Annual Report & Financial Statements

For the year ended 30 June 2019

The PRS REIT plc

Company Number
10638461

Investing in newly built private rented family housing

Contents

The PRS REIT plc

Highlights

Summary

768

new rental homes were added to the Company's portfolio over the year, taking the cumulative total to

1,173

at 30 June 2019 *(30 June 2018: 405 homes)*, and annualised estimated rental income to

£10.7m

(30 June 2018: £3.6m).

3,196

further homes were under construction across 37 sites at 30 June 2019 *(30 June 2018: 1,305 homes across 17 sites)*, with wider geographic exposure. When completed the annualised estimated rental income will rise to

£41.2m.

> The number of homes completing is rising materially.

> Remainder of £900m (gross) of funds will be deployed over the coming months:

- expected total is for 5,400 new family rental homes across an estimated 75 sites, generating an estimated rental value ("ERV") of £55m per annum once completed.

Dividends

- > Dividends paid in respect of FY 2019 totalled 5p per share (FY 2018: 5p), in line with targets.
- > Total dividend targeted at stabilisation is 5.5p[1] per share in FY 2022.

Financial

	Year to 30 June 2019	13 months to 30 June 2018	Change
Revenue	**£6.0m**	£1.8m	+233%
Net rental income	**£4.9m**	£1.5m	+227%
Operating profit	**£14.6m**	£2.7m	+441%
Profit after tax	**£14.6m**	£3.2m	+356%
Basic earnings per share	**2.9p**	1.0p	+190%
Net assets at 30 June*	**£474m**	£486m	(3%)
IFRS and EPRA NAV* per per share at 30 June	**95.8p**	98.3p	(3%)

*after dividend payments

[1] 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.

Operational

	At **30 June 2019**	At 30 June 2018	Change
Number of completed homes	**1,173**	405	+190%
Estimated rental value of completed homes	**£10.7m p.a.**	£3.6m p.a.	+197%
Completed sites	**17**	5	+240%
Gross development cost ("GDC") of completed sites	**£145.0m**	£40.7m	+256%
Part-completed sites	**4**	5	-
Number of contracted homes	**3,196**	1,305	+145%
Estimated rental value of contracted homes	**£30.5m p.a.**	£12.0m p.a.	+154%
Sites in progress	**37**	17	+118%
GDC of sites in progress	**£517.0m**	£174.0m	+197%
Average capital uplift on current assets to vacant possession	**13.4%**	12.8%	+4.7%

Outlook

> To date, 1,351 units have now been completed, with an ERV of £12.3m.

> Underlying structural drivers for growth remain unchanged, with critical supply shortage and rising demand for high-quality family rental houses.

> The number of completions is set to rise significantly over the new financial year and the Company remains well-positioned to achieve its targets.

"The PRS REIT made good progress over its second year of activity, and our portfolio of newly-built family rental homes increased by 768 to 1,173 by the year end, with a further 3,200 or so homes under construction across 37 sites. The pace of completions continues to accelerate, and we have since completed a further 178 homes, taking our total to 1,351.

"Within the next few months the remainder of the Company's £900m of gross funds will be deployed. When the last house is completed, this will take the PRS REIT's portfolio to some 5,400 homes in 75 sites across the major regions of England, and should provide an ongoing dividend of 5.5p per annum.

"Family rental homes remain critically undersupplied throughout the U.K., and the PRS REIT is playing a part in addressing this need, bringing high quality, professionally-managed homes to middle-income families. Whilst there is political uncertainties, the Board believes that the Company is in good shape and remains on track to achieve both its short and long-term goals."

Steve Smith,
Chairman of the PRS REIT

Strategic Report

Chairman's Statement

I am pleased to present the PRS REIT's audited financial results for the year to 30 June 2019. Comparatives are provided although it should be noted that the period last year covered 13 months, from 31 May 2017 to 30 June 2018.

Over the year, construction activity increased significantly, with a further 768 new rental homes added to the Company's portfolio. This took the cumulative number of completed homes at the year-end to 1,173 (30 June 2018: 405), and the annualised rental income to £10.7m per annum (30 June 2018: £3.6m). Given the level of construction now underway, the number of completions is set to rise significantly over the new financial year. Demand remains high and our homes are renting well.

The running total of gross development cost ("GDC") stood at £661m by the year-end (2018: £214.7m). This figure is the cost of the 17 completed sites in the portfolio and the expected completed cost of the 37 development sites underway at 30 June 2019. It also includes the newly-built, fully let third party sites that we acquired. Once construction has been completed across the 37 sites, the number of homes in the portfolio is expected to rise to 4,369, yielding an estimated rental value ("ERV") of about £41.0m per annum (30 June 2018: 1,710 homes with an ERV of £15.5m per annum). By the end of August, including third party sites, there were 42 development sites in progress.

The portfolio is geographically well dispersed, with sites in the North West, North East, Yorkshire, and the Midlands, as well as in the South East (excluding London) and the East of England - although there are fewer in these areas currently. Proximity to good schools, as well as to transport networks and employment hubs, remain key criteria in the site selection process.

The Company agreed additional debt facilities towards the end of the financial year, which have taken gross funds to £900m (comprising £500m of equity and £400m of debt). Currently, about 91% of the net proceeds has been deployed, and we expect the remainder to be deployed over the coming months.

The full deployment of funds should result in some 5,400 family rental homes. As previously reported, this estimate reflects the increased allocation to sites in the South East and allows for the previously stated schedule delays.

The overall yield target at stabilisation in 2022 remains unchanged at 5.5p per share.

The Investment Adviser's report, which covers the Company's business model and progress, provides further commentary on the Company's progress over the year.

Financial Results

Revenue increased to £6.0m for the year to 30 June 2019 (2018: £1.8m) and entirely comprises rental income. After the deduction of non-recoverable property costs, net rental income for the year was £4.9m (2018: £1.5m).

Expenses in the period were £5.9m (2018: £4.3m) reflecting the increased construction activity during the year. The gain from the fair value adjustment on investment property was £15.6m (2018: £5.5m). As a result, the Company's operating profit increased to £14.6m (2018: £2.7m).

Finance income from short term deposits rose to £0.8m (2018: £0.6m). Finance costs in relation to bank loans were £0.9m (2018: £nil).

The profit after taxation increased to £14.6m (2018: £3.2m) and basic and diluted earnings per share rose to 2.9p (2018: 1.0p) on an IFRS basis.

Net assets as at 30 June 2019 were slightly lower at £474m (2018: £486m), mainly reflecting the outflow from dividends payments. The net asset value ("NAV") per share, on an IFRS basis, is 95.8p (2018: 98.3p) as is the EPRA NAV per share (2018: 98.3p).

Dividends

As set out in the IPO Prospectus, the Company's policy is to pay a quarterly dividend during the development phase, even though it is not currently fully covered by rental income. For the year to 30 June 2019, dividends worth a total of 5p per share were paid to shareholders (2018: 5p per share).

The Board

I am delighted to welcome Jim Prower to the Board. He was appointed as a Non-executive Director in May 2019 and brings a wealth of relevant experience. Jim spent the major part of his career at UK-based property developer Argent Group plc, where he was Group Finance Director. He was involved in several significant national development regeneration schemes, including the re-development of Kings Cross Station in London, one of Europe's largest transport infrastructure projects. Jim is currently a Non-executive Director at Empiric Student Property plc and AEW UK Long Lease REIT plc, and was previously a Non-executive Director of Tritax Big Box REIT plc.

Corporate Social Responsibility

We are proud to be creating a stock of high quality, professionally managed rental homes in the UK, and the size of our estate is growing strongly. The 'Simple Life' brand, through which our properties are marketed and managed, links us to the families and individuals who rent our properties, as well as to the communities in which our developments are located.

Through our Investment Advisor, we endeavour to 'make a difference' to our tenants and wider society. We aim to achieve this through the quality of our homes, the care we take in maintaining our properties and their surroundings, and through a high standard of customer care. Through our Investment Adviser, we also support initiatives that will foster a sense of community and neighbourly spirit within our developments and are forging links with local communities. Over the year, our Investment Advisor provided support to schools and charities, including Salford Loaves and Fishes, which helps homeless and vulnerable people in Manchester, and Park Palace Ponies, an inner-city starter riding school based in Liverpool as well as others. We intend to build on these links and extend our social interaction over time.

Outlook

The Company has entered its third year of activity and, as previously reported, by the end of August, our portfolio of completed homes had grown to 1,289. The pace of completion is increasing, reflecting the growing number of sites under construction, and over the next few months the remainder of our £900m of gross funds will be fully deployed. When all the homes are completed the portfolio is expected to grow to 5,400 homes across 75 sites, covering most of the major regions of England outside London.

Demand for good quality family rental homes remains high and our completed homes are renting well. It is especially pleasing to note that 98.5% of our tenants who responded to a survey conducted 10 months into their tenancies reported that they were happy with their home.

The underlying structural drivers of demand for homes remains unchanged, with rental supply short and more households entering the private rented sector. Whilst there is political uncertainty, we believe that the Company is well-positioned to deliver its stabilised dividend target of 5.5p per share in 2022.

We look forward to reporting the next dividend declaration in mid-October 2019, and to providing further updates as appropriate.

Steve Smith
Chairman

24 September 2019

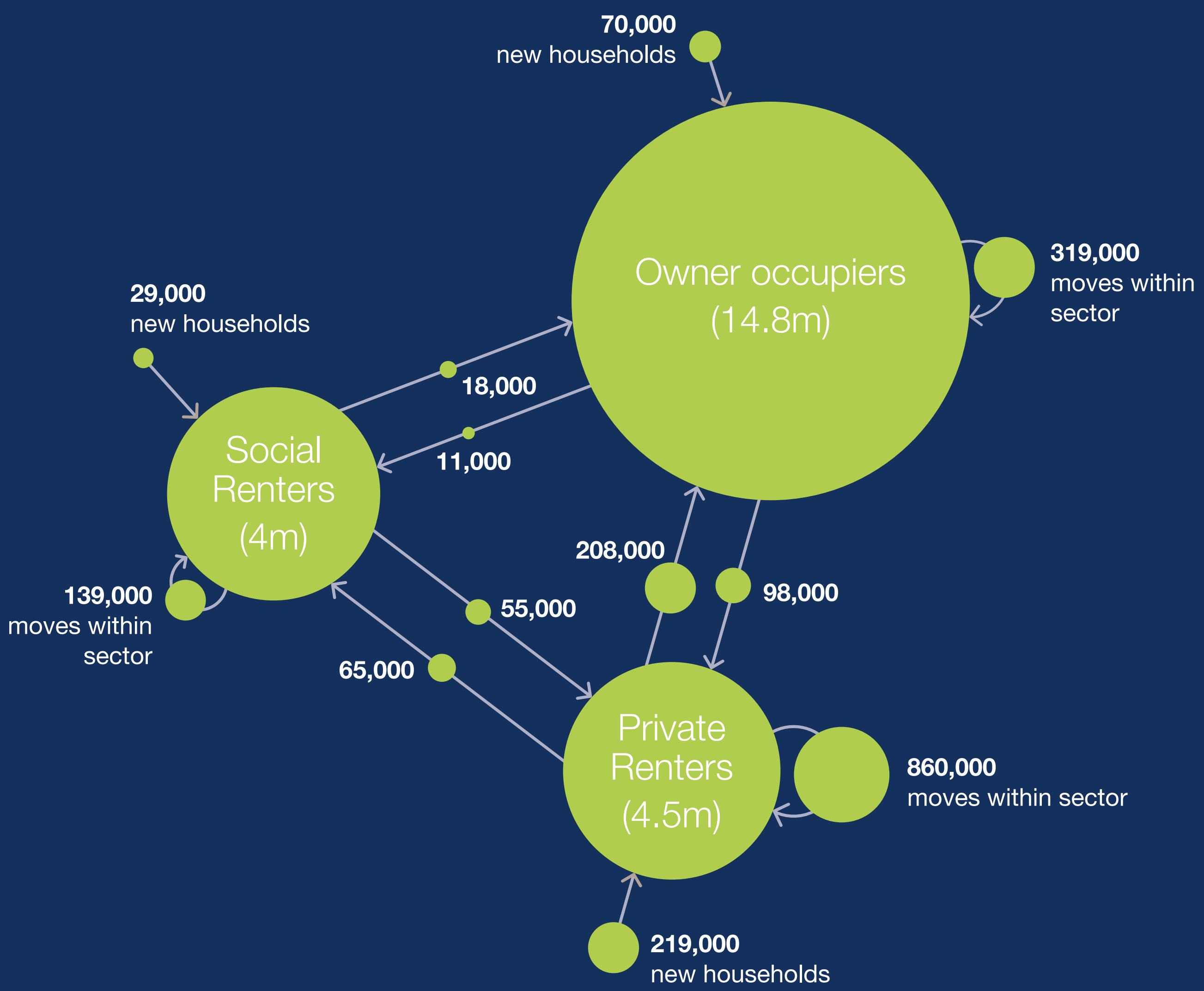
IFRS and EPRA Performance Measures

KPI	Explanation	Performance: Year to 30 June 2019	Performance: Period from 31 May 2017 to 30 June 2018
IFRS NAV (see note 26)	Unadjusted net asset value	95.8p per share	98.3p per share
EPRA NAV (see note 26)	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	95.8p per share	98.3p per share
EPRA Cost Ratio	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income	For the year to 30 June 2019 the administrative and operating costs were higher than the rental income	For the period from 31 May 2017 to 30 June 2018 the administrative and operating costs were higher than the rental income.
IFRS EPS (see note 14)	Unadjusted earnings per share	2.9p per share	1.0p per share
EPRA EPS (see note 14)	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	0.2p loss per share	0.7p loss per share

Market Dynamics

	Market	The PRS REIT
1	**The number of households in the private rented sector is now 4.5 million, approximately 25% of all households in UK. The build to rent ("BTR") sector currently accounts for approximately 32,000 completed units with approximately the same under construction.** Source: English Housing Survey 2018 ("EHS"), British Property Federation ("BPF")/ Savills Build To Rent ("BTR" data).	**The Company has completed over 1,200 completed homes with a further 4,200 either in construction or in the pipeline.**
2	**Private Renters spend on average 33% of their household income on rent.** Source: EHS	**The Company's tenants' average household income is c.£42,000 per annum* and their average monthly rental cost is £761** which would be just 21.7% of their overall salary.** *Based on all approved application for the Simple Life portfolio over the last 12 months (July 2018-end of June 2019) **Based on all active tenancies end of June 2019.
3	**42% of private renters are likely to stay in rented housing as they cannot afford to buy. 11% of renters have moved in the last 3 years because they have been forced to do so by their landlord.** Source: EHS	**The Company provides homes where our tenants can stay for as long as they like without fear of the landlord selling their home. We have just c.2.3%* on average re-letting churn on our properties per month. 9% of our movers within the last 12 months, have actually decided to stay with us and move to another home or location within our portfolio.**** *Based on full Simple Life PRS REIT portfolio, as at June 2019 **Based on internal data as at August 19.
4	**Average age of private renters is 40.** Source: EHS	**Our average tenant age is 35 across portfolio.*** *Based on all Simple Life PRS REIT portfolio application data from July 2018 to June 2019.
5	**22% of the Private Rented Sector is families.** Source: EHS	**The Company's Simple Life portfolio comprises approx. 57%*, supporting our strategy of providing homes suitable for families, whilst also being appropriate for couples and single occupiers.** *Based on all Simple Life PRS REIT portfolio application data from July 2018 to June 2019.
6	**32% of renters in the PRS had tenancy lengths of 6 months, 50% had tenancy length of 12 months.** Source: EHS 2018	**100% of our tenants have 12 month initial leases and we are happy to offer longer if a customer wishes.**

Household Moves by Tenure 2017-18



Figures and arrows indicate the number of households moving into, out of, and within each sector in the 12 months before interview.

These figures only relate to households that moved from one property to another. They do not include sitting tenant purchases.

