall materiality: £5,700,000 (2022: £5,580,000)> Performance materiality: £4,275,000 (2022: £4,180,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Key audit matters

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

Investment Property Valuation

Key audit matter description	<p>The Group owns a portfolio of residential investment properties. The total value of the portfolio at 30 June 2023 was £1,035m (2022: £962m). The portfolio includes completed sites and sites in the development phase, the latter are described as investment properties under construction. All assets are held at fair value. At 30 June 2023 the assets under construction were valued at £87m (2022: £122m).</p> <p>The Directors' assessment of the value of the investment properties at year end date is considered a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity and complexity of the valuation process.</p> <p>The valuation is carried out by external valuers, Savills, in line with the methodology set out in note 18 on pages 133 to 135.</p> <p>Further information is disclosed in the Audit Committee report on pages 86 to 88; the significant accounting judgements and estimates on page 125; significant accounting policies on pages 122 to 125 and notes to the financial statements on pages 121 to 147.</p>
How the matter was addressed in the audit	<p>Our audit work included the following:</p> <p>We assessed the external valuer's qualifications and expertise and considered their terms of engagement; we also considered their objectivity and any other existing relationships with the Group.</p> <p>We engaged a property valuation specialist as our auditor expert to assist in the audit of the valuations.</p> <p>We selected a sample of 13 sites, and requested the auditor's expert review the valuation at the year end date and comment on whether the value is within a reasonable range and whether the overall valuation is based on appropriate judgments and market data. Our sample was selected using auditor judgement and included sites where the rent or yield movements were higher or lower than expected from our overall review of the portfolio, where the year on year valuation movement was not in line with the average of the portfolio, and other material sites which were included to obtain coverage, in terms of value and location, over both completed assets and development sites.</p> <p>We discussed with the Investment Adviser and the external valuer the overall movement in property values and any properties where the fair value was not consistent with overall movements of the entire portfolio, to gain an understanding of why these exceptions were reasonable.</p> <p>We obtained an understanding of the methodology and key assumptions used in the valuation. We challenged the appropriateness of these through consulting with an auditor's expert and reviewing market data, and used this to inform our challenge of the Investment Adviser and the external valuer.</p> <p>For assets under construction, we assessed the stage of completion by reference to the stage of works completed to date and the amount still to be completed to the underlying documentation and forecasts.</p> <p>We tested inputs provided by the Investment Adviser to the external valuer to check these reflected the key observable inputs for each property.</p> <p>We audited the disclosures in the financial statements relating to the valuation of investment property, including those relating to estimates and the key valuation assumptions disclosed in note 18 (including in relation to the Coppenhall Place property).</p>
Key observations	<p>Based on our audit work, we are satisfied that the judgements and assumptions used in arriving at the fair value of the Group's property portfolio are appropriate and supported by the evidence obtained during the audit.</p>

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

Our application of materiality

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

	Group	Parent company
Overall materiality	£10,500,000 (2022: £10,100,000)	£5,700,000 (2022: £5,580,000)
Basis for determining overall materiality	1% of Total assets	1.3% of Total assets
Rationale for benchmark applied	Total assets used as a benchmark as we assessed that the shareholders will be primarily interested in the value of investment property, which forms the majority of total assets.	Total assets used as a benchmark as we assessed that the shareholders will be primarily interested in the value of investment property, represented by the investment held by the Parent Company in its property holding subsidiaries, which forms the majority of total assets.
Performance materiality	£7,880,000 (2022: £7,620,000)	£4,275,000 (2022: £4,180,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting materiality levels for transactions where materiality levels are lower than overall materiality	The income statement was tested to a lower specific materiality figure of £2.5m (2022: £2.1m) to reflect that the income statement values are significantly lower than those in the Statement of Financial Position.	The income statement was tested to a lower specific materiality figure of £2.5m (2022: £2.1m) to reflect that the income statement values are significantly lower than those in the Statement of Financial Position.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £50,000 (or £10,000 for related party transactions) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds have been reported to the Audit Committee.	Misstatements in excess of £50,000 (or £10,000 for related party transactions) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds have been reported to the Audit Committee.

An overview of the scope of our audit

The group consists of 101 components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

Full scope audits were performed for 37 components, specific audit procedures for 40 components and analytical procedures at group level for the remaining 24 components.

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	37	34%	80%	54%
Specific audit procedures	40	66%	20%	46%
Total	77	100%	100%	100%

Analytical procedures at group level were performed for the remaining 24 components.

Conclusions relating to going concern

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

- > Reviewing management's going concern assessment paper covering the 12-month period from date of approval of the financial statements;
- > Checking the mathematical accuracy of the underlying financial model;
- > Assessing the information used in the going concern assessment for consistency with management's plans and information obtained through our other audit work;
- > Challenging the major assumptions in management's forecasts, being the level of rents receivable, expenses, capital expenditure, dividends and finance costs;
- > Assessing management's sensitivity analysis, including considering the impact on bank loan covenants;
- > Reviewing the appropriateness of going concern disclosures within the financial statements.

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Corporate governance statement

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

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

- > Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 74;
- > Directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 74 to 75;

- > Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 74;
- > Directors' statement on fair, balanced and understandable set out on page 76;
- > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 54;
- > The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 79; and,
- > Section describing the work of the audit committee set out on pages 86 to 88.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 76, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
REIT legislation	Review of the REIT status assessment prepared by management; Inspection of advice received from external tax advisors; Input from a REIT specialist was obtained regarding the calculation of property income profits and the ability to calculate the Property Income Distribution ("PID") on a cumulative basis.

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

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Related party transactions and balances	Obtaining the list of related parties and checking for omissions through review of related directorships, board minutes and declarations of interest. Auditing a sample of related party transactions to ensure they are in line with the underlying agreements. Checking any related party transactions are appropriately disclosed in the financial statements.

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

Other matters which we are required to address

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

The period of total uninterrupted consecutive appointments is six years, covering the years ending 30 June 2018 to 30 June 2023.

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

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

Use of our report

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

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

Graham Ricketts (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

9 October 2023

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Rental income	6	49,701	41,963
Non-recoverable property costs	7	(9,551)	(7,635)
Net rental income		40,150	34,328
Other income	8	1,646	470
Administrative expenses			
Directors' remuneration	9	(180)	(170)
Investment advisory fee	11	(5,788)	(5,158)
Other administrative expenses	12	(2,300)	(2,183)
Total administrative expenses		(8,268)	(7,511)
Gain from fair value adjustment on investment property	18	25,353	99,727
Operating profit		58,881	127,014
Finance income	13	49	4
Finance cost	14	(16,478)	(11,129)
Profit before taxation		42,452	115,889
Taxation	15	-	-
Profit after tax and Total comprehensive income for the year attributable to the equity holders of the Company		42,452	115,889
Earnings per share attributable to the equity holders of the Company:			
IFRS earnings per share (basic and diluted)	16	7.7p	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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

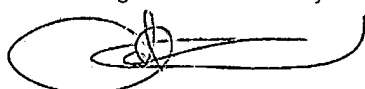
As at 30 June 2023

Company No. 10638461

	Note	30 June 2023 £'000	30 June 2022 £'000
ASSETS			
Non-current assets			
Investment property	18	1,034,732	961,915
		1,034,732	961,915
Current assets			
Trade and other receivables	20	7,066	7,286
Cash and cash equivalents	21	13,198	48,682
		20,264	55,968
Total assets		1,054,996	1,017,883
LIABILITIES			
Non-current liabilities			
Accruals and deferred income	22	2,081	2,243
Interest bearing loans and borrowings	24	248,440	246,687
		250,521	248,930
Current liabilities			
Trade and other payables	22	17,076	29,742
Provisions	23	934	-
Interest bearing loans and borrowings	24	126,745	99,973
		144,755	129,715
Total liabilities		395,276	378,645
Net assets		659,720	639,238
EQUITY			
Called up share capital	26	5,493	5,493
Share premium account	27	298,974	298,974
Capital reduction reserve	28	118,584	140,554
Retained earnings		236,669	194,217
Total equity attributable to the equity holders of the Company		659,720	639,238
IFRS net asset value per share (basic and diluted)	29	120.1p	116.4p

As at 30 June 2023, there is no difference between IFRS NAV per share and the EPRA NTA per share.