Source: EHS 2018

In its analysis of housing occupation the EHS shows the private rented sector as second in size only to that of owner occupation. In the 2017/18 period over 219,000 new households entered the sector, in addition to the c.100,000 moving from owner occupation and 55,000 from social provision. In all, the net inflow was 99,000 new households in the period demonstrating the vibrancy of the sector, as well as a significant amount of occupiers moving out of home ownership and into private rented accommodation.

Portfolio Analysis

As at 30 June 2019, the valuation of the Group's property portfolio was £362,275,000 with an Investment Value on completion of all sites of £551,985,000 and ERV on completion of £32,687,200.

Property Portfolio by Regional Split – at 30 June 2019

> The regional split by investment value is – North West (NW) 70.2%, Yorkshire (Y) 9.4% and West Midlands (WM) 20.4%.

> Majority of the portfolio continues to be located in the North West with the West Midlands increasing significantly in size. Future developments will see increase diversification as we move into the East Midlands, South Midlands and North East as well as further developments in existing regions.

Other Metrics – at 30 June 2019

> Forecast average rent across the current portfolio when complete is £8,953 per annum (£746 per month).

> Average site size is 85 housing units.

> The split between 1, 2, 3 and 4 bed properties is approximately 5%, 25%, 60% and 10% respectively.

> Contractor split – Countryside 83.6%; Engie 11.0%; Keepmoat Homes 4.2% and Galliford Try 1.2%.

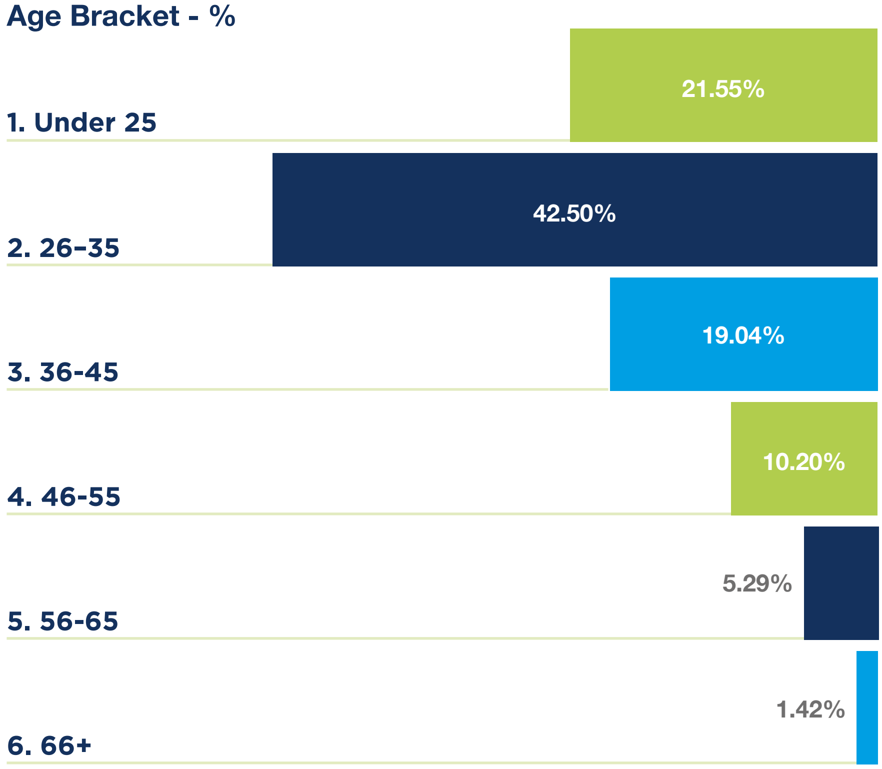
> Current deduction from gross to net rent across the portfolio at 30 June 2019 is 17.6%.

> Bad debts and bad debt provision - £13,000.

Age Bracket

Around 60% of our tenants are aged between 26-45 demonstrating our core young family market. We are, however, seeing an increase in young professional tenants aged under 25, plus a very small but steady increase in 56+ 'early retiree market'.

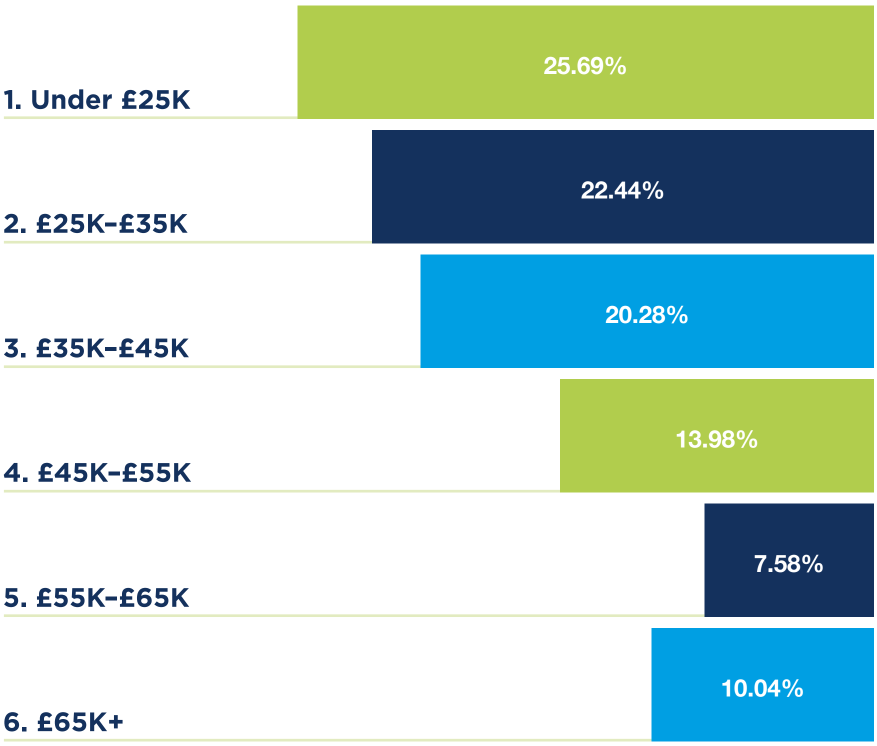
Age Bracket - %



Income Bracket

A large proportion of our tenants have a household income between £25k - £45k, accounting for around 42%. In correlation with the increase in young professional tenants, we have also seen an increase in tenants earning under £25k. Around 17% of tenants are in the upper ranges, evidencing that our homes are attracting a wide range of customer demographics.

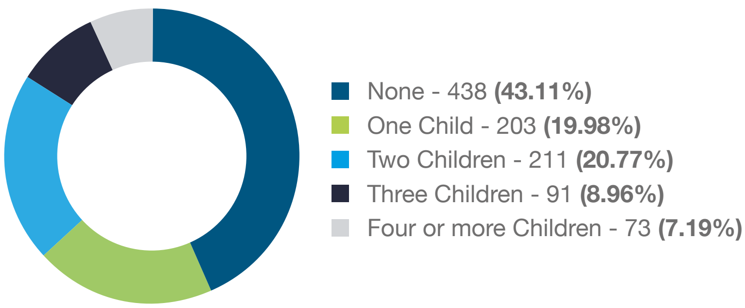
Income Bracket - per Household %



Tenancies with Children

Tenancies with and without children appear to consistently remain around the 50:50 mark. Over the last 12 months there has been a small increase in percentages of tenants with children at around 57%.

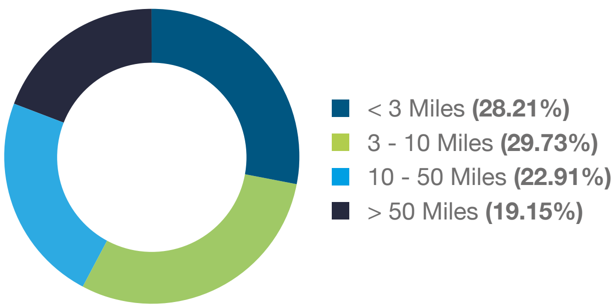
Child Brackets - %



Distance Travelled

The data displaying distance travelled is very evenly split between people already living very locally, to those willing to move further afield to rent a quality rental home.

Distance Travelled - per Applicant



All stats based on all successful Simple Life applications referenced between June 2018 and June 2019

What does our target market look like?

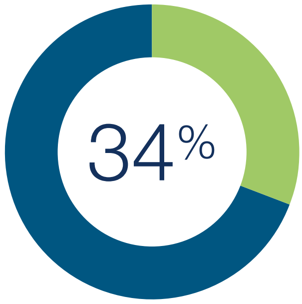
2019 will see us complete a very large consumer research project which will help us to identify the different personas Simple Life homes would potentially appeal to. The research will not consist of Simple Life customers, but will tap in to the current rental market and we will be identifying 'personas' based on their attitudes to renting and their needs and wants. The research is extremely in depth and includes a range of techniques to gather a broad range of both qualitative and quantitative data including: online surveys, online community forums, in-home immersions and focus groups.

This project will allow us to better understand our market in order to inform our marketing and messaging and our product, specification and service. This proactive approach will keep us at the forefront of the market and give us the insights we need to future proof our business and avoid becoming stagnant.

Our initial findings has identified four key personas:

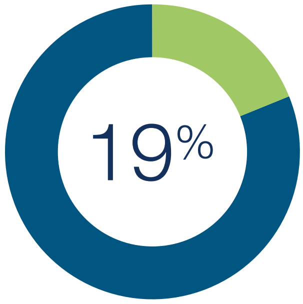
Happy Home Birds

Quite happy renting, don't necessarily see it as temporary. Like a nice house for their family and friends. Happy Home Birds made up 34% of our initial survey.



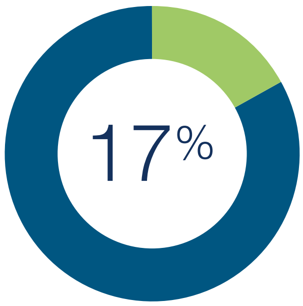
Relaxed Renters

Very happy renting and see it as less hassle than owning. Relaxed renters made up 19% of our initial survey.



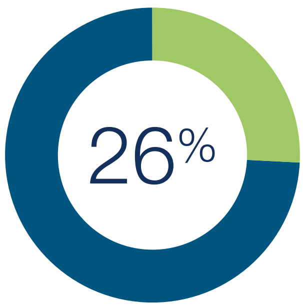
Functional Renters

Quite happy renting, but their home is less important to them. Functional renters made up 17% of our initial survey.



Ambitious Strivers

Unhappy renting, see it as temporary and dream of owning a home. Ambitious strivers made up 26% of our initial survey.



Property Portfolio

Location key:
NW= North West
Y = Yorkshire
WM = West Midlands

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Property at 30 June 2019	Investment Value of the Property at 30 June 2019	Capital Rate psf	Market Rental Value at 30 June 2019	Rental Rate psf
Baytree Lane, Middleton								
NW	110	98,346	3.25%	£17,930,000	£17,930,000	£182.32	£1,065,180	£10.83
The Property comprises a completed site of 110 units with a mix of two, three and four bedroom houses.								
Durban Mill, Oldham								
NW	80	69,425	2.18%	£12,050,000	£12,050,000	£173.57	£723,960	£10.43
The Property comprises a completed development of 80 houses, with a mix of two, three and four bedrooms.								
Coral Mill, Newhey, Rochdale								
NW	69	54,282	1.86%	£10,260,000	£10,260,000	£189.01	£599,880	£11.05
The Property comprises a completed development of 45 houses with a mix of three and four bedroom houses as well as 24 two bedroom low rise apartments and therefore will provide a total of 69 units.								
Mackets Lane, Halewood, Liverpool								
NW	50	40,540	1.38%	£7,620,000	£7,620,000	£187.96	£462,700	£11.41
The Property comprises a completed development of 50 houses with a mix of two, three and four bedroom houses.								
Woodford Lodge, Winsford (Phase 1 & 2)								
NW	54	45,505	1.48%	£8,180,000	£8,180,000	£179.76	£485,820	£10.68
The Property comprises a completed site of 54 houses with a mix of two, three and four bedrooms.								
Tintern Avenue, Middleton								
NW	88	74,322	2.35%	£12,990,000	£12,990,000	£174.78	£771,720	£10.38
The subject property comprises a completed site of 88 houses with a mix of two, three and four bedroom houses.								
Howe Bridge Mill, Atherton								
NW	59	51,106	1.70%	£9,405,000	£9,405,000	£184.03	£543,720	£10.64
The Property comprises a completed site of 59 units made up of two, three and four bedroom houses.								
Silkin Green, Telford								
WM	78	67,266	2.30%	£12,685,000	£12,685,000	£188.58	£720,120	£10.71
The Property comprises a completed development of 78 two, three and four bedroom houses.								

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Property at 30 June 2019	Investment Value of the Property at 30 June 2019	Capital Rate psf	Market Rental Value at 30 June 2019	Rental Rate psf
Mafeking Road, Smethwick								
WM	63	52,874	1.92%	£10,580,000	£10,580,000	£200.10	£600,600	£11.36
The Property comprises a completed development of 63 two, three and four bedroom houses.								
Our Lady's School, Little Hulton								
NW	73	62,703	2.15%	£11,890,000	£11,890,000	£189.62	£674,820	£10.76
The Property comprises a completed development of 73 two, three and four bedroom houses.								
Leach Lane, St Helens								
NW	55	46,303	1.54%	£8,500,000	£8,500,000	£183.57	£482,520	£10.42
The Property comprises a completed development of 55 houses with a mix of two and three bedroom homes.								
Yew Gardens, Granby Road, Doncaster								
Y	53	42,010	1.17%	£6,435,000	£6,435,000	£153.18	£411,300	£9.79
The Property comprises a completed development of 53 houses with a mix of two and three bedroom houses.								
Norfolk Park, Park Grange Road, Sheffield								
Y	24	18,447	0.59%	£3,240,000	£3,240,000	£175.64	£207,840	£11.27
The Property comprises a completed development of 24 two bedroom apartments.								
Monkswood Crescent, Coventry								
WM	29	27,522	0.91%	£5,005,000	£5,005,000	£181.85	£284,100	£10.32
The Property comprises a completed development of 29 houses with a mix of three and four bedroom houses.								
Milverton Crescent, Coventry								
WM	20	17,140	0.62%	£3,410,000	£3,410,000	£198.95	£194,220	£11.33
The Property comprises a completed development of 20 houses with a mix of three and four bedroom houses.								
Tower Hill 2, Knowsley								
NW	42	37,247	1.12%	£6,155,000	£6,155,000	£165.25	£371,820	£9.98
The Property comprises a completed development of 42 units with a mix of three and four bedroom houses.								
Chase Park, Ellesmere Port								
NW	40	40,126	1.18%	£6,495,000	£6,495,000	£161.87	£385,920	£9.62
The Property comprises a completed development of 40 houses, with a mix of two, three and four bedroom houses.								
Manor Top (Phase 1), Sheffield								
Y	78	78,628	2.17%	£11,975,000	£11,975,000	£152.30	£735,000	£9.35
The Property forms part of a wider development site with 78 units, being a mix of three and four bedroom houses. Construction works are well progressed and construction is due to complete in October 2019.								
Carr Lane, Prescot								
NW	140	116,016	3.97%	£20,485,000	£21,920,000	£188.94	£1,277,280	£11.01
The Property comprises a part completed development, which comprises 24 one and two bedroom apartments and 116 houses, with a mix of three and four bedroom homes. Construction works are well progressed and construction is due to complete in November 2019.								