These consolidated group financial statements were approved by the Board of Directors and authorised for issue on 9 October 2023 and signed on its behalf by:



Steve Smith
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

Attributable to equity holders of the Company

Attributable to equity holders of the Company	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2021	4,953	245,005	161,984	78,328	490,270
Comprehensive income					
Profit for the year	–	–	–	115,889	115,889
Transactions with owners					
Issue of ordinary shares	540	53,969	–	–	54,509
Dividend paid	–	–	(21,430)	–	(21,430)
At 30 June 2022	5,493	298,974	140,554	194,217	639,238
Comprehensive income					
Profit for the year	–	–	–	42,452	42,452
Transactions with owners					
Dividend paid	–	–	(21,970)	–	(21,970)
At 30 June 2023	5,493	298,974	118,584	236,669	659,720

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Cash flows from operating activities			
Profit before tax		42,452	115,889
Finance income	13	(49)	(4)
Finance costs	14	16,478	11,129
Fair value adjustment on investment property	18	(25,353)	(99,727)
Cash generated by operations		33,528	27,287
(Increase) / Decrease in trade and other receivables		(578)	124
(Decrease) / Increase in trade and other payables		(1,640)	4,795
Net cash generated from operating activities		31,310	32,206
Cash flows from investing activities			
Purchase of investment properties		-	(26,346)
Development expenditure on investment properties*		(47,458)	(55,476)
Decrease in capital trade and other payables		(10,255)	-
Finance income		49	4
Net cash used in investing activities		(57,664)	(81,818)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	26	-	55,593
Cost of share issue	27	-	(1,084)
Bank and other loans advanced	24	49,801	89,624
Bank and other loans repaid	24	(23,304)	(100,014)
Finance costs		(13,657)	(10,809)
Dividends paid	17	(21,970)	(21,430)
Net cash (used in) / generated from financing activities		(9,130)	11,880
Net decrease in cash and cash equivalents		(35,484)	(37,732)
Cash and cash equivalents at beginning of year		48,682	86,414
Cash and cash equivalents at end of year	21	13,198	48,682

* Includes capitalised interest of £0.9 million (2022: £2.5 million).

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

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Company No. 10638461

	Note	30 June 2023 £'000	30 June 2022 Restated* £'000	30 June 2021 Restated* £'000
ASSETS				
Non-current assets				
Investment in subsidiaries	19	75,425	75,425	325,742
Other receivables	20	346,540	315,933	318,830
		421,965	391,358	644,572
Current assets				
Other receivables	20	263	241	347
Cash and cash equivalents	21	8,044	28,646	25
		8,307	28,887	372
Total assets		430,272	420,245	644,944
Current liabilities				
Trade and other payables	22	1,655	2,517	252,988
Total liabilities		1,655	2,517	252,988
Net assets		428,617	417,728	391,956
EQUITY				
Called up share capital	26	5,493	5,493	4,953
Share premium account	27	298,974	298,974	245,005
Capital reduction reserve	28	118,584	140,554	161,984
Retained earnings		5,566	(27,293)	(19,986)
Total equity attributable to the equity holders of the Company		428,617	417,728	391,958

*See details of Restatement in Note 36

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The profit attributable to the Parent Company for the year ended 30 June 2023 amounted to £32.9 million (2022: loss of £7.3 million).

These financial statements were approved by the Board of Directors on 9 October 2023 and signed on its behalf by:



Steve Smith
Chairman

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2021	4,953	245,005	161,984	(19,986)	391,956
Comprehensive income					
Loss for the year	–	–	–	(7,307)	(7,307)
Transactions with owners					
Issue of ordinary shares	540	53,969	–	–	54,509
Dividend paid	–	–	(21,430)	–	(21,430)
At 30 June 2022	5,493	298,974	140,554	(27,293)	417,728
Comprehensive income					
Profit for the year	–	–	–	32,859	32,859
Transactions with owners					
Dividends paid	–	–	(21,970)	–	(21,970)
At 30 June 2023	5,493	298,974	118,584	5,566	428,617

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 Restated* £'000
Cash flows from operating activities			
Profit / (Loss) before tax		32,859	(7,307)
Dividends received from subsidiary undertakings		(40,850)	–
Finance income		(46)	(4)
Cash used in operations		(8,037)	(7,311)
(Increase) / Decrease in other receivables		(22)	106
Decrease in trade and other payables		(861)	(154)
Net cash used in operating activities		(8,920)	(7,359)
Cash flows from investing activities			
Decrease in other receivables		10,242	2,897
Finance income		46	4
Net cash generated from investing activities		10,288	2,901
Cash flows from financing activities			
Proceeds from issue of ordinary shares	26	–	55,593
Costs of share issue	27	–	(1,084)
Dividends paid	17	(21,970)	(21,430)
Net cash (used in) / generated from financing activities		(21,970)	33,079
Net (decrease) / increase in cash and cash equivalents		(20,602)	28,621
Cash and cash equivalents at beginning of year		28,646	25
Cash and cash equivalents at end of year	21	8,044	28,646

*See details of Restatement in Note 36

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2023

1. General information

The PRS REIT plc (the "**PRS REIT**", the "**Company**" or the "**Group**") is a public limited company incorporated on 24 February 2017 in England and having its registered office at Floor 3, 1 St. Ann Street, Manchester, M2 7LR with Company Number 10638461. The Company did not commence trading until 31 May 2017 when the IPO was completed. The Company was quoted on the Specialist Fund Segment of the Main Market of the London Stock Exchange until 2 March 2021 when it migrated to the Premium Segment of the Main Market of the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in the Chairman's statement.

2. Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with UK-adopted International Accounting Standards and the applicable legal requirements of the Companies Act 2006 ("**IFRS**").

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

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

3. Going concern

The consolidated and Company financial statements have been prepared on a going concern basis. The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance with sensitivity testing undertaken to replicate plausible downside scenarios related to the principal risks and uncertainties associated with the business. As interest rate exposure has largely been mitigated with 82% of the investment debt in the portfolio at fixed rates, the Directors paid particular attention to the risk of a deterioration in the forecast rental growth over the review period which would have a negative impact on both forecast valuations and cashflows. The outcome of this stress testing indicated that covenants on existing facilities would not be breached. As part of the review, the Group has considered its cash balances, and its debt maturity profile, including undrawn facilities. The Group had net current liabilities of £124.5 million as at 30 June 2023 (2022: net current liabilities £73.8 million). The increase in net current liabilities reflects the LBG / RBS debt facility (refinanced on maturity in July 2023), which was £115.0 million drawn at 30 June 2023 (2022: £85.4 million drawn) and the utilisation of cash. The Group's cash balances at 30 June 2023 were £13.2 million (2022: £48.7 million), of which £3.5m was restricted but released within 3 months. The Group had debt borrowing as at 30 June 2023 of £374.1 million. A portion of the development debt facilities were utilised subsequent to the year-end to enable the Group to continue to develop assets to completion and enabling the letting of these to tenants. Following stabilisation on a site, which comprises practical completion and substantial letting, investment debt is drawn down to replace the development debt facilities utilised. 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 £102 million was immediately drawn.

Capital commitments outstanding as at 30 June 2023 were £27.3 million. The Group's current ERV as at 30 June 2023, was £55.0 million from 5,080 homes and has increased to £57.6 million from 5,129 homes as at 30 September 2023. This has increased the Company's recurring income which at this level is more than sufficient to cover monthly cash costs. Based on the prevailing run-rate of monthly cash costs and average rent levels, approximately 2,500 homes are required to generate income to cover monthly cash outlays.

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

Therefore, the Directors believe the Group and Company are well placed to manage their business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's consolidated financial statements and the Company's financial statements for the year ended 30 June 2023.

4. Summary of significant accounting policies

Basis of consolidation

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

Segmental reporting

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

Business combinations

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

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

Subsidiaries

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

Investment property

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property under IAS 40. Investment property is measured initially at its cost including related transaction costs. After initial recognition, investment property is carried at fair value. Investment properties under construction are initially recognised at cost including related transaction costs. Subsequently, the assets are re-measured at fair value at each reporting date by where:

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

The investment properties are externally valued by Savills. Savills are qualified external valuers who hold a recognised and relevant professional qualification. Gains or losses arising from changes in the fair value of the Group's investment properties are included in profit from operations in the income statement of the period in which they arise. Investment property falls within level 3 of the fair value hierarchy as defined by IFRS 13. Further details are provided in note 18.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities, equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost using the effective interest method. Impairment provisions are recognised based on the expected credit loss model detailed within IFRS 9. The expected credit losses on financial assets are estimated on a lifetime basis on the Group's historical credit loss experience adjusted for factors that are specific to the debtors, including general and, where material, local economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

We have engaged with tenants who have encountered financial difficulties, and entered into payment plans where appropriate. Rent and legal insurance policies are in place and we currently consider the risk of bad debts to be immaterial, although the situation remains under constant review. As at 30 June 2023 the Group's loss allowance for expected credit losses on trade receivables was £453,000 (2022: £281,000).

The receivables due to the Company from subsidiaries are non-interest bearing loans, repayable on demand. These are stated at cost less any allowance for expected credit losses ('ECL'). The Company measures the loss allowance for intra-Group receivables at 12 month ECL. The ECL is estimated using a probability-weighted analysis of all possible outcomes with reference to the debtors' financial position and forecasts of future economic conditions. The resultant estimated ECL is not considered material to the financial statements, therefore the Company has recognised a loss allowance of £nil (2022: £nil) against amounts receivable from subsidiaries.

Cash

Cash and cash equivalents comprise cash in hand, cash at bank, cash held in treasury deposits and restricted cash. Further details are provided in note 21.

Trade and other payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently at amortised cost.

Leases

As a lessor

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

As a lessee

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

Right-of-use ("ROU") assets

A right-of-use asset is recognised at the commencement date of a lease. The ROU is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are subsequently measured at fair value and classified within investment properties.

Impairment of assets

At each balance sheet date, the Directors review the carrying amounts of the Company's non-current assets, which aren't measured at fair value, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset in its current condition is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less cost to sell and value in use.

Provisions

Onerous contracts - A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract.

Taxation

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

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

Deferred tax is calculated at the rates that are substantively enacted at the reporting date. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

Revenue recognition

Rental income arises from assured shorthold tenancies on investment properties with a period no longer than 12 months and is accounted for on an accruals basis and is recognised over the contractual period which does not exceed 12 months.

Expenses

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

Finance income

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

Finance costs

Interest is accrued using the effective interest rate method on bank loans held by the Group.

Capitalised interest

During the development phase where funds from a development loan facility are drawn down to fund an asset, the interest payable is capitalised as a cost of development of that asset. The amount capitalised in the year to 30 June 2023 was £0.9 million (2022: £2.5 million). The weighted capitalisation rate for the year to 30 June 2023 was 5.8% (2022: 3.6%), and is determined by the margin rate plus compounded SONIA rate, per the Barclays development debt facility.

Costs of borrowing

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

Dividends

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

Share issue costs

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

Significant accounting 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. Further details on the valuation of the investment properties, including sensitivities, are disclosed in note 18.

Non-GAAP financial information

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparable and key measures used within the business for assessing performance. The key non-GAAP measures identified by the Group are set out on pages 148 to 150.

Adoption of new and revised standards

Other than as disclosed below, the accounting policies applied are the same as those applied in the financial statements for the year ended 30 June 2022.

In the current year the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB, none of which have had a material impact on the Group. These include amendments to IAS 16, IAS 37, IFRS 3 and annual improvements to IFRS Standards 2018-2020. These amendments did not have any impact on amounts recognised in prior years and are not expected to significantly affect current and future years.

Standards and interpretations in issue but not yet effective

Several amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. These include amendments to IAS 12, IAS 1 and IFRS Practice Statement 2. These have not yet been adopted by the Group. The amendments listed are not expected to significantly affect current and future years.

5. Financial risk management

The Group's business activities are set out in the Strategic Report on pages 12 to 63. These activities expose the Group and Company to a number of financial risks. The following describes the Group's and Company's objectives, policies and processes for managing these risks and the methods used to measure them. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below. The Group only operates in the UK and transacts in sterling. It is therefore not directly exposed to any foreign currency exchange risk.

Capital risk management

The capital of the Group is managed in accordance with its investment policy. The Group's and Company's objectives for managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. The capital structure of the Group and Company consists of equity and debt. The Group and Company meets their objectives by aiming to achieve a steady growth by mitigating risk, which will generate regular and increasing returns to the shareholders. The Group and Company also seeks to minimise the cost of capital and optimise its capital structure. At 30 June 2023 the Group had short term debt of £126.7 million (2022: £100.0 million) and cash at bank of £13.2 million (2022: £48.7 million). At 30 June 2023 the Company had no short term debt (2022: £nil) and cash at bank of £8.0 million (2022: £28.6 million). There were no changes in the Group's and Company's approach to capital management during the year.

The Group's capital is represented by the Ordinary Shares, share premium, capital reserves and revenue reserve. The Group is not subject to any externally-imposed capital requirements except for the requirement as a REIT to distribute at least 90% of its tax-exempt rental business profits.

Financial instruments

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

Group	Amortised cost	
	2023 £'000	2022 £'000
Financial assets		
Trade and other receivables	1,899	6,618
Cash and other cash equivalents	13,198	48,682
Total financial assets	15,097	55,300
Financial liabilities		
Trade and other payables	20,091	31,787
Interest bearing loans and borrowings	375,185	346,660
Total financial liabilities	395,276	378,447

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

Company	Amortised cost	
	2023 £'000	2022 £'000
Financial assets		
Trade and other receivables	346,803	316,095
Cash and other cash equivalents	8,044	28,646
Total financial assets	354,847	344,741
Financial liabilities		
Trade and other payables	1,649	2,517
Total financial liabilities	1,649	2,517

Market risk*Risk relating to investment property*

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

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

The Company holds no investment property directly (2022: nil).

Interest rate risk

The Group has mitigated interest rate risk on its investment and development loans due to the majority of long-term loan facilities being fixed rate and therefore not subject to variation. Based on the debt profile at the year-end, a 1% change in variable interest rates would result in an income statement adjustment of £1.3 million (2022: £0.6 million).

Lender	Balance as at 30 June 2023	Loan period	Interest rate (all in)	Loan Type	Maturity
Scottish Widows	£100.0 million	15 years	3.14%	Fixed	June 2033
Scottish Widows	£150.0 million	25 years	2.76%	Fixed	June 2044
Lloyds Banking Group plc / RBS *	£115.0 million	3 years	6.53%	Variable	July 2023
Barclays Bank PLC	£12.1 million	3 years	8.28%	Variable	August 2025

* In July 2023, the loan was restated as a two-year £75 million floating-rate debt facility with RBS. £13.1 million was drawn immediately.