Portfolio Analysis (continued)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Property at 30 June 2019	Investment Value of the Property at 30 June 2019	Capital Rate psf	Market Rental Value at 30 June 2019	Rental Rate psf
Earle Street, Newton-le-Willows								
NW	97	80,451	2.64%	£14,092,500	£14,565,000	£181.04	£868,020	£10.79
The Property comprises a part completed development of 24 one and two bedroom apartments and 73 houses, with a mix of three and four bedroom homes. Construction works are well progressed and construction is due to complete in September 2019.								
East Bank Road, Sheffield								
Y	58	59,217	1.78%	£8,897,500	£9,835,000	£166.08	£593,820	£10.03
The property comprises a part completed development of 58 units being a mix of three and four bedroom houses. Development works have commenced and construction is due to complete in February 2020.								
Romanby Shaw, Bradford								
Y	47	39,612	1.31%	£6,790,000	£7,225,000	£182.39	£420,960	£10.63
The Property comprises a part completed development of 47 houses, with a mix of two, three and four bedroom houses. Construction works are well progressed and construction is due to complete in December 2019.								
Manor Top (Phase 2), Sheffield								
Y	85	89,916	2.41%	£8,770,000	£13,310,000	£148.03	£816,900	£9.09
The Property forms part of a wider development site with 85 units, being a mix of three and four bedroom houses. Construction is due to complete in April 2020.								
Heathfield Lane – Phase 1								
WM	51	40,588	1.38%	£12,900,000	£7,615,000	£187.62	£449,460	£11.07
The Property comprises a part completed development which proposes 8 one bedroom apartments and 43 two, three and four bedroom houses. Construction works are well progressed and construction is due to complete in April 2020.								
Heathfield Lane – Phase 2								
WM	58	45,906	1.58%	Figure as above	£8,710,000	£189.74	£510,540	£11.12
The Property comprises a part completed development which proposes 8 one bedroom apartments and 50 two, three and four bedroom houses. Construction works are well progressed and construction is due to complete in April 2020.								
Whitworth Way, Wigan								
NW	145	118,888	4.10%	£15,030,000	£22,640,000	£190.43	£1,307,820	£11.00
The Property comprises a part completed development which proposes 24 two bedroom apartments and 121 two, three and four bedroom houses. Construction works are well progressed and construction is due to complete in July 2020.								
Cable Street, Wolverhampton								
WM	164	136,910	4.73%	£17,367,500	£26,115,000	£190.75	£1,551,180	£11.33
The Property comprises a part completed development which proposes 164 two, three and four bedroom houses. Construction works are well progressed and construction is due to complete in October 2020.								
Reginald Road, St Helens								
NW	102	88,111	2.90%	£11,877,500	£15,995,000	£181.53	£907,980	£10.30
The Property comprises a part completed development which proposes 102 two, three and four bedroom houses. Construction has started on site and is due to complete in April 2020.								
Riverside College, Runcorn								
NW	83	64,513	2.20%	£6,192,500	£12,170,000	£188.64	£698,280	£10.82
The Property comprises a part completed development which proposes 32 two bedroom apartments and 51 two, three and four bedroom houses. Construction has started on site and is due to complete in May 2020.								

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Property at 30 June 2019	Investment Value of the Property at 30 June 2019	Capital Rate psf	Market Rental Value at 30 June 2019	Rental Rate psf
Chadwick Street, Hilton Park, Leigh								
NW	103	80,108	2.72%	£3,480,000	£15,035,000	£187.68	£893,160	£11.15
The Property comprises a part completed development which proposes 8 one bedroom apartments and 95 two, three and four bedroom houses. Construction has started on site and is due to complete in April 2021.								
Whitworth Way, Wigan								
NW	145	118,888	4.10%	£15,030,000	£22,640,000	£190.43	£1,307,820	£11.00
The Property comprises a part completed development which proposes 24 two bedroom apartments and 121 two, three and four bedroom houses. Construction works are well progressed and construction is due to complete in July 2020.								
Sutherland School, Trench								
WM	123	106,521	3.73%	£6,252,500	£20,570,000	£193.11	£1,169,820	£10.98
The Property comprises a part completed development which proposes 123 two, three and four bedroom houses. Construction has started on site and is due to complete in March 2021.								
Newhaven Business Park								
NW	84	63,423	2.30%	£6,387,500	£12,720,000	£200.56	£733,320	£11.56
The Property comprises a part completed development which proposes 48 one and two bedroom apartments and 36 three and four bedroom houses. Construction has started on site and is due to complete in August 2020.								
Bilston Urban Village								
WM	123	95,251	3.25%	£6,675,000	£17,945,000	£188.40	£1,077,240	£11.31
The Property comprises a part completed development which proposes 48 two bedroom apartments and 75 two, three and four bedroom houses. Construction has started on site and is due to complete in April 2021.								
Eaton Works, Walkden								
NW	148	122,761	4.02%	£7,590,000	£22,210,000	£180.92	£1,333,200	£10.86
The Property comprises a part completed development which proposes 62 one and two bedroom apartments and 86 two, three and four bedroom houses. Construction has started on site and is due to complete in August 2021.								
Durham Street, Rochdale								
NW	38	30,465	1.02%	£1,865,000	£5,640,000	£185.13	£321,360	£10.55
The Property comprises a part completed development which proposes 38 two and three bedroom houses. Construction has started on site and is due to complete in July 2020.								
Entwisle Road, Rochdale								
NW	54	45,001	1.49%	£3,590,000	£8,200,000	£182.22	£465,360	£10.34
The Property comprises a part completed development which proposes 54 two and three bedroom houses. Construction has started on site and is due to complete in June 2020.								
Norwich Street, Rochdale								
NW	70	57,166	1.90%	£4,687,500	£10,515,000	£183.94	£596,700	£10.44
The Property comprises a part completed development which proposes 70 two, three and four bedroom houses. Construction has started on site and is due to complete in June 2020.								
Roch Street, Rochdale								
NW	102	74,364	2.49%	£4,212,500	£13,740,000	£184.77	£805,080	£10.83
The Property comprises a part completed development which proposes 48 one and two bedroom apartments and 54 two, three and four bedroom houses. Construction has started on site and is due to complete in September 2020.								

Portfolio Analysis (continued)

Location	Units	Area (sq ft)	% of Portfolio by Investment Value	Value of the Property at 30 June 2019	Investment Value of the Property at 30 June 2019	Capital Rate psf	Market Rental Value at 30 June 2019	Rental Rate psf
Bombardier, Crewe								
NW	131	110,875	3.54%	£1,500,000	£19,535,000	£176.19	£1,165,920	£10.52
The Property comprises a part completed development which proposes 24 two bedroom apartments and 107 three and four bedroom houses. Construction has started on site and is due to complete in August 2021.								
Beehive Mill, Bolton								
NW	121	99,167	3.32%	£4,110,000	£18,340,000	£184.94	£1,077,240	£10.86
The Property comprises a part completed development which proposed 121 two, three and four bedroom houses. Construction has started on site and is due to complete in December 2021.								
Queen Victoria Street								
NW	68	56,805	1.77%	£1,530,000	£9,750,000	£171.64	£579,240	£10.20
The Property comprises a part completed development which proposes 68 two, three and four bedroom houses. Construction has started on site and is due to complete in June 2020.								
Lower Broughton – Phase 5								
NW	299	182,077	7.36%	£17,642,500	£40,625,000	£223.12	£2,604,300	£14.30
The Property comprises a part completed development which proposes 299 one, two and three bedroom apartments. Construction has started on site and is due to complete in September 2020.								
Tower Hill 3, Knowsley								
NW	92	73,011	2.22%	£5,545,000	£12,255,000	£167.85	£741,780	£10.16
The Property forms part of a wider development site and comprises 92 units, being a mix of two and three bedroom houses. Development works have recently commenced on site and construction is due to complete in March 2020.								
TOTAL	**3,651**	**3,000,915**	**100%**	**£362,275,000**	**£551,985,000**	**£183.94**	**£32,687,200**	**£10.89**

Featured Developments

Earle Street Newton-le-Willows, Merseyside

97 units comprising of 2 bedroom apartments and 3 and 4 bedroom houses

Rent: c. £868,000 p.a

From the development, Earlestown train station is just a 15 minute walk, offering direct services to Liverpool, Chester, Warrington and Manchester. If travelling by car, the M6 is only 4 miles away.

The area has a small, yet busy town centre with an array of good local amenities, including a large Tesco superstore, a medical centre, post office, local market and other popular high street shops, pubs and restaurants. Earlestown is also home to its local favourite, 'curry quarter-of-the-mile', which offers a selection of Indian and Tandoori restaurants.

Sankey Valley Park is situated only 2 miles away from the development – the perfect peaceful setting for an afternoon stroll.

For families, the area holds the key to excellent education (and a wide choice at that!), with 39 primary and secondary schools boasting an 'Outstanding' or 'Good' Ofsted rating, all within a 3 mile radius of our development.

Prince's Gardens (Manor Top 1 and Manor Top 2) Sheffield, South Yorkshire

163 units comprising of 3 and 4 bedroom houses

Rent: c.£1,552,000 p.a.

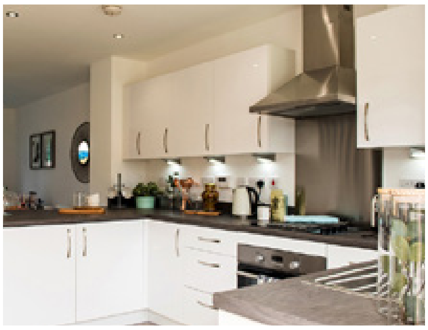
Prince's Gardens is situated only 2.5 miles away from Sheffield city centre. 0.25 miles away, there is a regular tram and bus service from Manor Top to Sheffield, with one or the other leaving every 5 minutes. The A57 is just over a mile away, giving easy access to the M1.

The site is close to Manor Top, a local shopping and amenity centre and there's also a ready supply of good primary schools and nurseries nearby including St Theresa's Catholic Primary School directly next-door to the development and Prince Edwards also within very close proximity of the site. A flower-filled park, situated at the back of the site, is a beautiful feature of this development. Along with the leafy, tree-lined streets, this development will boast a very picturesque setting.

Silkin Green
Telford, Shropshire

78 units comprising of 2, 3 and 4 bedroom houses

Rent: c.£720,000 p.a



Silkin Green is less than a mile away from Telford Town Centre and is within walking distance of Stirchley Village and Dawley. Thanks to the M54 the site has excellent transport links with Shrewsbury 24km (15 mile) to the West and Birmingham and Wolverhampton within easy commutable distance at around 48km (30 miles) to the South East.

This site is perfectly situated, in an area within walking distance to all the new shopping and leisure facilities of Telford, but in an area with lovely views, adjacent to the Town Park, giving the location a rural feel, yet close to the motorway networks, all the necessary amenities.

The nearby shopping centre includes a Cineworld cinema, and many bars and restaurants. The Telford Forge Retail Park also includes a Sainsbury's Supermarket and a Tesco Extra.

Juniper Grove
(Leach Lane)
St Helens, Merseyside

55 units comprising of 2 and 3 bedroom houses

Rent: c.£482,000 p.a.

Nestled in the area of Sutton, Juniper Grove has a lovely balance of lively bars, shops and restaurants, as well as quiet green spaces and parks all within easy reach of your front door.

The site is perfectly situated for easy access to both Manchester and Liverpool with two train stations within the local area. For those who enjoy a bit of night-life, St Helens has it down to a tee with plenty of places to eat and drink.

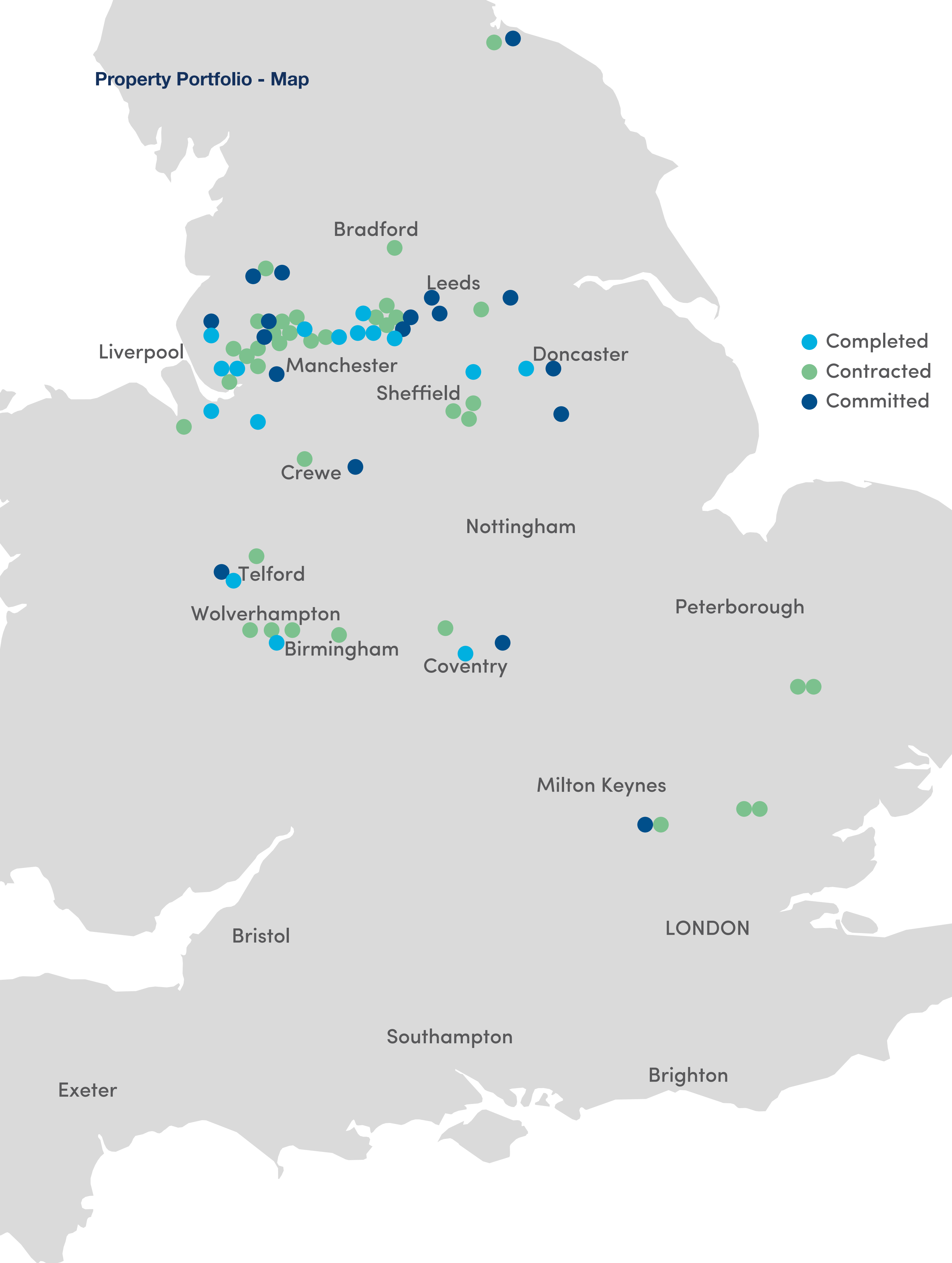
Families and children would quickly feel at home at Juniper Grove, plenty of things to keep the kids entertained with locally, as well as a wide choice of Ofsted rated 'Good' local schools, including Sherdley Primary School, St Anne's Catholic Primary School and Willow Tree Primary School.