From time to time, certain of the Group's cash resources are placed on short-term fixed deposits or on short-term notice accounts to take advantage of preferential rates, otherwise cash resources are held in current, floating rate accounts.

The Company had no external loans as at 30 June 2023 (2022: nil).

Credit risk

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

Credit risk relating to property activities

The Group receives property rental income from its investments in PRS assets. Risk is mitigated as PRS assets consist of residential family housing with multiple tenants in multiple locations. Rental income is paid monthly in advance. Gross rental income outstanding and due to the Group as at 30 June 2023 amounted to £1.0 million (2022: £0.6 million).

As at 30 June 2023 the Group's loss allowance for expected credit losses on these trade receivables was £453,000 (2022: £281,000). The Group's loss allowance is assessed based on the ageing of individual debts, as well as current occupancy of each individual property. Amounts are only written off when there is no expectation of recovery. As at 30 June 2023, trade receivables were 1.0% (2022: 1.0%), and total arrears over 30 days were 1.2% (2022: 0.8%) of the estimated rental value ("ERV") of the portfolio.

Credit risk arising related to financial instruments including cash deposits

Risk arises as a result of the cash deposits with banks and financial institutions. The Board of Directors believe the credit risk on short-term deposits and current account balances are limited as they are held with banks with high credit ratings. As at 30 June 2023, short-term deposits and current account balances were held with the following banks:

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

Company credit risk relating to amounts due from Group undertakings

All balances are considered to be recoverable and are not past due. The total expected credit loss ("ECL") provision relating to loans and receivables for the Company is £nil (2022: £nil).

Liquidity risk

The Group and Company seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure that there are sufficient resources for capital expenditure and working capital requirements.

As at 30 June 2023, the Group had net current liabilities of £111.4 million (2022: net current liabilities of £73.8 million). The table below summarises the undiscounted maturities of the Group's non-derivative financial liabilities as at 30 June 2023 and 30 June 2022:

	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
2023						
Trade and other payables	–	4,003	14,007	2,081	–	20,091
Loans and borrowings	–	123,823	11,521	30,227	332,969	498,540
	–	127,826	25,528	32,308	332,969	518,631
2022						
Trade and other payables	372	3,634	25,736	2,243	–	31,985
Loans and borrowings	–	29,075	81,274	36,962	337,531	484,842
	372	32,709	107,010	39,205	337,531	516,827

For the majority of borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2023 Carrying amount £'000	2023 Fair value £'000	2022 Carrying amount £'000	2022 Fair value £'000
Bank loans (long-term, fixed interest)	250,000	166,511	250,000	263,602

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate.

As at 30 June 2023, the Company had net current assets of £6.7 million (2022: £26.4 million). The table below summarises the maturities of the Company's non-derivative financial liabilities as at 30 June 2023 and 30 June 2022:

Company	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
2023						
Trade and other payables	-	1,655	-	-	-	1,655
	-	1,655	-	-	-	1,655
2022						
Trade and other payables	372	2,145	-	-	-	2,517
	372	2,145	-	-	-	2,517

6. Rental income

	2023 £'000	2022 £'000
Gross rental income from investment property	49,701	41,963

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

7. Non-recoverable property costs

	2023 £'000	2022 £'000
Other property expenses and irrecoverable costs	9,551	7,635

Non-recoverable property costs represent direct operating expenses in relation to rental income arising on investment properties. The impairment charge to the income statement in relation to trade receivables was £161,000 (2022: £381,000).

8. Other income

	2023 £'000	2022 £'000
Other income	1,646	470

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

9. Directors' remuneration

	2023 £'000	2022 £'000
Directors' emoluments	180	170

The Directors are remunerated for their services at such rate as the Board shall from time to time determine. Further details of the Directors' remuneration are disclosed on pages 98 to 100.

10. Particulars of employees

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

11. Asset management fees

	2023 £'000	2022 £'000
Asset management fee	5,788	5,158

Sigma PRS Management Ltd is appointed as the Investment Adviser of the Company.

The Asset Management Fee (the "**Asset Management Fee**") payable to the Investment Adviser is payable monthly in arrears, and the rates used to calculate the Asset Management Fee are as follows:

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

The appointment of the Investment Adviser shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 31 December 2025.

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

12. Administrative expenses

	2023 £'000	2022 £'000
Legal and professional fees	352	365
Administration and secretarial fees	175	106
Audit, accounting, and tax fees	361	390
Valuation fees	333	332
Depository fees	43	55
Financial adviser and broker fees	201	189
Insurance	59	82
Public relations	102	148
Regulatory fees	165	164
Subscriptions and donations	114	30
Disallowed VAT	395	322
	2,300	2,183

Services provided by the Group's Auditors and its associates

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

	2023 £'000	2022 £'000
Audit of the Parent Company and Group financial statements	140	120
Audit of the subsidiary financial statements	148	114
Agreed upon procedures on the half year report	23	21
	311	255

13. Finance income

	2023 £'000	2022 £'000
Interest on short term deposits	49	4

14. Finance cost

	2023 £'000	2022 £'000
Amortisation of debt legal costs and arrangement fees	4,315	3,142
Interest on bank loans	12,163	7,987
	16,478	11,129

15. Taxation

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the current year and prior year, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. If there were any non-qualifying profits and gains, these would be subject to corporation tax.

It is assumed that the Group will continue to be a UK REIT for the foreseeable future, such that deferred tax has not been recognised on temporary differences relating to the property rental business. No deferred tax asset has been recognised in respect of the unutilised residual current period losses from non-qualifying activities as it is not anticipated that sufficient residual profits will be generated from these in the future.

	2023 £'000	2022 £'000
Current and deferred tax		
Corporation tax charge/(credit) for the period	-	-
Total current income tax charge/(credit) in the income statement	-	-

The tax charge for the period is less than the standard rate of corporation tax in the UK of 20.5% (2022: 19%). The differences are explained below.

	2023 £'000	2022 £'000
Profit before tax	42,452	115,889
Tax at UK corporation tax standard rate of 20.5% / 19%	8,703	22,018
Change in value of exempt investment properties	(5,189)	(18,948)
Exempt REIT income	(3,723)	(2,953)
Amounts not deductible for tax purposes	16	16
Unutilised residual current period tax losses not recognised in deferred tax	418	306
Capital allowances claimed against exempt REIT income	(40)	(44)
Capitalised interest claimed against exempt REIT income	(185)	(395)
	-	-

From 1 April 2017 to 31 March 2023, the standard rate of corporation tax in the UK was 19%, from 1 April 2023 the standard rate of corporation tax in the UK was 25%.

REIT exempt income includes property rental income that is exempt from UK Corporation Tax in accordance with Part 12 of CTA 2010.

16. Earnings per share

Earnings per share ("**EPS**") amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are no dilutive instruments, basic and diluted earnings per share are the same for both the current and prior periods.

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

	2023 £'000	2022 £'000
Earnings per IFRS income statement	42,452	115,889
Adjustments to calculate EPRA Earnings:		
Changes in value of investment properties (Note 18)	(25,353)	(99,727)
EPRA Earnings	17,099	16,162
Weighted average number of ordinary shares (Note 26)	549,251,458	535,203,388
IFRS EPS (pence)	7.7	21.4
EPRA EPS (pence)	3.1	3.0

Further details of the EPRA performance measure are given on page 148.