Portfolio Analysis (continued)

Property Portfolio - Mix by Property Size

Site	1 Bed	2 Bed	3 Bed	4 Bed	Total
Baytree Lane	0	8	82	20	110
Woodford 1	0	4	8	2	14
Woodford 2	0	4	33	3	40
Tintern Avenue	0	10	76	2	88
Howe Bridge Mill	0	10	41	8	59
Leach Lane	0	12	43	0	55
Yew Gardens	0	9	44	0	53
Monkswood Crescent	0	0	27	2	29
Milverton Crescent	0	0	19	1	20
Romanby Shaw	0	7	33	7	47
Chase Park	0	3	23	14	40
Carr Lane	6	18	107	9	140
Earle Street	6	18	58	15	97
East Bank Road	0	0	35	23	58
Mackets Lane	0	12	38	0	50
Norfolk Park	0	24	0	0	24
Tower Hill 2	0	0	34	8	42
Manor Top 1	0	0	58	20	78
Manor Top 2	0	0	54	31	85
Durban Mill	0	8	64	8	80
Coral Mill	0	24	39	6	69
Mafeking	0	11	46	6	63
Silkin Park	0	11	59	8	78
Our Lady’s	0	5	62	6	73
Heathfield Lane 1	8	12	22	9	51
Heathfield Lane 2	8	12	31	7	58
Whitworth Way	0	39	92	14	145
Cable Street	0	40	105	19	164
Reginald Road	0	14	78	10	102
Riverside College	0	40	37	6	83
Hilton Park	8	23	68	4	103
Sutherland School	0	18	81	24	123
Newhaven	24	24	26	10	84
Bilston Urban Village	0	57	50	16	123
Eaton Works	4	65	59	20	148
Durham Street	0	10	28	0	38
Entwhistle Road	0	11	43	0	54
Norwich Street	0	17	53	0	70
Roch Street	12	42	44	4	102
Bombardier	0	24	93	14	131
Beehive	0	36	78	7	121
Queen Victoria	0	17	47	4	68
Lower Broughton 5	100	189	10	0	299
Tower Hill 3	0	28	64	0	92
Total	**176**	**916**	**2192**	**367**	**3651**
%	4.82%	25.09%	60.04%	10.05%	100.00%

Property Portfolio - Map



Investment strategy & business model

Business Model

It is widely recognised that the UK housing market has significant supply side and affordability issues, with many reports citing that millennials have either no intention or little prospect of ever owning a home. It is similarly acknowledged that the UK needs to deliver between 240,000 and 340,000 new dwellings per annum to take account of both demand and population change, but supply has continually fallen well short of this target. The inevitable affect has been to create a significant supply side deficit which has merely exacerbated the issues already apparent. Any imbalance in the supply and demand dynamic only serves to have an inflationary effect on house prices, testing already stretched affordability, created by the need to save for large deposits and the impacts of the Mortgage Market Review which placed controls on loan to value ratios, further exacerbating the issue. It is in this context that the Company is providing an alternative for those disenfranchised by these factors in the creation of a portfolio of accessible quality family homes to rent.

The Company has developed a repeatable business model through use of the Investment Adviser's platform which delivers brand new houses through its construction partners. The homes are from the housebuilders' standard range of house types which have been carefully selected and have a consistent specification alongside known delivery metrics including above ground cost and construction time. This consistency of approach is designed to improve the predictability of total delivery costs and to reduce the long term asset management costs of the homes by homogenising the house types at a portfolio level and the internal specification at the dwelling level. By the use of fixed price design and build contracts on sites which have detailed planning consent, the Company exposes itself to minimal development risk. Our development partners, meanwhile look to maximise their return on capital by building the housing at construction pace rather than at a pace for sale, which is at least four times quicker, thus allowing income flow to occur more quickly during the construction phase. The advent of modern methods of construction, employed by some of the construction partners, will only serve to increase this delivery further. In a time of low housing delivery and government focus on the housing crisis, this delivery methodology is extremely attractive to the councils and local authorities we talk to and work with, not only for accelerated Council Tax receipts, New Homes Bonus and accelerated regeneration effect but also the ability to offer a new managed tenure for their constituents which currently does not exist in any scale outside the Company.

The active management of our developments and the creation of communities is key to the long term success of the Company and all of the assets are managed under the brand 'Simple Life.' All customer contact is made through this brand which as the portfolio grows is becoming increasingly familiar to the wider market and instils confidence in prospective customers that by renting through the brand they will be living in a desirable, well maintained dwelling managed by a responsible, professional landlord. Regular communication and customer events foster the creation of functional neighbourhoods, greater customer satisfaction and thereby promoting longer tenancies.

When planning the developments our research dictates the mix and types of houses we employ, making provision for those starting out with a first move from home, through our main target demographic of young families, but ensuring there are sufficient larger houses on site for more mature families as well. This range of housing provides choice, which allows for a broader range of potential customers, as well as allowing those already living with us to have options to move to different house types at different life stages. It is this diversity of customer which creates a functional community, whilst mitigating letting and void risk.

The Company's approach to its operational geography as well as its focus on houses, rather than apartment blocks, provides further risk mitigation. By expanding the number of locations where we create communities we minimise the risks from local factors, such as the failure of major employers. Developments are relatively small by comparison to the portfolio, and critically the granularity of our customer base provides particularly low income volatility, especially as we expect our average tenancy to last for 3 years. Furthermore the targeted expansion of the Company's geography creates a good mix of sites which, once built, demonstrate both higher yielding profiles (predominantly those in the north) and developments where there is significant headroom between the delivery cost and market value.

This approach has created a robust business which answers both a social need whilst providing investors with an attractive level of income and the potential for capital growth.

Investment Objectives

The Company will seek to provide investors with an attractive level of income together with the prospect of income and capital growth through investment in a portfolio of newly constructed residential private rented sector sites of multiple units ("PRS Units") comprising mainly family homes, to be let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants to deliver, on a fully invested and geared basis a targeted dividend yield of 5.5% and total returns of 10% plus per annum which is expected to broadly rise with inflation.

Investment Policy

The Company's investment policy is to pursue its investment objective by investing in PRS Units in towns and cities in the UK.

The Company is focused on creating a portfolio of homes targeted at the family market, the largest cohort within the private rented sector and will, therefore, invest predominantly in housing, with the addition of some low rise apartments to provide both choice and wider market appeal, in the major conurbations and larger employment centres in the UK, predominantly England, outside London. The locations are chosen for their accessibility, in that they are situated on the main road and rail links, with access to good primary schooling and economic activity promoting long term employment prospects and thereby a strong need for housing. The new build nature of the assets, alongside standardised specifications, means that they benefit from a 10 year building warranty, typically from the NHBC (National House Building Council) as well as manufacturers warranties, providing for a low level of capital expenditure allied to a predictable and low cost maintenance regime.

The sourcing of assets is undertaken by the Investment Adviser ("Sigma PRS") and is done so by two methods. In the first instance, development sites "PRS Development Sites") are selected and assessed, detailed planning permission achieved and a fixed price design and build contract signed with one of the Sigma PRS's construction partners, the delivery process being managed on behalf of the Company by Sigma PRS. As the assets are acquired with detailed planning consent and fixed price design and build contracts, the Company is exposed to minimal development risk and the construction risk is mitigated with standard design and build contracts with liquidated damages for non-performance, financial retentions for one year post completion and a parent company guarantee ensuring the satisfactory performance by the contractor and providing an indemnity for losses incurred. The Company will source approximately two thirds of its assets in this way.

To expedite the growth of the Company, the balance of assets are acquired by entering into forward purchase agreements with Sigma Capital Group plc ("SCG"), the ultimate holding company of Sigma PRS, which are acquired as completed and stabilised developments using the same construction partners and supply chain, thereby ensuring homogeneity of the housing stock.


Altex

Investment Restrictions

The Company's portfolio of completed PRS sites acquired from the SCG and PRS Development Sites will be invested and managed with the objective of delivering a high quality, diversified portfolio through the following investment restrictions:

> The Company will only invest in private rented residential houses and apartments located in the UK (predominantly in England);

> No investment in the Company in any completed PRS site or PRS Development Site shall exceed 20 per cent of the aggregate value of total assets of the Company at the time of commitment as determined in accordance with the accounting principles adopted by the Company from time to time (the 'Gross Asset Value');

> The Company will not invest in other alternative investment funds or closed ended investment companies.

Debt Financing & Gearing

The PRS REIT will seek to use gearing to enhance equity returns. The level of borrowing will be on a prudent basis 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 may raise debt from banks, Homes England and/or the capital markets and the aggregate borrowings of the Group will always be subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45 per cent of the Gross Asset Value (although the Investment Adviser expects actual gearing to settle to below 40 per cent following stabilisation of the PRS Portfolio).

At the end of June 2019, the Group agreed further term debt facilities of £150m with Scottish Widows. The facility is a 25 year fixed rate term loan. Interest was fixed at the relevant swap rate of 1.164% plus a margin. It will be drawn on fixed dates between April and October 2020.

The total facilities available to the Group at 30 June 2019 comprise £100m revolving credit facility with LBG; and two fixed rate term loans with Scottish Widows for £100m and £150m respectively.

The Group has credit approval to increase the existing revolving credit facility to £150m which will bring the total facilities available to the Group to £400m.

Derivatives

The PRS REIT may utilise derivatives for efficient portfolio management. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred in accordance with the gearing limits as part of the management of the PRS Portfolio.

REIT Status

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

Investment Adviser's Report

Sigma PRS Management Ltd ("Sigma PRS"), a wholly-owned subsidiary of Sigma Capital Group plc, is the Company's Investment Adviser, and is pleased to provide a report on the PRS REIT's activities and progress for the year ending 30 June 2019.

Graham Barnet,
CEO, Sigma Capital Group plc

Business Activities

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

On 31 May 2017, the Company completed its IPO raising initial gross proceeds of £250m through the issue of 250 million ordinary shares of one pence each. The shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. On completion of the IPO, Sigma PRS was appointed as Investment Adviser to the Company. The Company has since raised additional funds, through a further placing and through gearing, which has taken its total resource to £900m (gross).

Investment Objective and Business Model

The PRS REIT is seeking to provide investors with an attractive level of income, together with the prospect of income and capital growth, through investment in newly-constructed residential private rented sector sites of multiple units, comprising mainly family homes.

The homes are let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants.

The Company is investing in multiple sites in cities and towns across the UK, mainly targeting the largest employment centres in England, outside of London. The locations closely follow the main rail and road infrastructure, and rental homes, being newly-built, come with the benefit of 10 year National House Building Council or equivalent warranties.

The Company is concentrating on traditional housing, which has a broad spectrum of demand, with differing house types for different life stages, including smaller houses for young couples and families, and larger houses for growing families. It also invests in some low rise flats in appropriate locations to broaden its rental offering.

The PRS REIT is building its portfolio of PRS assets in two ways:

> by acquiring residential development opportunities, with these development sites sourced and managed by Sigma PRS (or another member of Sigma Capital Group plc acting as development manager). When completed, homes on these sites are subsequently let to individual qualifying tenants. The PRS REIT aims to fund a minimum of two-thirds of the new properties this way.

> by acquiring already completed and let PRS sites that fulfil the Company's investment objectives, including return and occupancy hurdles. Completed sites are acquired from Sigma Capital Group plc, pursuant to a forward purchase agreement between the PRS REIT and Sigma Capital Group plc. Should the opportunity arise, the PRS REIT may acquire newly-built PRS assets, from third party vendors. The Company has the ability to fund up to a maximum of one third of new properties in this manner.

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

There are certain restrictions in the PRS REIT's investment policy, for instance the PRS REIT will not invest in other alternative investment funds or closed-end investment companies.

Achieving Scale and Reducing Risk

The Sigma PRS Platform

The Investment Adviser is utilising Sigma Capital Group plc's well-established PRS delivery platform ("Sigma PRS Platform") to help the PRS REIT achieve scale and to minimise development and operational risk. It plays the central role in sourcing and developing investment opportunities.

The Sigma PRS Platform comprises relationships with construction partners, central government, and local authorities. Key construction partners include Countryside Properties, which is the primary partner, Engie, and Galliford Try. 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 Capital Group plc and its partners, and development sites will have an appropriate certificate of title, detailed planning consent and a fixed price design and build contract with one of Sigma Capital Group plc'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 is a very good source of land for development sites, and is also able to deliver a variety of high-quality house types efficiently and in volume. This underpins the PRS REIT's objective to build at scale and across multiple geographies.

Multiple Geographies

By creating assets across multiple locations and regions, we aim to minimise the PRS REIT's concentration risk.

We are targeting a mix of locations that demonstrate both higher yielding profiles (predominantly those in the North of England) and developments where there is greater potential for capital appreciation (often in our Southern opportunities). Proximity to good primary schools is also a key factor for us since we are focused on the family rental market.

In addition, no investment will be made in any single completed PRS site or PRS development site that exceeds 20 per cent of the aggregate value of the total assets of the Company at the time of commitment.

'Simple Life' Brand

Our rental homes are marketed under the dedicated 'Simple Life' brand. As well as providing well-designed, quality homes, it is important to us that tenants benefit from high customer service levels. The creation of the 'Simple Life' brand helps to identify our product to potential customers and, over time, we would like it to be recognised as a 'gold standard' for the tenant experience.

We believe that the long term nature of the REIT's approach to the ownership of its assets helps to promote a sense of tenant security, and that the neighbourhood initiatives we sponsor will also help to foster a sense of community within our developments.

Financing Resource

Equity Placing Programme

Two tranches of equity have been raised to date, £250m (gross) at the Company's IPO on 31 May 2017, and a further £250m (gross) in February 2018. Homes England participated in both fundraisings, taking its direct investment in the Company to a total of c.£30m.

Debt Facilities

The Company is using gearing to enhance equity returns, and in June 2019 it agreed terms to increase its total debt facilities to £400m. These facilities are with Scottish Widows and Lloyds Banking Group, and further details can be found in the 'Financial Results' segment of this report. The PRS REIT's aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45 per cent of the value of the assets.

Operational Review

Development Activity & Acquisitions

As previously reported, some planning approval delays affected construction schedules over the year. Even so, by the end of June 2019, the total number of sites either completed or under construction increased to 54 compared to 22 sites at the same point in 2018. The new sites that started over the year have expanded the portfolio's geographic spread, which now covers the North West, North East, Yorkshire, the Midlands, South East and the East of England.

Over the year, we delivered 768 completed homes taking the total number of completed homes to 1,173 at the end of June 2019. This compares to 405 homes at the end of June 2018. The annualised estimated rental income at the end of 2019 stood at £10.7m, a significant uplift on the £3.6m of annualised rental income at the same point in 2018.

Alongside self-developed assets, the Company acquired three fully developed and let sites, comprising 185 homes from Sigma Capital Group plc. As with previous sites acquired from Sigma Capital Group plc, each site was independently assessed by Savills before acquisition. The sites were located in the West Midlands, Salford and Telford and provide an ERV of £1.75m per annum.

The table below provides further detail in summarised form of our development activity in 2019.

Development Activity

	At 30 June 2019	At 30 June 2018
Number of completed homes	**1,173**	405
Estimated rental value of completed homes	**£10.7m p.a.**	£3.6m p.a.
Completed sites	**17**	5
GDC of completed sites	**£145m**	£40.7m
Part-completed sites	**4**	5
Number of contracted homes	**3,196**	1,305
ERV of contracted homes	**£30.5m p.a.**	£12.0m p.a.
Sites in progress	**37**	17
GDC of sites in progress	**£517.0m**	£174m

Construction Resource

The construction resource provided by the Sigma PRS Platform now has national reach. It underpins the continued expansion of the Company to key population centres in England, supporting the creation of a geographically diverse portfolio.

There are clear benefits for our construction partners in partnering with us, including strengthening their ability to bid for land with local councils and improving operational efficiencies with their own housing delivery. This partnership approach is working well and the model we operate of using standard family house types, fixed price design and build contracts, and standardised specification, helps to ensure that developments are built to budget and that our PRS assets can be maintained and managed efficiently.

Countryside's modular timber panel factory in Warrington in now fully operational and will be servicing some of our northern region construction, which will enhance build speed and quality control.

Financial Results

Income statement

The Company's revenue for the year increased to £6.0m (2018: £1.8m), which was all derived from rental income. After the deduction of non-recoverable property costs, the net rental income was £4.9m (2018: £1.5m). Administration expenses were higher at £5.9m (2018: £4.3m). The gain from the fair value adjustment on investment property increased to £15.6m (2018: £5.5m), reflecting the greater number of homes completed and increase in construction activity during the year. This resulted in increased operating profit of £14.6m (2018: £2.7m). Finance income for the period from short term deposits was £0.8m (2018: £0.6m), whilst finance costs were £0.9m (2018: £nil). The profit after finance income and taxation was £14.6m (2018: £3.2m).

The basic and fully diluted earnings per share on an IFRS basis for the year increased to 2.9p (2018: 1p).

Dividends

The Company has declared and paid a total of 5p per ordinary share for the year under review, which comprised the following:

> On 31 October 2018, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 July 2018 to 30 September 2018, which was payable on 30 November 2018 to shareholders on the register as at 9 November 2018.

> On 31 January 2019, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 October 2018 to 31 December 2018, which was payable on 28 February 2019 to shareholders on the register as at 8 February 2019.

> On 29 April 2019, the Company announced the declaration of a dividend of 1.0 pence per Ordinary Share in respect of the period from 1 January 2019 to 31 March 2019, which was payable on 31 May 2019 to shareholders on the register as at 10 May 2019.

> On 31 July 2019, the Company announced the declaration of a dividend of 2.0 pence per Ordinary Share in respect of the period from 1 April 2019 to 30 June 2019, which was payable on 30 August 2019 to shareholders on the register as at 9 August 2019.

Balance Sheet

The principal items on the balance sheet are investment property of £362.3m (2018: £121.1m), cash and cash equivalents of £229.9m (2018: £374.3m), long term loans of £100m (2018: £nil) and trade and other payables of £23.4m (2018: £13.3m).

The investment property includes completed assets and assets under construction at fair value. Trade and other payables includes £14.4m of development expenditure that was paid in July 2019.

Debt Financing

The PRS REIT has the following debt facilities:

> £100m revolving credit facility with Lloyds Banking Group for an initial term of two years, which can be extended further for up to two years. Interest is based on three month LIBOR plus applicable margin and the loan is secured over assets allocated to Lloyds Banking Group. The Group has credit approval to extend this to £150m. This was undrawn at 30 June 2019;

> £100m term loan of 15 years with Scottish Widows, which was drawn in two equal instalments in March and April 2019. Interest is fixed at the 15 year swap rate of 1.588% plus applicable margin and the loan is secured over assets allocated to Scottish Widows; and

> £150m term loan for 15 years with Scottish Widows which will be drawn in two equal instalments in April and October 2020. Interest was fixed at the relevant swap rate of 1.164% plus applicable margin and is secured over assets allocated to Scottish Widows.

Key performance indicators

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

KPI	June 2019	June 2018
Rental income (gross)	£5,970,000	£1,765,000
Average rent per month per tenant	£760	£741
Non-recoverable property costs as a percentage of gross rent (gross to net)	17.5%	15.5%
Fair value uplift on investment property	£15,609,000	£5,515,000
Operating profit	£14,646,000	£2,667,000
Dividends paid per share in relation to the period	5p	5p
Number of properties available to rent	1,173	405

All the KPIs are in line with management expectations.

Market Overview

An interim report of a study investigating housing supply requirement by Heriot-Watt University published in May 2018 suggested that the estimate of an additional 300,000 new homes per annum to rebalance supply in England understated the problem. The report suggests that the total level of new housebuilding required is around 340,000 per annum for England (and 380,000 for Great Britain) until 2031, which represents a total requirement of over 4m new homes.

Against that wider picture of undersupply, demand for rental homes is growing, fuelled by restricted access to other tenures, with affordability and mortgage availability limiting owner occupation and social rented funding constraining development and supply. After tax changes introduced in 2016 and 2017, there has been an exodus of typically small individual landlords from the buy-to-let sector, and the estimated resultant outflow of properties from the rental market over the last two years is put at 120,000.

The build-to-rent market is growing steadily and investment in PRS in 2018 increased by 11% on the previous year to £2.6 billion. By the end of the first quarter of 2019, there were approximately 30,000 completed PRS homes in the UK. About half of this output was concentrated in London and almost all of the development comprised apartments. A similar number of PRS homes is currently under construction and a further 70,000 or so homes are in planning. The vast majority of this delivery remains apartment schemes in urban centres. To place the scale of this PRS activity in context, it accounts for under 1% of the total value of the rental stock in the UK. By comparison, in more mature PRS markets, such as the United States, institutionally-owned properties represent nearly 50% of the total rental market.

According to Savills, at full maturity, the UK PRS market could be worth around £550 billion and encompass more than 1.7 million households. This indicates the scale of opportunity available to market participants, including the PRS REIT.

Post Period Review

Progress since the start of the new financial year has continued positively, in line with management expectations. The number of completed homes as of 31 August 2019 stood at 1,289, with their annualised rental value expected to be £11.8m. A further 3,429 homes with an ERV of £34m per annum were in delivery at that point. The total estimated ERV of the homes under construction and those already delivered, together 4,718 homes across 59 sites, amounted to £45.8m, and their gross development cost is £734m. The table below provides further information of delivery activity.

Approximately 91% of the Company's total net funding has now been deployed and the balance is expected to be contracted over the coming months. The total portfolio is anticipated to comprise approximately 5,400 new family homes.

Development Activity

	At 31 August 2019	At 30 June 2019
Number of completed PRS homes	**1,289**	1,173
Estimated rental value of completed homes	**£11.8m p.a.**	£10.7m p.a.
Completed sites	**17**	17
GDC of completed sites	**£145m**	£145m
Part-completed sites	**8**	4
Number of contracted homes	**3,429**	3,196
ERV of contracted homes	**£34.0m p.a.**	£30.5m p.a.
Sites in progress	**42**	37
GDC of sites in progress	**£589.0m**	£517.0m

Summary and Outlook

The growth opportunity available to the PRS REIT remains substantial, driven by the strong underlying supply and demand fundamentals in the housing market. We also believe that PRS housing (at scale) can play a part in accelerating the overall delivery of new homes, a key agenda with local authorities.

In addition, the track record that we have established in delivering high quality new homes over multiple sites through our efficient supply chain platform places the Company in a strong position in the PRS market. Notwithstanding current political uncertainties, we believe that the Company remains firmly on track to invest its full available capital and associated gearing to time and budget, and to achieve its targeted dividend return of 5.5p per share at stabilisation in 2022.

My Simple Life Story...

Brian Mace

After retirement, Brian who is now in his 70s, sold-up and began to reap the benefits of renting, spending 17 years living in the Lake District. In November 2017 he moved into his Simple Life home, on the Park Grange House development in Sheffield, to be closer to family and a city centre.

SIZE WAS IMPORTANT TO ME...

Brian knew that as a single person whose children no longer live at home, he wanted a place that was the right size for him and his needs.

"I knew I didn't want a bungalow, because when I sold my house, I also got rid of all the gardening equipment, the lawnmower etc, and I knew I didn't want a house because that would be too big for me.

"When I came across the plans for the different apartments at Park Grange House, I spotted the ground floor apartment. It was perfect for me as I have a son, Andrew, who is in a wheelchair, who needs plenty of space to get around. In fact, one of his friends visited and commented that the rooms were big enough to do a little dance!

"The building also has a lift, which means that all apartments are easily accessible."

LOCATION, LOCATION, LOCATION

"In the past, this area of Sheffield has been known to be one of the rougher parts of town, however it has undergone a regeneration, with the tower blocks being knocked down and all new developments taking their place.

"It really is a lovely peaceful area, surrounded by trees and greenery, yet I'm just one mile from the city centre, which I walk down to every Sunday.

"It's also a relief to know that I have people close-by if I need them here in Sheffield."

I COULDN'T BE MORE CONTENT WITH MY NEW HOME

"One thing I really noticed is the thermal and sound insulation in the apartment – it couldn't be improved! The flat I used to live in is approaching its 100th birthday, so as you can imagine, I'm saving around £400 a year on electricity and gas.

"IT REALLY IS A LOVELY PEACEFUL AREA, SURROUNDED BY TREES AND GREENERY, YET I'M JUST ONE MILE FROM THE CITY CENTRE"

"I'm really happy with the maintenance service from Simple Life. If I need anything fixing, they are always quick to respond and get things fixed. I don't have the means to buy a house and one real positive about renting for me is that if anything goes wrong, you aren't the one to foot the bill!

"Everybody is impressed with my home when they visit. When speaking to my son about how happy I am with my new home, he said, 'Perhaps, Dad, you deserve it.'"

Corporate Social Responsibility

All social and community involvement is carried out by Sigma and includes such things as employment opportunities, a commitment to the local communities in which we build, charities (in particular homelessness), local schools, as well as continually looking to meet with local authority objectives when planning our developments. All of Sigma's CSR contributions will also inherently benefit The PRS REIT plc.

Completed Projects 2018-2019

Local Charities

Loaves and Fishes Homeless Charity, Salford

Project:

Donation was used for exterior paving area to be used in Summer for BBQ events, a large gas BBQ, arts and craft equipment, relaxation therapy sessions.

Sponsorship

Sale Under 18's Rugby Club, Greater Manchester

Project:

Donation was used to support Sale under 18's team. We also supported their local schools scheme, which offers introductory Rugby lessons to children locally, with a focus on generating more interest amongst girls.

Schools, Education & Careers

Monksdown Primary School, Merseyside

Project:

KS2 playground equipment including outdoor slides, benches and a water play area.

Schools, Education & Careers

Mills Hill Primary School, Middleton

Project:

A scrap yard play shed and new play equipment for all school years.

River View Primary School, Salford

Project:

Outdoor reading greenhouse, complete with interiors and new books.

"One of our key focuses at the school is reading. We have a number of children from different ethnic backgrounds and English isn't always their first language. Reading support isn't always available at home and so it's really important for us to encourage reading amongst the children.

"We're really grateful for the donation from Simple Life; the outdoor greenhouse allows us to associate reading time within playtime and therefore it is viewed as a pleasure and not homework or a task."

Claire Richmond
River View Primary School

St Theresa's Catholic Primary School, Sheffield

Project:

Brand new library with creative mezzanine area, books and electronic scanning in/out system.

"The donation has been used to buy plenty of new books for all of the children, which is proving very popular. There is also a sensory roof, reading pods and a fantastic den and mezzanine area, which is being used creatively to replicate different parts of popular books, for example, at the moment it is taking the form of a magical castle. The money has also funded a barcode scanning and checking in system which is used to track the books."

Mrs Joanne Cupitt
Librarian at St Theresa's School

"The library is my favourite place to be in school."

Lulyana
Pupil at St Theresa's School

Galton Valley Primary School, Smethwick

Project:

Books to support their birthday book scheme for all children and full school Christmas theatre trip.

Salford Foundation

Support:

Sigma staff involvement

Project:

Taking part in the 'world of work' career fair day held at Harrop Fold High School (local to Our Lady's site in Little Hulton).

Regeneration Brainery

Project:

Supporting Regeneration Brainery events – helping young people interested in a career within the property and construction industry to learn and network.

Park Palace Ponies

Project:

Sponsoring a pony, Moses, at a local riding enterprise and gifting Monksdown School children with riding lessons.

New projects 2019-2020

Local Charities

Continuing to support Loaves and Fishes. Project:

Supporting local foodbanks in 4 areas:

- The Big Help in Knowsley
- Atherton and Leigh Foodbank
- Coventry Foodbank
- The Well in Wolverhampton

Schools, Education and Careers

Supporting existing schools, Mills Hill, St Theresa's, River View, Galton Valley again this year. Galton Valley Nursery will also receive a donation to revamp their indoor and outdoor space.

Supporting Monksdown/Park Palace Ponies with further riding lessons for the students.

Additionally will be supporting new schools:

- Bilston C of E Primary School in Wolverhampton
- Mesne Lea Primary in Walkden
- Moat House Primary School in Coventry
- St Peter and Pauls Royal Catholic Primary School in Tower Hill, Knowsley
- St Richards Roman Catholic Primary School in Atherton

We are going to be taking part in Salford Foundation's Take 5 programme which will be taking place across high schools in Greater Manchester area. This will include:

- CV creating
- Mock interviews
- World of work days
- Tycoon launches
- Personal branding

Investing in our people

This year will see Sigma help to develop a number of team members, supporting them through new qualifications:

- Jack Barnet
  RICS Chartered Surveyor Qualification
- Tiffany Chevis
  Diploma in Professional Marketing with the Chartered Institute of Marketing
- Adam Freeland
  RICS Chartered Surveyor Qualification
- Leanne McBurney
  Institute of Chartered Secretaries and Administrators (ICSA) Qualification

We are offering 2 paid work placements for a 3-month term in our Manchester office. These placements are in our Finance Team and our Project/Development Management Team.

Image provided by Regeneration Brainery

Environmental

The Company funds the delivery of quality new homes for rent and as such recognises that its activities and those of its construction partners will change the nature of the locations in which we operate. Our aim is to change them and the people's lives who live in them, for the better. The Company pays particular attention to two key areas of its activities, namely the construction and subsequent management of its properties.

Regarding the construction of new homes the Company requires their construction partners to adhere to all relevant environmental legislation and codes of practice, specifically that the approach to planning and design has as little impact as possible on the immediate and wider surroundings; that the approach to construction is undertaken considerately and that the process is effectively managed to reduce the risk of pollution; and that the use of resources is done so efficiently with regard to the principles of recycling and encourage the use of materials which are produced in an environmentally less impactful manner.

The Company has a defined portfolio of house types, all of which are built to relevant building regulations and perform well with regard to their energy performance ratings. The ongoing management of the portfolio's environmental impact is inherent in the design of the houses, but the Company maintains an eye on areas where improvements can be made to the running of the properties through an active asset management system.

Sustainability

As a long term investor in property, the Company is committed to a sustainable approach to all areas of the business. In its creation of communities, it strives to design developments which attract a broad range of tenants and offer occupants house types which provide the opportunity to move either up or down the housing ladder dependent upon life stage. In their construction, our delivery partners ensure that the properties are delivered in an environmentally responsible, ethical, safe and sustainable manner, which includes adherence to relevant social and environmental legislation and codes of practice.

Human Rights

The Company does not fall within the purview of The Modern Slavery Act 2015 (the "Act") as it has not exceeded the turnover threshold necessary for it to make a slavery statement.

To the best of its knowledge the Company is satisfied that its principal suppliers and advisors comply with the provisions of the Act.

Additional Environmental initiatives

- Sigma has committed to planting 1,000 trees across all developments.
- We are installing White Rose Clothes Banks across all apartment schemes. All clothes are either upcycled, sold or recycled in aid of Aegis Trust. White Rose supports 'Green Fashion' – currently we use 5,000 litres of water to make just one pair of jeans!
- Increasing use of modular construction which will increase on-site efficiencies and decrease build period. This will ultimately reduce waste on site and reduce our carbon footprint due to a reduction in site deliveries.
- Green additions to our customer welcome boxes including re-usable, branded shopping bags and reusable branded flasks.

Modular Construction

Working with housebuilders to increase modular construction on our sites

- Increasing quality of build
- Reducing waste on site
- Increasing on-site efficiencies
- Reducing our carbon footprint due to less site deliveries

Creating Good Old Fashioned Neighbourhoods

All homes built for The PRS REIT plc portfolios are taken to market through Sigma's consumer build to rent brand, Simple Life. Simple Life homes puts customers and the local community at the heart of its proposition.

Whilst we are unable to force a community within our neighbourhoods, we can do our part by offering a platform for a community to blossom. One of the ways in which we encourage this is by holding on-site social events, allowing our neighbours to get to know one another.

Both 2018 and 2019, has seen us hold a variety of events across all our completed Simple Life sites including: Easter egg hunts, Summer ice cream dashes, Autumn wood fired pizza oven evenings and a visit from Santa, his elves and reindeer at Christmas. All of these events are completely free for our tenants.

SIMPLE LIFE BRAND VALUES

A NEW STANDARD OF RENTING

Simple Life aims to give residents unrivalled customer satisfaction. Previously, people wanting to rent a house, had very limited high-quality, professional options. Simple Life fulfils that demand. People can benefit from the flexibility of renting, whilst being safe in the knowledge that their home will not be sold from beneath their feet.

TOTAL PEACE OF MIND

Simple Life customers can rest assured that all the little details are taken care of by renting from a professional landlord they can trust, with a 24/7 customer service team and dedicated handymen. It's the simple things we do that makes life easy for our tenants – we even cut their front lawn!