17. Dividends

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

	2023 £'000	2022 £'000
Dividends on ordinary shares declared and paid:		
Dividend of 1.0p for the 3 months to 30 June 2021	–	4,953
Dividend of 1.0p for the 3 months to 30 September 2021	–	5,492
Dividend of 1.0p for the 3 months to 31 December 2021	–	5,492
Dividend of 1.0p for the 3 months to 31 March 2022	–	5,493
Dividend of 1.0p for the 3 months to 30 June 2022	5,493	–
Dividend of 1.0p for the 3 months to 30 September 2022	5,493	–
Dividend of 1.0p for the 3 months to 31 December 2022	5,492	–
Dividend of 1.0p for the 3 months to 31 March 2023	5,492	–
	21,970	21,430
Proposed dividends on ordinary shares:		
3 months to 30 June 2022: 1.0p per share	–	5,493
3 months to 30 June 2023: 1.0p per share	5,493	–
	5,493	5,493

18. Investment property

The freehold/heritable, leasehold and part freehold part leasehold interests in the properties held within the PRS REIT were independently valued as at 30 June 2023 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the PRS REIT as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13 and the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards, effective from 31 January 2022, incorporating the IVSC International Valuation Standards (the "RICS Red Book"). The valuations were arrived at predominantly by reference to market evidence for comparable property.

Savills (UK) Limited are an accredited External Valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued.

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

	Completed Assets £'000	Assets under Construction £'000	Total £'000
At 30 June 2021	533,774	246,592	780,366
Properties acquired on acquisition of subsidiaries	14,820	11,526	26,346
Property additions - subsequent expenditure	–	55,476	55,476
Change in fair value	69,461	30,266	99,727
Transfers to completed assets	222,300	(222,300)	–
At 30 June 2022	840,355	121,560	961,915
Property additions - subsequent expenditure	–	47,464	47,464
Change in fair value	26,953	(1,600)	25,353
Transfers to completed assets	80,419	(80,419)	–
At 30 June 2023	947,727	87,005	1,034,732

The historic cost of completed assets and assets under construction as at 30 June 2023 was £831.8 million (2022: £785.0 million).

The carrying amount of investment property pledged as security as at 30 June 2023 was £952.5 million (2022: £823.6 million).

The Group has recognised a right-of-use ("ROU") asset within investment property in relation to ground rents payable on certain investment property sites. The net book value of the ROU asset was £1 million as at 30 June 2023 (2022: £1 million).

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. As at the date of approval of these financial statements the house building partner continues to work with the Council Executive to address 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 £23.5 million as at 30 June 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 year-end 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.

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:

Type	Range	
	2023	2022
ERV per unit	£10k - £22k	£7k - £22k
Investment yield	4.10% to 5.00%	3.75% to 4.50%
Gross to net assumption	22.5% to 25.0%	22.5% to 25.0%

The following descriptions and definitions relate to key unobservable inputs made in determining fair values:

- > ERV (Estimated Rental Value) per unit: the estimated annual market rental value that could be earned on a unit basis annually;
- > Investment yield: the net income earned as a percentage of the investment value; and
- > Gross to net assumption: the non-recoverable property costs expected to be incurred on a rental property as a percentage of rental income.

Development assets are valued based on total development cost plus expected final uplift in valuation multiplied by % of site development completed. The range of % completions as at 30 June 2023, was from 29% to 99% (2022: 7% to 99%). The final investment value uses the assumptions stated above. An increase of 2% in the gross development cost would reduce the fair valuation of these assets by c.£1.7 million.

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

	2023 Impact on statement of comprehensive income £'000	2023 Impact on statement of financial position £'000	2022 Impact on statement of comprehensive income £'000	2022 Impact on statement of financial position £'000
Improvement in ERV by 5%	52,650	52,650	48,213	48,213
Worsening in ERV by 5%	(51,303)	(51,303)	(48,223)	(48,223)
Improvement in yield by 0.125%	30,078	30,078	30,124	30,124
Worsening in yield by 0.125%	(28,407)	(28,407)	(28,359)	(28,359)
Improvement in gross to net by 1%	14,192	14,192	12,492	12,492
Worsening in gross to net by 1%	(12,738)	(12,738)	(12,402)	(12,402)

The rates of sensitivity reflected in the above table have been selected as being reflective of movements experienced in ERV, yields and gross to net expenses.

19. Investment in subsidiaries

Company

	2023 £'000	2022 £'000
Cost at the start of the year	75,425	325,742
Reclassification as Group receivables during the year	-	(250,317)
Cost at the end of the year	75,425	75,425

During the prior year the Company transferred costs related to certain group undertakings to another wholly owned group undertaking. The Group comprises a number of companies, all subsidiaries included within these financial statements are noted below:

Directly held:

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

Indirectly held:

Name of Entity	Company number	Principal Activity	Country of Incorporation	% ownership
*The PRS REIT Development Company Limited	10721759	Property Investment	England	100%
The PRS REIT Development Company II Limited	12298358	Property Investment	England	100%
The PRS REIT Property Investments Limited	12309160	Property Investment	England	100%
*The PRS REIT Investments LLP	OC418251	Property Investment	England	100%
The PRS REIT Investments II LLP	OC429585	Property Investment	England	100%
*The PRS REIT Memberco Limited	10854481	Property Investment	England	100%
The PRS REIT Memberco II Limited	12298381	Investment Holding Company	England	100%
The PRS REIT (LBG) Borrower Limited	11392913	Property Investment	England	100%
The PRS REIT (LBG) Holding Company Limited	11385652	Investment Holding Company	England	100%
The PRS REIT (LBG) Investments LLP	OC422964	Property Investment	England	100%
The PRS REIT (LBG) Memberco Limited	11409586	Investment Holding Company	England	100%
*The PRS REIT (SW) Borrower Limited	11393311	Property Investment	England	100%
The PRS REIT (SW) Holding Company Limited	11385650	Investment Holding Company	England	100%
*The PRS REIT (SW) Investments LLP	OC422966	Property Investment	England	100%
*The PRS REIT (SW) Memberco Limited	11409522	Investment Holding Company	England	100%
The PRS REIT (SW II) Holding Company Limited	12046818	Investment Holding Company	England	100%
*The PRS REIT (SW II) Borrower Limited	12049318	Property Investment	England	100%

Name of Entity	Company number	Principal Activity	Country of Incorporation	% ownership
*The PRS REIT (SW II) Investments LLP	OC427782	Property Investment	England	100%
*The PRS REIT (SW II) Memberco Limited	12052213	Investment Holding Company	England	100%
The PRS REIT (Bluebird) Memberco Limited	12616572	Investment Holding Company	England	100%
The PRS REIT (Bluebird) Holding Company Limited	12598004	Investment Holding Company	England	100%
The PRS REIT (Bluebird) Borrower Limited	12599502	Property Investment	England	100%
The PRS REIT (Bluebird) Investments LLP	OC432893	Property Investment	England	100%
The PRS REIT (LGIM) Memberco Limited	14903396	Investment Holding Company	England	100%
The PRS REIT (LGIM) Holding Company Limited	14903127	Investment Holding Company	England	100%
The PRS REIT (LGIM) Borrower Limited	14903337	Property Investment	England	100%
The PRS REIT (LGIM) Investments LLP	OC447554	Property Investment	England	100%
*Sigma PRS Investments I Limited	SC522680	Property Investment	Scotland	100%
*Sigma PRS Investments II Limited	10128422	Property Investment	England	100%
*Sigma PRS Investments VI Limited	10467369	Property Investment	England	100%
*Sigma PRS Investments IV Limited	10383849	Property Investment	England	100%
*Sigma PRS Investments VIII Limited	10571586	Property Investment	England	100%
Sigma PRS Investments (Brackenhoe) Limited	12026470	Property Investment	England	100%
*Sigma PRS Investments (Bury St Edmunds) Limited	11721278	Property Investment	England	100%
Sigma PRS Investments (Dawley Road II) Limited	12064750	Property Investment	England	100%
*Sigma PRS Investments (Our Lady's) Limited	10684675	Property Investment	England	100%
*Sigma PRS Investments (Owens Farm) Limited	11207716	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis) Limited	11673725	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis II) Limited	11676096	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8II) Limited	11892855	Property Investment	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	12169553	Property Investment	England	100%
*Sigma PRS Investments (Lea Hall) Limited	11726223	Property Investment	England	100%
*Sigma PRS Investments (Newhall) Limited	11521411	Property Investment	England	100%
*Sigma PRS Investments (Bury St Edmunds Parcel D) Limited	11934752	Property Investment	England	100%
The PRS REIT (Drakelow Park) Limited	13572147	Property Investment	England	100%
The PRS REIT (Drakelow Park Phase 2) Limited	13985378	Property Investment	England	100%
*Sigma PRS Northern (Bertha Park) Limited	12323666	Property Investment	England	100%
*Sigma PRS Investments (Plough Hill Road) Limited	11362082	Property Investment	England	100%
Sigma PRS Investments (Fishmoor Parcel 1) Limited	13522429	Property Investment	England	100%