GOOD OLD-FASHIONED NEIGHBOURHOODS

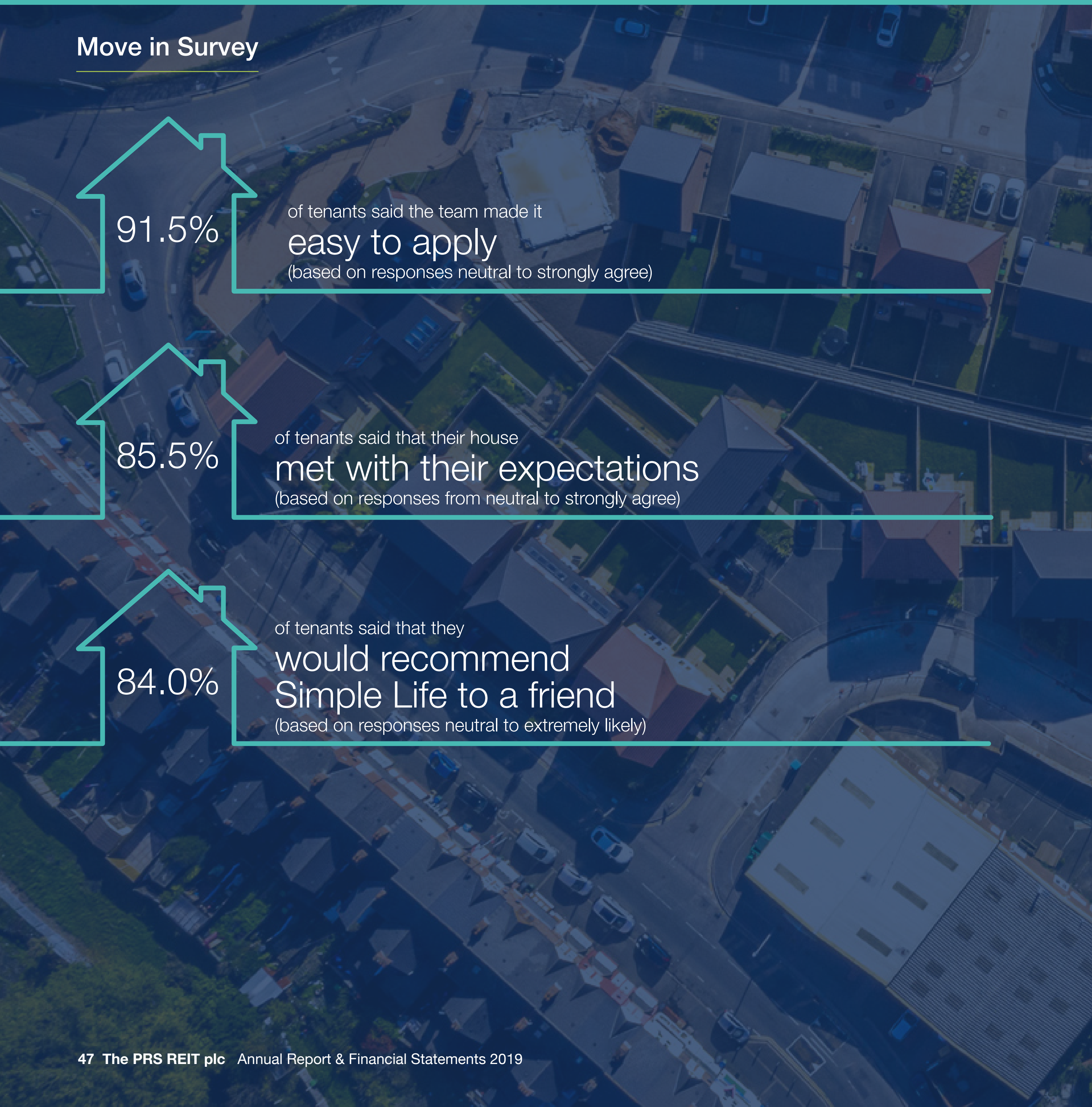
Like the good old days, where neighbours chat over fences and borrow cups of sugar! Simple Life customers can expect to feel like their Simple Life neighbourhood is where they belong. Nurturing our customer and injecting a sense of community will always be at the heart of the Simple Life brand.

INVESTING IN THE LOCAL COMMUNITY

We build communities, not just developments, and with a heritage in regeneration, this means that we have a vested interest in to looking after the wider communities to which we develop, for the long term.

What Our Tenants Have To Say…

All tenants receive an automated tenant satisfaction survey email 1 week into their tenancy and 10 months into their tenancy. This helps us to monitor the tenant experience with our lettings and move in team and then later their experience as one of our customers. The following stats are based on tenant satisfaction results for a 6 month period from December 2018 – end of May 2019.



Move in Survey

91.5% of tenants said the team made it **easy to apply** (based on responses neutral to strongly agree)

85.5% of tenants said that their house **met with their expectations** (based on responses from neutral to strongly agree)

84.0% of tenants said that they **would recommend Simple Life to a friend** (based on responses neutral to extremely likely)

10 Month Survey

98.5%

of tenants said that they
are happy with their home
(based on responses neutral to strongly agree)

92.0%

of tenants said that they
feel part of a community
(based on responses from neutral to strongly agree)

87.5%

of tenants said that the
communal areas are well maintained
(based on responses neutral to strongly agree)

92.0%

of tenants said that they
would recommend Simple Life to a friend
(based on responses neutral to extremely likely)

Principal Risks & Uncertainties

The Board of Directors recognise that there are a number of risks which could have an impact on the Company's strategy and investment objectives.

The prospectus issued in May 2017, which is available to download on the Company's website at: www.theprsreit.com, includes details of what the Company and the Directors consider to be the principal risks and uncertainties. Additional risks and uncertainties relating to the REIT Group that are not currently known to it or the Directors or the Company does not consider to be material may also have a material effect on the REIT Group.

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

Strategic Risk

The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns.

The Company's targeted returns as set out in the IPO Prospectus are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, purchase price, yield and performance of the Company's investments, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targeted returns. The Company may not be able to implement its investment objective and investment policy in a manner that generates returns in line with the targets. Furthermore, the targeted returns are based on the market conditions and the economic environment at the time of assessing the targeted returns, and are therefore subject to change. In particular, the targeted returns assume no material changes occur in Government regulations or other policies, or in law and taxation, and that the Company is not affected by natural disasters, terrorism, social unrest or civil disturbances or the occurrence of risks described elsewhere in this document. There is no guarantee that actual (or any) returns can be achieved at or near the levels set out in this document. Accordingly, the actual rate of return achieved may be materially lower than the targeted returns, or may result in a partial or total loss, which could have a material adverse effect on the Company's profitability, the Net Asset Value and the price of the Ordinary Shares.

Risks Relating to Investment Decisions

There is a risk that investment decisions are made that deviate from the investment strategy and investment objectives that may result in lower rental income and capital growth returns to shareholders.

This risk is mitigated by a regular review by the Board of the Company with regard to investment strategy and investment decisions. The Investment Adviser has a defined investment appraisal process which is authorised by key personnel. In addition the investment in multiple geographical areas of the UK mitigates concentration risk and provides a balanced portfolio.

Risk Relating to the Company's Ability to Deploy Capital Effectively

There is strong competition in the housing market for the supply of land across all tenures which may affect the Company's ability to deploy capital in a timely and effective manner which could adversely affect the returns to shareholders.

This risk is mitigated due to the strong links that the Company and Investment Adviser has with its house building partners across the various regions and conurbations across the UK. There is a significant pipeline of future development sites and the Board reviews this on a regular basis.

Political Risk

Risks relating to the UK's proposed exit from the European Union

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to exit the European Union ("Brexit"). There are significant uncertainties in relation to the terms and time frame within which such an exit will be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary, legal and regulatory landscape in the UK. The extent of the impact on the Company will depend in large part on the nature of the arrangements that are put in place between the United Kingdom and the European Union following Brexit. Although it is not possible to predict fully the effects of the exit of the United Kingdom from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Company and its opportunities for investments. In addition, it could potentially make it more difficult for the Company to raise capital.

The Board mitigates this risk by keeping up to date on the UK's current position on its exit from the European Union whilst also taking advice from the Investment Adviser and other Advisers. The Board acts on this advice accordingly. In addition, the Company is operating in the residential property market where current demand is high and expects this to continue for the foreseeable future.

Operational Risk

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

The Company has the benefit of access to the Sigma PRS platform through the Investment Adviser. If the Investment 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 Agent and favourable terms and economies of scale that have taken years to establish. The Company would also need to identify replacement sources of PRS Development Sites and Completed PRS Sites.

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

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

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

The Board mitigates these risks by holding regular Board meetings (at least four times per financial period) whilst also having regular informal meetings with the key members of the Investment Adviser on a more regular basis. The Board actively engages with key personnel of the Investment Adviser and assesses its key man risks to ensure that it is adequately staffed with suitably qualified personnel and that succession planning is in place.

Risks relating to tenant default

Dividends payable by the Company will be dependent on the income from the Completed PRS Sites it owns. Failure by tenants to comply with their rental obligations could affect the ability of the Company to pay dividends to shareholders.

The Company develops private rented sector residential housing across multiple sites and across multiple locations across the UK and therefore some of this risk is mitigated. A rigorous tenant vetting process has been implemented and, in addition, the Investment Adviser holds regular weekly meetings focusing on lettings and outstanding debtors. The letting agent is compensated only when rent has been received.

Business disruption relating to the Investment Adviser and its Information Technology Environment

There is risk associated and the potential of business disruption in relation to the IT systems utilised by the Investment Adviser which are hosted off-site by a third party.

The third party IT provider are Cyber Essential Certified and have been utilised by the Investment Adviser since 2015 for maintaining all hardware, software and backups. There has been limited downtime during normal working hours.

The third party provider has significant controls in place in respect of the IT environment including that of physical security, site availability, network security, backups and disaster recovery and the monitoring of IT systems.

The Investment Adviser employs an IT Manager who is in regular contact with the third party and ensures compliance.

Economic Environment

Risks relating to the economic environment

Global market uncertainty and, in particular, the restricted availability of credit, may reduce the value of the Company's portfolio once it has been acquired, and may reduce liquidity in the real estate market. The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields.

The Company mitigates this risk by building a high quality portfolio of residential assets across multiple locations of the UK where there is demand and a requirement for housing which provides access to strong travel links and good educational facilities.

Financial Risk

Risks relating to the REIT status of the REIT Group

There is a risk that the Company may fail to remain qualified as a REIT and therefore its rental income and capital gains will be subject to UK corporation tax. Any change in the tax status of the Company or a change in tax legislation could adversely affect the investment return of the Company.The Company has been structured to be REIT compliant and the Board will continue to monitor the tax status using professional taxation advisers.

Risks relating to the development costs of Investment properties under construction

There is a risk that the development costs of Investment properties under construction are higher than that originally forecast perhaps due to unforeseen costs or the availability of suitable labour.

The Company is able to mitigate this risk by securing fixed design and build contracts before development commences.

By order of the Board.

Steve Smith
Chairman

24 September 2019

Corporate Governance

Directors

Stephen Smith, Non-Executive Chairman
Age 65

Stephen Smith has over 40 years of experience in the real estate industry. Stephen is currently non-executive Chairman of Starwood European Real Estate Finance Limited, non-executive Director of Gatehouse Bank Plc and non-executive Chairman of AEW UK Long Lease REIT. Previously, he was the Chief Investment Officer of British Land Company PLC, the FTSE 100 real estate investment trust from January 2010 to March 2013 with responsibility for the group's property and investment strategy.

Prior to joining British Land, Stephen was Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed end funds. Before joining AXA in 1999, he was Managing Director at Sun Life Properties for five years. Steve has recently completed his time as non-executive Director of Tritax Big Box REIT plc.

Steffan Francis,
Non-Executive Director
Age 64

Steffan Francis has 40 years of experience in the real estate industry. Until early 2016, Steffan was a Director at M&G Real Estate where he was responsible for the £6 billion "Long Income" business. He also was 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 Trustee.

Roderick MacRae,
Non-Executive Director
Age 55

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

Jim Prower,
Non-Executive Director
Age 64
Appointed 20 May 2019

Jim, a Chartered Accountant, has over 30 years of experience in senior financial roles. For the major part of his career he was Group Finance Director at Argent Group plc, the UK-based property developer, then Finance Partner of Argent (Property Development) Services LLP and Argent Investments LLP, which specialise in mixed-use developments with a focus on placemaking and regeneration. Jim was involved in major development and regeneration projects in Manchester, Birmingham and the City of London, and from 2008 to 2015 he worked on the King's Cross Central joint venture, which was one of Europe's largest regeneration projects. Prior to that, he was Group Finance Director at NOBO Group plc, a leading European manufacturer of visual presentation products and at Creston Land & Estates plc, the property developer. Jim is currently Senior Independent Director at Empiric Student Property plc and a non-executive Director at AEW UK Long Lease REIT plc. In addition until March 2019, Jim was Senior Independent Director at Tritax Big Box REIT plc.

Advisers

Registered Office

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Manchester
M2 7LR

Company Secretary

Sigma Capital Property Ltd
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EH2 4QG

Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Financial Adviser and Broker

Nplus1 Singer Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

Financial PR

KTZ Communications
No. 1 Cornhill
London
EC3V 3ND

Investment Adviser

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

Legal and Tax Adviser

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

Depository

Crestbridge Property Partnerships Limited
8 Sackville Street
London
W1S 3DG

AIFM and Manager

G10 Capital Limited
136 Buckingham Palace Road
London
SW1W 9SA

Valuers

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

Report Of The Directors

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the period ended 30 June 2019.

Principal Activity

The principal activity of the Company is the investment in and management of private rented sector residential housing which are located in the regions of England. The Company commenced trading on 31 May 2017 after the successful raising of £250m gross proceeds through its IPO. Its shares are listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

Results and Dividends

The financial results for the period can be found in the Consolidated Statement of Comprehensive Income on page 91. The following dividends were paid during the year.

Date	Per ordinary share
31 August 2018	2.5p
30 November 2018	1.0p
28 February 2019	1.0p
31 May 2019	1.0p

Since the period end, a dividend of 2.0p per ordinary share was paid on 30 August 2019.

Review of the Business and Future Developments

The Directors are required to present an extended business review reporting on the development and performance of the Group and the Company during the period and their positions at the end of the period. This requirement is met by the Strategic Report on pages 7 to 53.

Directors

The current Directors of the Company are listed on page 55 to 56, all of whom held office throughout the period with the exception of Jim Prower who was appointed to the Board on 20 May 2019. 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. The Board has no fixed policy for the length of tenure of Directors. In accordance with the articles of association, every person appointed as an additional director during the course of the year must stand for re-election at the next annual general meeting. Every other director must stand for re-election at the annual general meeting held in the third calendar year from the date he/she was appointed or last re-elected by the Company. Directors who have been appointed for a period of nine years require to stand for re-election at each annual general meeting. Going forward, it is the Board's intention to follow 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 details of the Directors' remuneration along with the Director's beneficial interest in securities of the Company are given in the Director's Remuneration Report on pages 81 to 83.

Directors' Interests in Shares

The Directors' interests in the Company's shares are disclosed in the Directors' Remuneration Report.

Directors' Indemnity Insurance

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

Share Capital

250,000,000 ordinary shares of 1p each with an aggregate nominal value of £2,500,000 were issued under the IPO on 31 May 2017 at a price of 100p per share. On 20 February 2018, a further 243,902,440 ordinary shares of 1p each with an aggregate nominal value of £2,439,024 were issued under the Company's placing programme at a price of 102.5p per share.

On 24 May 2017, 50,000 redeemable preference shares had been issued to the Company in consideration for an irrevocable undertaking by Sigma Capital Group plc to allow the Company to obtain a trading certificate pursuant to section 761 of the Companies Act 2006. These shares were redeemed on 31 May 2017 following admission of the Companies ordinary shares to the Specialist Fund Segment of the Main Market of the London Stock Exchange.

On 31 January 2018 and in accordance the Development Management Agreement with the Company's Investment Adviser, Sigma PRS Management Ltd, pursuant to which the Investment Adviser subscribes bi-annually for new ordinary shares 1p each in the capital of the Company, the Company issued 445,578 ordinary shares to the Investment Adviser at a share price of 105p per share.

On 8 August 2018 and in accordance with the Development Management Agreement with the Company's Investment Adviser, Sigma PRS Management Ltd, pursuant to which the Investment Adviser subscribes bi-annually for new ordinary shares 1p each in the capital of the Company, the Company issued 929,276 ordinary shares to the Investment Adviser at a share price of 104.5p per share.

At the annual general meeting held on 28 November 2018, the directors were authorised to issue securities up to an aggregate nominal amount of (i) £80,000 to the Investment Adviser in connection with the Investment Adviser's obligation to re-invest up to 50% of its fees under the Development Management Agreement; and (ii) £1,570,924 representing approximately 31.72% per cent of the Company's issued share capital at the time of the annual general meeting.

The Company was also authorised to dis-apply pre-emption rights in respect of securities and to issue securities for cash up to an aggregate nominal amount equal to (i) £80,000 to the Investment Adviser in connection with the Investment Adviser's obligation to re-invest up to 50% of its fees under the Development Management Agreement; and (ii) £247,639 which represented 5% of the Company's issued share capital at that time.

At the annual general meeting held on 28 November 2018, the Company was also authorised 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 to where to do so would likely result in an increase in earnings per share.

As at 30 June 2019, the Company had 495,277,294 ordinary shares in issue, none of which were held in treasury.

Substantial Shareholdings

As at 30 June 2019, 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	Percentage holding of issued share capital
Invesco Perpetual High Income Fund	48,682,926	9.83
Invesco Perpetual Income Fund	47,026,819	9.50
Aviva Life and Pensions UK	31,186,991	6.30
Homes England	29,878,047	6.03

Capital Reduction

As stated in the Company's prospectus dated 4 May 2017 ("Prospectus"), in order to increase the distributable reserves available to facilitate the payment of future dividends, the Company had resolved that, conditional upon First Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the Issue be cancelled and transferred to a special distributable reserve. Following the approval of the Court on 1 November 2017 and the subsequent registration of the Court order with the Registrar of Companies on 2 November 2017, the cancellation become effective. Accordingly, the amount of £242,500,000 previously held in the share premium account was cancelled and transferred to a special distributable reserve.

Restrictions on the Transfer of Shares

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

> the FCA's Listing Rules, which require certain individuals to have approval to deal in the Company's shares; and

> the Company's Articles of Association, which allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares, to prevent the Company or Investment Adviser breaching any law or regulation.

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

Greenhouse gas emissions reporting

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

During the year ended 30 June 2019:

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

> any emissions from the Group's completed assets have been the tenants' responsibility rather than the Group's so the principle of operational control has been applied;

> any emissions from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Investment Adviser's responsibility; and

> the Group does not lease or own any vehicles which fall under the requirements of Mandatory Emissions reporting.

As such, the Board believes that the Company has no reportable emissions for the year ended 30 June 2019.

Management Arrangements

Investment Adviser

The Board appointed Sigma PRS Management Ltd as the Company's Investment Adviser ("Sigma PRS"). Sigma PRS will be responsible for the management of the assets of the Company and will advise the Company on a day-to-day basis in accordance with the Company's investment policy. Sigma PRS may transact on the Company's behalf in relation to the acquisition of PRS Development sites and Completed PRS sites in accordance with the Company's investment object and investment policy. The Investment Advisory Agreement is terminable on 12 months' written notice, which can be served at any time after the fifth anniversary of First Admission. The Agreement may be terminated by the Company and the AIFM immediately if the Investment Adviser is in material breach of the Agreement or is the subject of insolvency proceedings. The fee arrangement in respect of Sigma PRS is shown in note 9 of the financial statements.

AIFM

G10 Capital Limited ("AIFM") has been appointed as the Company's Alternative Investment Fund Manager with overall responsibility for the portfolio management and providing alternative investment fund manager services ensuring compliance with requirements of AIFMD, risk management of the REIT Group's investments subject to the overall supervision of the Directors. The AIFM manages the REIT Group's investments in accordance with the policies laid down by the Board and in accordance with the investment restrictions referred to in the AIFM agreement. The AIFM Agreement provides that the Company will pay to the AIFM an asset management fee as follows:

(a an initial one off fee of £12,000;

(b a monthly fee of £6,000;

(c) £1,000 per investment committee meeting; and

(d) Ad-hoc work as required.

The AIFM Agreement is terminable by any of the parties to them on six months' written notice. The AIFM Agreement may be terminated by the Company immediately if the AIFM ceases to maintain its alternative investment fund manager permission or 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 SCG is directly appointed as alternative investment fund manager of the Company.

Depositary

Crestbridge UK Limited (formerly Kingfisher Property Partnerships Limited) are the appointed Company's depositary for the purposes of the AIFMD. Under the terms of the Depositary Agreement, the Depositary was paid an initial one off fee of £5,000. Provided that the assets under management of the Company exceed £100 million, the Company shall also pay the Depositary an annual fee. The annual fee shall start at £20,000 per annum with an additional fee of 0.667 basis points of any increase above £100 million, subject always to a maximum fee of £40,000 per annum. The Company's assets under management is reviewed quarterly. The Depositary is entitled to be reimbursed by the Company for all costs and expenses properly and reasonably incurred in the performance of duties under the Depositary Agreement.

Administration and Secretarial Services

Sigma Capital Property Ltd are appointed as the Company's administrator to provide day-to-day administration of the Company and acts as secretary and administrator to the Company development and production of statutory annual accounts, interim accounts and reports to shareholders of the Company in accordance with IFRS and EPRA. The administrator is also responsible for calculating the Net Asset Value of the Ordinary Shares based on information provided to the Administrator by Sigma PRS. The Administration and Secretarial Agreement provides that the Company will pay the Administrator an annual fee of £90,000 plus VAT, payable monthly in arrears.

Financial Risk Management

The principal risks and uncertainties faced by the Company and the Group are set out on pages 50 to 53. Information on the financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 2 to the financial statements.

Treasury activities & financial instruments

The Group's financial instruments comprise cash, equity investments plus other items such as trade debtors and trade creditors that arise directly from its operations. At 30 June 2019, the Group had positive cash balances of £229,946,000.

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 2019, the Group had borrowings of £100,000,000 with Scottish Widows and an undrawn revolving credit facility with Lloyds Banking Group of £100,000,000. In addition, the Group has secured a further £150,000,000 term loan with Scottish Widows and has credit approval to increase the existing revolving credit facility to £150,000,000. Further information with regard to the Group's cash and cash equivalents is provided in note 19 of the financial statements.

Political donations

No political contributions were made during the period.

Going concern

The Board confirms that it has a reasonable expectation that the Company and the Group have adequate resources to manage its business risks successfully, allow it to continue in operational existence for the foreseeable future and for a period of at least twelve 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.

Viability statement

The Directors have assessed the prospects of the Group and future viability over a three year period, being longer than the twelve months required by the going concern provision.

The Board confirms that it has a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due over the next three years, taking account of the principal risks and uncertainties as set out on pages 50 to 53.

The three year period chosen by the Board is based upon the Group's detailed forecasting model which shows that within three years all investment property acquisitions have been completed, all assets under construction have been developed and rent stabilisation has been achieved.

The Board's expectation is further underpinned by regular dialogue with the Investment Adviser which consider market conditions, the availability of investment opportunities, principal risks and uncertainties and any change in the regulatory framework. The principal risks and uncertainties continue to be monitored closely by the Board.

Corporate, Social and Environmental Responsibility

The Board's report on Corporate, Social and Environmental Responsibility is on pages 37 to 48.

Corporate Governance Statement

The corporate governance statement is set out on pages 67 to 73.

Diversity

The Company does not have any employees. In respect of the Board of Directors, we consider that each candidate should be appointed on merit to make sure the best candidate for the role is appointed every time. We support diversity at Board level and encourage candidates from all educational backgrounds and walks of life. What is important to us is professional achievement and the ability to be a successful non-executive Director based on the individuals skills set and experience. Qualifications are considered when necessary to ensure compliance with regulation such as in relation to the Audit Committee. We regularly review the Company's policy on diversity and consider the Board of Directors has a balance of skills, qualifications and experience which are relevant to the Company. We value the importance of diversity in the boardroom but we do not consider it appropriate or in the interests of the Company and its Shareholders, to set prescriptive diversity targets for the Board.

Auditor

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

Audit Information

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

Post Balance Sheet Events

Details of any significant post balance sheet events are detailed on page 119 of these financial statements.

By order of the Board.

Steve Smith
Director

24 September 2019

My Simple Life Story... Jeanie Logan

Jeanie Logan lives with her husband, their young son and 'four-legged friend' at Simple Life's Baytree Lane, Middleton. After years of bad rental experiences and the financial ties of home ownership, Jeanie and her family sought a life with more freedom.

AFFORDING FLEXIBILITY

"My husband and I had owned a home for the last 13 years. We wanted a change but didn't want to commit to owning a second-hand home or rush into buying again", Jeanie explained.

"Things were going wrong with our home, such as leaking pipes, and it was costing a fortune. We needed a home that was worry-free and gave us more freedom to enjoy to life."

After searching for a more flexible alternative, Jeanie's husband suggested renting. "I was a little apprehensive at first", Jeanie admits, "as I'd lived in rented accommodation in the past and had some problems with stolen post and poor-quality, unsafe appliances. However, after searching on the internet, we came across Simple Life and its brand-new rental homes. It just seemed perfect."

A SIMPLE SOLUTION

Jeanie and her family decided to rent a four-bedroom, semi-detached home at Baytree Lane. Their home has three bathrooms, including an en-suite, a garden and large storage spaces.

"I'm used to rental homes being low-quality, but everything here is high-spec and brand new. We've got high-quality integrated appliances and soft grey carpets. We all love it".

"Simple Life has been great at every stage and the move was just so easy. They really seem to care. We even received a welcome pack with all the essentials - it's the little things like that make all the difference.

Baytree Lane is located within walking distance of Middleton town centre, close to amenities such as grocery shops, local swimming pool and Ofsted rated 'outstanding' and 'good' schools.

Tandle Hill Country Park is one of the many green spaces close by, as well North Manchester Golf Club and Radclyffe Athletics Centre.

BETTER LIVES WITH SIMPLE LIFE

"The local area and location of our home is brilliant", Jeanie added. "In fact, it's even made me more active. As we're so close to the train station, I'm walking and getting the train to work, which means no more stressful traffic. With the area being so pleasant, and the canal just near our street, I've also started running too!"

With a 12-month lease on her Simple Life property, Jeanie and her family have the peace of mind that their home won't be sold. Knowing that a maintenance team is on hand if anything goes wrong.

"We no longer have the worry of something costly happening and this has changed our lives. We initially planned to rent for 12 months but we've already extended this to three years. Renting a new home with Simple Life has given us the flexibility we need to be able to do things like travel with our son. We can truly enjoy our lives now."


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Statement Of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors' and 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 financial statements for each financial period. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> state whether they have been prepared in accordance with IFRS's adopted by the EU;

> make judgements and accounting estimates that are reasonable and prudent; and

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors' are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report confirm that, to the best of their 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 it faces.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the PRS REIT website.

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

Approval

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

Steve Smith
Chairman

24 September 2019

Corporate Governance Statement

Statement of Compliance

The Board has considered the principles and recommendations of the 2016 AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2016 UK Corporate Governance Code ("Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. By applying the AIC Code, the Group is voluntarily adhering to the principles and recommendations of the Code.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the Code) will provide better information to Shareholders.

During February 2019, the AIC issued a revise Code of Corporate Governance ("Revised AIC Code") that is to apply to financial periods commencing after 1 January 2019. The Company will be required to report against the Revised AIC Code in next year's annual report and financial statements.

For the year ended 30 June 2019, the Company has complied with the recommendations of the AIC Code (except as set out below) and the relevant provisions of the Code other than those relating to:

1. the role of the Chief Executive;
2. executive Directors' remuneration; and
3. the need for an internal audit function.

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Responsibilities

The Board is responsible for ensuring compliance with the Group's investment policy and has oversight of the management and conduct of the Group's business, strategy and development.

The Board is also responsible for the control and supervision of the AIFM and the Investment Adviser and compliance with the principles and recommendations of the AIC Code. The Board ensures the maintenance of a sound system of internal

controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of the systems in place throughout the year and no problems have been identified. The Board is responsible for approval of any changes to the capital, corporate and/or management structure of the Group.

The Board's main focus is the sustainable long-term success of the Group to deliver value for shareholders. The Board does not routinely involve itself in day-to-day business decisions.

The AIFM is responsible for portfolio management (including compliance with the Group's investment policy) and risk management of the Group pursuant to the AIFMD, including the implementation and review of adequate risk management systems. The AIFM has delegated the day-to-day portfolio management of the Group to the Investment Adviser, including the acquisition of PRS Development Sites and Completed PRS Sites and appointing and liaising with third parties providing services to the Group. The Investment Adviser also provides certain development management services to the Group, in connection with the construction and delivery of new PRS Units.

The key matters reserved to the Board are:

> board membership and powers including the appointment and removal of Board members;

> establishing the overall control framework, Stock Exchange related matters, including the approval of communications to the Stock Exchange, and communications with shareholders, other than announcements of a routine nature;

> the appointment, termination, and regular assessment of the performance of the principal advisers, including the AIFM, Investment Adviser, Legal and Tax Advisers, Administrator, Valuer, Financial Adviser and Broker, Registrar and Auditor;

> the approval of annual and half yearly financial reports, to 31 December and 30 June respectively, dividends, accounting policies and significant changes in accounting practices;

> the review of the adequacy of corporate governance procedure;

> the review of the risk inventory and the effectiveness of internal controls;

> approval of changes to the Group's capital structure, dividend policy, treasury policy, borrowing facilities and any banking relationships;

> approval of any related party transactions subject to further regulatory requirements; and

> oversight of the Group's operations ensuring compliance with statutory and regulatory obligations.

The Board has carried out a robust assessment of the 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 page 50 to 53.

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 100% owned/ controlled by the Company.

Investment Adviser

The Board has appointed the Investment Adviser, Sigma PRS Management Ltd, to provide investment advice and to manage the property portfolio and the associated day-to-day activities of the Company. The Investment Adviser is part of Sigma Capital Group, a leading provider of PRS properties in the UK. As a wholly owned subsidiary of Sigma Capital Group, the Investment Adviser benefits from the extensive experience and expertise of Sigma Capital Group with access to its PRS property platform to source investment opportunities that meet the investment objectives of the Company, management of all properties within the portfolio and providing marketing and investor relations services to the Company.

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 May 2023. 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 to be in the best interests of the Company and its shareholders.

Annual Report and Financial Statements

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

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

Board Membership and Meeting Attendance

During the year to 30 June 2019, the number of scheduled Board meetings attended by each Director was as follows:

Director	Attendance*	Date of Appointment	Length of Service at 30 June 2019
Stephen Smith	6/6	24 April 2017	26 months
David Steffan Francis	6/6	24 April 2017	26 months
Roderick MacRae	6/6	24 April 2017	26 months
Jim Prower	N/A	20 May 2019	1 month

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

Composition

The Group has a non-executive Chairman and three other non-executive Directors all of whom were considered independent on and since their appointment. All of the Directors are independent of the Investment Adviser and the AIFM. Jim Prower was appointed as an additional non-executive director in May 2019. No external search consultancy or open advertising was used as the candidate had already been identified and was considered appropriate for the role. A rigorous on-boarding process was undertaken prior to his appointment.

Stephen Smith is the Chairman of the Company. The Chairman is responsible for leadership and oversight of the Board to ensure that it functions effectively. Stephen ensures that accurate, timely and clear information is received and sufficient time is given in meetings to review all agenda items thoroughly. He promotes constructive debate and facilitates a supportive, co-operative and open environment between the Investment Adviser and the Directors. He is also responsible for ensuring that the Company's obligations to its shareholders are understood and met.

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

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

Directors are selected and appointed by the Board as a whole. There is no separate nomination committee as the Board is considered small relative to listed trading companies. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company's business or to maintain a balanced Board.

The Articles of Association require that Directors submit themselves for re-election at least every three years, apart from those Directors who are appointed in the current financial year who automatically stand for election at the next AGM. In addition, the Board has agreed that any Director with more than nine years' service will be required to stand for re-election at each annual general meeting in accordance with the recommendations of the AIC Code. Jim Prower was appointed during the current year and in accordance with the Articles of Association will stand for re-election at the upcoming AGM. The Board believes that Jim Prower has made a valuable contribution since his appointment and remains committed to the role. The Board therefore recommends that shareholders re-elect Jim Prower at the forthcoming AGM.