Name of Entity	Company number	Principal Activity	Country of Incorporation	% ownership
Sigma PRS Investments (Fishmoor Parcel 2) Limited	13522386	Property Investment	England	100%
The PRS REIT (Accrington) Limited	12936087	Property Investment	England	100%
The PRS REIT (Airfields II) Limited	12227845	Property Investment	England	100%
The PRS REIT (Airfields) Limited	12225418	Property Investment	England	100%
*The PRS REIT (Beehive) Limited	12299354	Property Investment	England	100%
*The PRS REIT (Bilston Urban Village) Limited	12299875	Property Investment	England	100%
The PRS REIT (Bombardier) Limited	12269588	Property Investment	England	100%
*The PRS REIT (Brickkiln Place) Limited	12342184	Property Investment	England	100%
*The PRS REIT (Cable Street) Limited	12300415	Property Investment	England	100%
*The PRS REIT (Durham Street) Limited	12299887	Property Investment	England	100%
*The PRS REIT (East Hill) Limited	12299857	Property Investment	England	100%
The PRS REIT (Eaton Works) Limited	12299949	Property Investment	England	100%
*The PRS REIT (Entwistle Road) Limited	12300010	Property Investment	England	100%
The PRS REIT (Harlow Phase II) Limited	12303917	Property Investment	England	100%
*The PRS REIT (Heathfield Lane) Limited	12300254	Property Investment	England	100%
The PRS REIT (Hexthorpe Phase A) Limited	12340014	Property Investment	England	100%
The PRS REIT (Hexthorpe Phase B) Limited	12340826	Property Investment	England	100%
*The PRS REIT (Hilton Park) Limited	12300173	Property Investment	England	100%
*The PRS REIT (Holyoake Memberco) Limited	12888895	Investment Holding Company	England	100%
*The PRS REIT (Holyoake) Limited	12882087	Property Investment	England	100%
The PRS REIT (LB 5) Limited	12300657	Property Investment	England	100%
*The PRS REIT (Manor Boot) Limited	12300405	Property Investment	England	100%
*The PRS REIT (Newhaven) Limited	12301039	Property Investment	England	100%
*The PRS REIT (Norwich Street) Limited	12301118	Property Investment	England	100%
The PRS REIT (Potteries) Limited	12279694	Property Investment	England	100%
*The PRS REIT (QVS) Limited	12303609	Property Investment	England	100%
The PRS REIT (Redcar) Limited	12338568	Property Investment	England	100%
*The PRS REIT (Reginald Road) Limited	12301641	Property Investment	England	100%
*The PRS REIT (Riverside College) Limited	12301225	Property Investment	England	100%
*The PRS REIT (Roch Street) Limited	12301230	Property Investment	England	100%
*The PRS REIT (Romanby Shaw) Limited	12301554	Property Investment	England	100%
The PRS REIT (Station Road) Limited	12279470	Property Investment	England	100%
*The PRS REIT (Sutherland School) Limited	12301839	Property Investment	England	100%
The PRS REIT (Tower Hill 3) Limited	12303826	Property Investment	England	100%

Name of Entity	Company number	Principal Activity	Country of Incorporation	% ownership
*The PRS REIT (Whitworth Way) Limited	12301879	Property Investment	England	100%
*The PRS REIT Holyoake General Partner Ltd	10809976	Property Investment	England	100%
*The PRS REIT (Wolvey Campus) Limited	14188354	Property Investment	England	100%
*The PRS REIT (Charlton Gardens) Limited	14229875	Property Investment	England	100%
*The PRS REIT (Werrington) Limited	14231085	Property Investment	England	100%
*The PRS REIT (Hexthorpe Phase 4) Limited	14230128	Property Investment	England	100%
Sigma PRS Investments (Cable Street II) Limited	11086887	Dormant	England	100%
Sigma PRS Investments (Carr Lane II) Limited	11054232	Dormant	England	100%
Sigma PRS Investments (Dawley Road) Limited	12026449	Dormant	England	100%
Sigma PRS Investments (Darlaston II) Limited	11028091	Dormant	England	100%
Sigma PRS Investments (Darlaston Phase 2 II) Limited	11159344	Dormant	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8) Limited	11875798	Dormant	England	100%
Sigma PRS Investments (Houghton Regis Parcel 8A) Limited	12168751	Dormant	England	100%
Sigma PRS Investments (Newton Le Willows II) Limited	11009678	Dormant	England	100%
Sigma PRS Investments (Owens Farm II) Limited	11241786	Dormant	England	100%
Sigma PRS Investments (Sutherland School II) Limited	11382818	Dormant	England	100%
Sigma PRS Investments (Whitworth Way II) Limited	11086856	Dormant	England	100%
Sigma PRS Investments III Limited	10140376	Dormant	England	100%
Sigma PRS Investments V Limited	10385618	Dormant	England	100%
Sigma PRS Investments VII Limited	10462287	Dormant	England	100%
Sigma PRS Investments IX Limited	10573603	Dormant	England	100%
*Sigma PRS Investments (Bury St Edmunds II) Limited	11723358	Dormant	England	100%
*Sigma PRS Investments (Lea Hall II) Limited	11723562	Dormant	England	100%
*Sigma PRS Investments (Newhall II) Limited	11523248	Dormant	England	100%
*Sigma PRS Investments (Bury St Edmunds Parcel D II) Limited	11939076	Dormant	England	100%
Sigma PRS Investments (Plough Hill Road II) Limited	11365306	Dormant	England	100%
The PRS REIT Investments Holding Company Limited	12302557	Dormant	England	100%

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

The following wholly owned subsidiaries were struck off during the year:

The PRS REIT (Bullcote Lane) Limited	12269343
The PRS REIT (Christopher Street) Limited	12340995
The PRS REIT (Minky Works) Limited	12339490
The PRS REIT (Rugby) Limited	12338561

The registered office for the subsidiaries across the Group is: Floor 3, 1 St. Ann Street, Manchester, M2 7LR, except for Sigma PRS Investments I Limited whose registered office is: 18 Alva Street, Edinburgh, EH2 4QG.

20. Trade and other receivables

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Current – Restated Company				
Trade receivables	565	–	291	–
Accrued income	946	5	941	5
Social security and other taxes	1,216	–	589	–
Prepayments and other receivables	4,339	258	5,465	236
	7,066	263	7,286	241

	2023 £'000	2022 £'000
Non-Current – Restated Company		
Receivables from group undertakings	346,540	315,933
	346,540	315,933

Movements in the loss allowance of trade receivables are as follows:	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Gross receivables being financial assets	2,352	346,803	6,899	316,174
Provisions for receivables impairment	(453)	–	(281)	–
Net receivables being financial assets	1,899	346,803	6,618	316,174
Receivables written-off during the year as uncollectable	161	–	381	–

The provision is calculated as an expected credit loss on trade and other receivables in accordance with IFRS 9. Trade receivables are written off when there is no reasonable expectation of recovery. Expected credit loss provisions are calculated based on historical loss experience and a forward-looking assessment.

Receivables from group undertakings have been issued without terms and are interest free. These have been considered for impairment using the 12 months expected credit loss model because there have been no changes in credit risk since initial recognition. The expected credit losses on amounts owed by Group companies is insignificant (2022: insignificant). The individual companies comprising this balance, hold sufficient net assets which could be used to repay the amount owed.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group's maximum exposure on credit risk is the carrying value of trade receivables as presented above. As at 30 June 2023, £248,000 of trade receivables are more than thirty days old and not provided for (2022: £111,000).

21. Cash and cash equivalents

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Restricted cash	3,540	–	10,979	–
Cash at bank	9,658	8,044	37,703	28,646
	13,198	8,044	48,682	28,646

Restricted cash comprises £3.5 million (2022: £11.0 million) in funds held in a bank account controlled by one of the Group's lenders which can be released to free cash once certain loan conditions are met.

22. Trade and other payables

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Current liabilities				
Trade payables	4,003	750	14,227	1,146
Accruals and deferred income	13,067	899	15,352	1,208
Social security and other taxes	6	6	163	163
	17,076	1,655	29,742	2,517
Non-current liabilities				
Accruals and deferred income	2,081	–	2,243	–
	19,157	1,655	31,985	2,517

Accruals and deferred income are principally comprised of financial retentions with housebuilders, generally held for one year after completion of a full site. These totalled £8.8 million as at 30 June 2023 (2022: £10.5 million).

The fair values approximate the carrying values.

23. Provisions

	Group 2023 £'000	Company 2023 £'000
Current liabilities		
Provision brought forward	–	–
Provision in the year	934	–
As at 30 June	934	–

A provision for onerous contracts on three development sites was made during the current year (2022: £nil). This reflects the increase in yields over the year, with investment values moving inversely in relation to yields. These provisions will be released over the next financial year.

24. Interest bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Current liabilities				
Bank loans at 1 July	99,941	-	109,998	-
Loans advanced in the year	49,801	-	89,624	-
Loans repaid in the year	(23,304)	-	(100,014)	-
Capitalised loan costs	275	-	333	-
Bank loans at 30 June	126,713	-	99,941	-
Lease liability (Note 25)	32	-	32	-
Total loans and borrowings	126,745	-	99,973	-
Non-current liabilities				
Bank loans at 1 July	245,684	-	244,875	-
Loans advanced in the year	-	-	-	-
Capitalised loan costs	1,748	-	809	-
Bank loans at 30 June	247,432	-	245,684	-
Lease liability (Note 25)	1,008	-	1,003	-
Total loans and borrowings	248,440	-	246,687	-

The fair value of loans and borrowings at year end totalled £300.2 million (2022: £365.3 million).

Bank loans

Through its subsidiaries the Company has granted fixed and floating charges over certain investment property assets to secure the loans.

The Group's borrowing facilities are with Scottish Widows, Lloyds Banking Group plc / RBS plc and Barclays Bank PLC. At 30 June 2023, these comprised the following:

Lender	Loan facility	Balance drawn 30 June 2023	Loan period	Interest rate (all in)	Loan Type	Maturity
Scottish Widows	£100 million	£100 million	15 years	3.14%	Fixed	June 2033
Scottish Widows	£150 million	£150 million	25 years	2.76%	Fixed	June 2044
Lloyds Banking Group plc/ RBS*	£150 million	£115 million	3 years	6.53%	Variable	July 2023
Barclays Bank PLC	£40 million	£12 million	3 years	8.28%	Variable	August 2025

* In July 2023, the loan was restated as a two-year £75 million floating-rate debt facility with RBS. £13.1 million was drawn immediately.

As determined by the Company's Investment Policy, the Group's maximum loan to value ratio can be no more than 45%. As at 30 June 2023 the Group's EPRA loan to value was 37% (2022: 34%).

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

	2023 £'000	2022 £'000
Balance as at 1 July	345,625	354,873
Cash movements		
Proceeds from borrowings	49,801	89,624
Borrowings repaid	(23,304)	(100,014)
Interest paid	(11,957)	(9,825)
Non-utilisation fees paid	(703)	-
Arrangement and commitment fees paid	(932)	(846)
Non-Cash movements		
Finance costs	15,615	11,813
Balance as at 30 June	374,145	345,625

Debt refinancing

At the beginning of July 2023, the Company completed the refinancing of its £150 million revolving credit facility ("RCF") provided by RBS and Lloyds Banking Group plc. The Group secured a £102 million facility of fixed-rate debt for 15 years with Legal and General Investment Management, together with a further £75 million of floating-rate debt agreed for two years with RBS. An interest rate cap has been put in place on the floating rate debt to hedge against downside risk on further interest rate movements.

25. Leases

Lease liabilities as lessee

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

	Group 2023 £'000	Group 2022 £'000
Lease liabilities	1,040	1,035
Amounts recognised in the income statement in non-recoverable property costs	5	13

Lease receivables as lessor

The future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's property portfolio are as follows:

	Group 2023 £'000	Group 2022 £'000
Receivable within 1 year	27,784	23,051

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

The Company had no leases in either the current or prior period.

26. Share capital

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

Group and Company	2023 No. of shares	2023 Share capital £'000	2022 No. of shares	2022 Share capital £'000
Balance at the beginning of year	549,251,458	5,493	495,277,294	4,953
Issue of shares	-	-	53,974,164	540
Balance at end of year	549,251,458	5,493	549,251,458	5,493

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

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

27. Share premium reserve

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

Group and Company	2023 £'000	2022 £'000
Balance at beginning of year	298,974	245,005
Share premium on the issue of Ordinary Shares	-	55,053
Share issue costs	-	(1,084)
Balance at end of year	298,974	298,974

28. Capital reduction reserve

The capital reduction reserve is a distributable reserve to which the value of share premium, as a result of the IPO, has been transferred. Dividends can be paid from this reserve.

	2023 £'000	2022 £'000
Balance at beginning of year	140,554	161,984
Final dividend paid of 1.0p per share for the year ended 30 June 2021	-	(4,952)
Dividend paid of 1.0p per share for the period ended 30 September 2021	-	(5,492)
Dividend paid of 1.0p per share for the period ended 31 December 2021	-	(5,493)
Dividend paid of 1.0p per share for the period ended 31 March 2022	-	(5,493)
Final dividend paid of 1.0p per share for the year ended 30 June 2022	(5,493)	-
Dividend paid of 1.0p per share for the period ended 30 September 2022	(5,493)	-
Dividend paid of 1.0p per share for the period ended 31 December 2022	(5,492)	-
Dividend paid of 1.0p per share for the period ended 31 March 2023	(5,492)	-
Balance at end of year	118,584	140,554

29. Net Asset Value

EPRA 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 year. As there are no dilutive instruments, only basic NAV per share is quoted below.

Net asset values have been calculated as follows:

	2023	2022
IFRS Net assets at 30 June (£'000)	659,720	639,238
EPRA adjustments to NTA	-	-
EPRA NTA at 30 June	659,720	639,238
Shares in issue at end of year	549,251,458	549,251,458
Basic IFRS NAV per share (pence)	120.1	116.4
EPRA NTA per share (pence)	120.1	116.4

The NTA per share calculated on an EPRA basis is the same as the IFRS NAV per share for the year ended 30 June 2023 and the year ended 30 June 2022.

30. Controlling parties

As at 30 June 2023 and 30 June 2022, there was no ultimate controlling party.

31. Consolidated entities

The Group consists of a parent company, The PRS REIT plc, incorporated in the UK and a number of subsidiaries held directly and indirectly by The PRS REIT plc, which operate and are incorporated in the UK.

The Group owns 100% equity shares of all subsidiaries as listed in note 19 and has the power to appoint and remove the majority of the Board of Directors of those subsidiaries. The relevant activities of the subsidiaries are determined by the Board of Directors based on simple majority votes. Therefore the Directors of the Group concluded that the Group has control over all these entities and all these entities have been consolidated within the financial statements.

32. 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 (2022: £689.8 million). As at 30 June 2023, £27.3 million (2022: £50.2 million) of such commitments remained outstanding.

33. Related party disclosure

The number of shares owned by the Directors of the Company as at 30 June 2023 along with dividends they received during the period is as follows:

Company Director	No. of shares held		Dividends received	
	2023	2022	2023	2022
Rod MacRae	125,000	100,000	£4,750	£4,000
Steffan Francis	125,000	105,000	£4,800	£3,700
Steve Smith	305,000	155,000	£9,300	£5,450
Jim Prower	100,000	52,000	£2,560	£1,780
Geeta Nanda	–	–	–	–

The Group and the Company have no key management personnel, and only employ Non-Executive Directors.

For the current financial year, Directors' fees of £180,000 (2022: £170,000) were incurred.

34. Transactions with Investment Adviser

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

For the year ended 30 June 2023, fees of £5.8 million (2022: £5.2 million) were incurred and payable to Sigma PRS in respect of asset management fees. At 30 June 2023, £0.5 million (2022: £0.9 million) remained unpaid.

For the year ended 30 June 2023, development management fees of £1.8 million (2022: £2.5 million) were incurred and payable to Sigma PRS. At 30 June 2023, £0.2 million (2022: £0.3 million) remained unpaid. Development management fees were capitalised as development costs during the year and prior year.

For the year ended 30 June 2023, administration and secretarial services of £70,000 (2022: £85,000) were incurred and payable to Sigma Capital Property Ltd, a fellow subsidiary of the ultimate holding company of the Investment Adviser. At 30 June 2023, £9,000 (2022: £49,000) remained unpaid.

Sigma PRS's shareholding as at 30 June 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 year ended 30 June 2023, Sigma PRS received dividends from the Company of £236,000 (2022: £236,000).

35. Post balance sheet events

Debt refinancing

At the beginning of July, the Group completed the refinancing of its £150 million revolving credit facility provided by RBS and Lloyds Banking Group. The facility had been originally due to mature in February 2023 and was extended on substantially the same terms to mid-July 2023 (with an option to extend until October 2023). The Board views the refinancing as having been completed on attractive commercial terms in light of the current interest rate environment.

The Investment Adviser secured a £102 million facility of fixed-rate debt for 15 years, together with a further £75 million of floating-rate debt agreed for two years, providing the Group with the flexibility to refinance this element over that period. An interest rate cap has been put in place on the floating rate debt to hedge against downside risk on further interest rate movements. These new facilities have been established with Legal and General Investment Management and RBS respectively.

The Investment Adviser immediately arranged for deployment of almost two-thirds (£115 million) of the total debt, specifically the entire £102 million fixed-rate facility and £13 million of the floating-rate facility, to fund already completed and stabilised sites. The balance of £62 million of floating-rate debt is expected to be drawn down to fund sites completing and stabilising before calendar year 2024.

Dividends

On 2 August 2023, the Company declared a dividend of 1.0p per ordinary share in respect of the fourth quarter of the current financial year. The dividend was paid on 1 September 2023, to shareholders on the register as at 11 August 2023.

36. Restatement

The Company has reviewed the intercompany balances receivable from subsidiary undertakings and has reclassified these as non-current assets as they are not expected to be received within twelve months or within the Company's normal operating cycle. The prior year Company balance sheet has been restated as this was also the case in the prior year. The restatement has not impacted the Net Assets of the Company or its profit for the year. The change in presentation has no impact on the results of the Group nor its financial position. Amounts in the Company Statement of Cash Flows in relation to these balances have been reclassified from operating activities to investing activities.

	As previously reported 30 June 2022 £'000	Adjustment £'000	Restated balance 30 June 2022 £'000
Company			
Non-current assets			
Other receivables	–	315,933	315,933
Current assets			
Trade and other receivables	316,174	(315,933)	241

	As previously reported 30 June 2021 £'000	Adjustment £'000	Restated balance 30 June 2021 £'000
Company			
Non-current assets			
Other receivables	–	318,830	318,830
Current assets			
Trade and other receivables	319,177	(318,830)	347

SUPPLEMENTARY INFORMATION

I. EPRA Performance Measures Summary

	Notes	2023	2022
EPRA earnings per share	II	3.1p	3.0p
EPRA net tangible asset value (EPRA NTA)	III	120.1p	116.4p
EPRA cost ratio (including vacant property costs)	IV	35.9%	36.1%
EPRA cost ratio (excluding vacant property costs)	IV	35.6%	36.0%
EPRA Net Initial Yield	V	4.1%	3.9%
EPRA loan to value	VI	36.6%	34.0%

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

	2023 £'000	2022 £'000
Rental income	49,701	41,963
Non-recoverable property costs	(9,551)	(7,635)
Net rental income	40,150	34,328
Other income	1,646	470
Administrative expenses	(8,268)	(7,511)
Operating profit before interest and tax	33,528	27,287
Net finance costs	(16,429)	(11,125)
Profit before taxation	17,099	16,162
Taxation on EPRA earnings	-	-
EPRA earnings	17,099	16,162
Weighted average number of Ordinary Shares	549,251,458	535,203,388
EPRA earnings per share	3.1p	3.0p

III. Statement of Financial Position

	2023 £'000	2022 £'000
Investment properties	1,034,732	961,915
Other net assets	173	23,983
Net borrowings	(375,185)	(346,660)
Total shareholders' equity	659,720	639,238
Adjustments to calculate EPRA NTA:	-	-
EPRA net tangible assets	659,720	639,238
Ordinary Shares in issue at year end	549,251,458	549,251,458
EPRA NTA per share	120.1p	116.4p

IV. EPRA Cost Ratio

	2023 £'000	2022 £'000
Property operating expenses	9,551	7,635
Administrative expenses	8,268	7,511
EPRA costs (including vacant property expenses) (A)	17,819	15,146
Vacant property costs	(114)	(60)
EPRA costs (excluding vacant property expenses) (B)	17,705	15,086
Gross Rental income (C)	49,701	41,963
EPRA Cost Ratio (including vacant property expenses) (A/C)	35.9%	36.1%
EPRA Cost Ratio (excluding vacant property expenses) (B/C)	35.6%	36.0%

V. EPRA Net Initial Yield ('NIY')

	2023 £'000	2022 £'000
Total investment property	1,034,732	961,915
Less: development properties	(87,043)	(120,528)
Less: right of use asset	(1,040)	(1,035)
Completed property portfolio	946,649	840,353
Allowance for estimated purchasers' costs	21,773	19,328
Gross up completed property portfolio valuation (B)	968,422	859,681
Annualised cash passing rental income	51,264	43,587
Property outgoings	(11,534)	(9,807)
Annualised net rents (A)	39,730	33,780
Add: notional rent expiration of rent free periods or other lease incentives	-	-
Topped-up net annualised rent (C)	39,730	33,780
EPRA NIY (A/B)	4.1%	3.9%
EPRA 'topped up' NIY* (C/B)	4.1%	3.9%

* This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents) of which there were none (2022: nil).

VI. EPRA Loan to Value ('LTV')

	2023 £'000	2022 £'000
Borrowings (net)	374,145	345,625
Net payables	20,091	31,986
Less: Cash and cash equivalents	(13,198)	(48,682)
Net Debt (a)	381,038	328,929
Investment properties at fair value	1,034,732	961,915
Net receivables	6,026	6,250
Total Property Value (b)	1,040,758	968,165
EPRA LTV	36.6%	34.0%

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