Board Committees

The Board has established a management engagement committee and an audit committee. Given that the Company has no executive Directors or other employees; the Board does not consider it necessary to establish a separate remuneration committee.

The Audit Committee meets at least twice a year and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of non-audit services. The Audit Committee comprises all the non-executive Directors given the size of the Board and to benefit from the broad range of financial, commercial and property sector experience which enables them to provide better oversight of financial and risk matters. Rod MacRae is Chairman of the Audit Committee.

The management engagement committee comprises the full board and keeps the terms of engagement with the AIFM and Investment Adviser under review and examines the effectiveness of the Company's internal control systems and the performance of the AIFM, Investment Adviser, Administrator, Depositary, Company Secretary, Valuer and other service providers. The Management Engagement Committee comprises each of the Directors given the size of the Board but each member is independent of the AIFM and the Investment Adviser. Stephen Smith is the Chairman of the Management Engagement Committee. The Management Engagement Committee receives reports and analyses from each of the Investment Advisor 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.

The Board has appointed the Investment Adviser, Sigma PRS Management Ltd, to provide investment advice and to manage the property portfolio and the associated day-to-day activities of the Company. The Investment Adviser is part of Sigma Capital Group, a leading provider of PRS properties in the UK. As a wholly owned subsidiary of Sigma Capital Group, the Investment Adviser benefits from the extensive experience and expertise of Sigma Capital Group with access to its PRS property platform to source investment opportunities that meet the investment objectives of the Company, management of all properties within the portfolio and providing marketing and investor relations services to the Company.

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 May 2023. 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 to be in the best interests of the Company and its shareholders.

Board Meetings

During a full financial period, the Board will meet formally at least on a quarterly basis with additional meetings as the Board may decide from time to time dedicated to specific events. There were seven meetings during the year, attended by those Directors available at the time. The additional meetings in the year were in connection with the approval of the 2018 Annual Report and Financial Statements, the debt facilities with Scottish Widows Limited and the appointment of Jim Prower to the Board.

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

Discussions of the Board

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

- health and safety;
- the approval of debt facilities with Lloyds Bank and Scottish Widows;
- the Group's corporate structure;
- the Group's communication strategy;
- the key performance indicators by which the Group measures success;

- updates on relevant government or regulatory developments;
- review of quarterly management accounts;
- review of the Company's share price rating, performance and trading the Group's NAV performance;
- analysis of the Company's shareholder register;
- review of corporate governance compliance, Group subsidiary activity and depositary report.

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

Performance Evaluation

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

The Board has undertaken an internal performance evaluation by way of a questionnaire designed to assess the strengths and effectiveness of the Board and its committees. The evaluation considered (amongst other things) the composition, balance and effectiveness of the Board, the quality of management information, the independence and the overall performance of the Board and its Committees. Each of the Directors completed a questionnaire which was then used to hold constructive discussions led by the Chairman.

Having conducted the evaluation, the Board considers that it has performed effectively and that it demonstrates a good balance of skills, performance and knowledge. The Board is also satisfied that the Chairman remains independent of the Investment Adviser and the AIFM and has exhibited a good leadership style, promoting effective decision making, constructive debate and ensuring the board functions well as a unit. Whilst the Board recognises it could be more diverse, it does not consider it is in the best interests of shareholders to force diversity by imposing fixed criteria or quotas. The Board will continue to make appointments based on merit, having regard to a number of factors including gender, ethnicity, skills and experience. The Board will continue to monitor and encourage diversity.

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, 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 the it would be inappropriate for a Director to take part in such discussion or decision or receive such information. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis and the Board is satisfied that these procedures are working effectively.

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

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

Professional Development

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

Health and Safety

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

Transparency

The Company aims to be transparent, and to ensure that it communicates with its shareholders and other stakeholders in a manner that enhances their understanding of its business.

The Company maintains accounting documentation that clearly identifies the true nature of all business transactions, assets and liabilities, in line with the relevant regulatory, accounting, and legal requirements. No record or entry is knowingly false, distorted, incomplete, or suppressed. All reporting is materially accurate and 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. The Company provides through its website, 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 joint financial advisers regularly meet and receive calls from shareholders and analysts in order to understand their views, and the Group's broker speaks to shareholders regularly, ensuring shareholder views are communicated to the Board. The Board takes responsibility for, and has a direct involvement in, the content of communications regarding major corporate issues.

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

The Board believes that sufficient information is available to shareholders to understand the balance of risk and reward to which they are exposed by holding shares in the Company. The publication of the Key Information Document on the Company's website, which is prepared by the AIFMD in conjunction with the Investment Adviser, provides the nature and key risks of the Company to shareholders.

The Board is committed to providing investors with regular announcements of significant events affecting the Group and all investor documentation is available on the Group's website: **www.theprsreit.com.**


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Audit Committee Report

I am pleased to present the Audit Committee report of The PRS REIT plc covering the financial year ended 30 June 2019.

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

The Committee members consists of three Board Directors and between them they have a broad range of financial, commercial and property sector expertise which enables them to provide oversight of both financial and risk matters.

Role of the Audit Committee

The principal duties of the Audit Committee are:

Financial Reporting

> consider the integrity of the interim and full year financial statements which includes the preliminary results announcement of the Company;

> report to the Board on any significant financial reporting issues and judgments having regard to any matters communicated to it by the Auditor; and

> as requested by the Board, to review the contents of the Annual Report and financial statements and advise the Board on whether the report and financial statements are a true and fair view of the Company's financial position as at 30 June 2019 and further provides shareholders sufficient information to assess the Company's and Groups position and the Group's performance, investment strategy and investment objectives.

Risk Management and Control

> review the adequacy of the internal controls and risk management systems of the Company's Investment Adviser; and

> report to the Board on the Company's procedures for detecting fraud.

External Audit

> to manage the relationship with the Company's external Auditor, including reviewing the Auditor's remuneration, independence and performance and making recommendations to the Board as appropriate;

> to review the policy on the engagement of the Auditor; and

> to safeguard the Auditor's independence and objectivity.

External Property Valuation

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

Other

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

The Audit Committee is to meet at least twice annually and its quorum is two members. The audit committee reports and makes recommendations to the Board, after each meeting.

Matters considered by the Audit Committee

There are at least two scheduled Audit Committee meetings per any financial period. For the period from 1 July 2018 to 24 September 2019, the audit committee has met five times. The attendance at these meetings was as follows:

Rod MacRae (Chairman)	5/5
Steve Smith	5/5
Steffan Francis	4/5

At these meetings, the Audit Committee has:

> reviewed the internal controls and risk management systems of the Company;

> reviewed financial results;

> agreed the audit plan with the Auditor, including the agreement of the audit fee;

> reviewed the annual valuation reports from the independent valuation expert, Savills (UK) Limited;

> reviewed the provision of non-audit services by the Auditor;

> reviewed the independence of the Auditor; and

> reviewed the Group's Financial Statements and advised the Board accordingly.

The Company's principal risks can be found on pages 50 to 53. The Administrator and the Investment Adviser update the Audit Committee on changes to accounting policies, risk, legislation and areas of significant judgment by the Investment Adviser.

Significant Matters Considered by the Audit Committee in the Year

Acquisition of Subsidiaries

During the period the Group acquired ten property owning special vehicles. The Directors considered whether these acquisitions met the definition of a business or the acquisition of a group of assets and liabilities. It was concluded that five of the subsidiaries met the criteria for the acquisition of business as outlined in IFRS 3 whilst the remaining five subsidiaries met the criteria for the acquisition of a group of assets and liabilities as outlined in IFRS 3. The Audit Committee considered the accounting treatment of the acquisitions of these property owning special purpose vehicles. The Administrator and the Investment Adviser provided advice to the Audit Committee in this regard. The Audit Committee was satisfied that these acquisitions were appropriately treated as business combinations or asset acquisitions.

Property Portfolio Valuation

Investment property is held in the financial statements at fair value. There are independent valuations which are carried out by a qualified independent valuation expert. The valuations depend on some data provided by the Investment Adviser and the independent valuation expert makes decisions and assumptions on criteria some of which is 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 considered a significant risk due to the magnitude of the total amount, the potential impact on the movement in value on the reported results and the subjectivity of the valuation process.

The investment properties are independently valued by an external valuation expert, Savills (UK) Limited. The valuations are prepared in accordance with RICS Valuation Professional Standards 2014. The valuations are compliant with International Valuation Standards. 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. Since the year end, the Audit Committee has reviewed the valuation reports and has discussed these reports with the Investment Adviser and the Auditor. The Audit Committee were satisfied with the valuation reports.

External Audit Process

Before the commencement of the audit, the audit committee met with the Auditor, to discuss the scope of the audit plan. After completion of the external audit, the committee met again with the Auditor to discuss the findings of the external audit and consider and evaluate any findings. 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 £80,000 has been agreed in respect of the audit of the Company for the year ended 30 June 2019 (2018: £70,000). The audit fees of the Group for the period ended 30 June 2019 totalled £130,000 (2018: £91,000).

The cost of non-audit services provided by the auditor to the Company for the financial period ended 30 June 2019 was £18,000 (2018: £53,000) of which £18,000 related to the interim accounts (2018: £18,000). The balance of £35,000 in the prior year related to work undertaken by RSM Corporate Finance LLP, a separate corporate body to that of the Auditor (RSM UK Audit LLP) in respect of corporate finance services as a result of the IPO. BDO LLP have been engaged to advise on taxation compliance matters.

Independence and Objectivity of the Auditor

RSM UK Audit LLP ("RSM") were appointed as auditor to the Company since IPO on 31 May 2017, during which time Mr Euan Banks, Partner at RSM, has been the audit partner 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 June 2026. Having considered the auditor's independence in respect of the year ended 30 June 2019, the Audit Committee is satisfied with the Auditor's performance, objectivity and independence.

Review of Auditor Appointment

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

Internal Audit

The audit committee has determined that there is no need for an internal audit function given the limited size and complexity of the Company and its business.

Rod MacRae
Audit Committee Chairman

24 September 2019

Directors' Remuneration Policy

The remuneration policy of the Company is set by the Board. A resolution to approve this Remuneration Policy was approved at the last AGM. 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 if proposals are made to vary the policy. The Remuneration Policy is binding and sets the parameters within which Directors' remuneration may be set.

The 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.

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

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

Directors' Remuneration Components

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

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

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

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

Service Contracts

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. The 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 annual re-election by shareholders.

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 would be taken into consideration by the Board when reviewing levels of remuneration.

Directors' Remuneration Report

The Board presents its Directors' Remuneration Report in respect of the year ended 30 June 2019. The Board has prepared this report in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended). An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the next AGM of the Company.

The law requires the Company's Auditor to audit certain of the disclosures required. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Auditor's report on pages 85 to 90.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the financial year ended 30 June 2019.

As the Board has no executive Directors, it does not consider it necessary to establish a separate Remuneration Committee.

The Board as a whole is therefore responsible for decisions regarding remuneration. The Board consists entirely of non-executive Directors and the Company has no employees.

Companies are required to seek shareholder approval of the remuneration report each year and of the Directors' Remuneration Policy on at least a three-yearly basis. The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Resolutions to approve the Remuneration Policy, as outlined on page 80 of this report, and the Directors' Remuneration Report will be put before shareholders at the forthcoming AGM of the Company. Any change to the Directors' Remuneration Policy following its approval would require shareholder approval. There will be no significant change in the way the Remuneration Policy will be implemented in the course of the next financial year.

The Directors are remunerated for their services at such rate as the Directors 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 Remuneration Policy. The fee for any new Director appointed will be determined on the same basis.

The Directors' fees have been set at a rate of £45,000 per annum in respect of the Chairman and £30,000 per annum in respect of the other Directors, with an additional £5,000 to the Chairman of the Audit Committee. No person provided advice or services to the Board in respect of the consideration of Directors' remuneration.

Following a review of Directors' fees subsequent to the year end, no changes are currently being proposed. There were no other payments for extra services in the period ended 30 June 2019 (2018: £nil).

Directors' Fees for the Period (audited)

The Directors who served during the year and prior period received the following emoluments:

	Year ended 30 June 2019 £'000	Period from 31 May 2017 to 30 June 2018 £'000
Steve Smith (Chairman)	45	26
Steffan Francis	30	18
Rod MacRae (Audit Committee Chairman)	35	20
Jim Prower (appointed 20 May 2019)	4	-
	114	64

The Directors received no remuneration from the date of the IPO to 30 November 2017.

During the year and prior period 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.

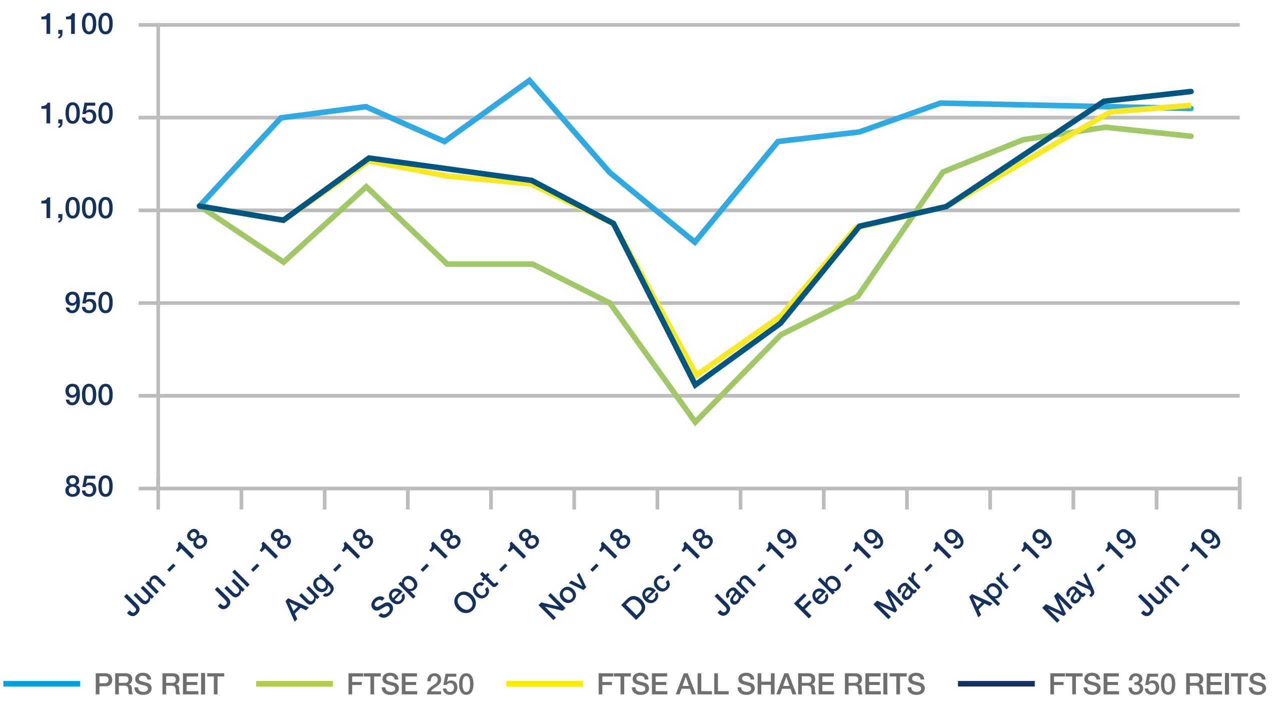
Total Shareholder Return

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.

Relative importance of spending on pay

	Year ended 30 June 2019 £'000	Period from 31 May 2017 to 30 June 2018 £'000
Directors' remuneration	114	64
Dividends paid to all shareholder*	24,765	21,082

*includes all dividends paid in relation to the year ended 30 June 2019 and period ended 30 June 2018



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

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 2019, the following Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	Ordinary Shares 2019	Ordinary Shares 2018
Steve Smith (Chairman)	80,000	80,000
Steffan Francis	50,000	30,000
Rod MacRae (Audit Committee Chairman)	100,000	100,000

There have been no changes to Directors' share interest between 30 June 2019 and the date of this report.

The shareholdings of the Directors are not significant and therefore do no 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.

The Company maintains Directors and Officers liability insurance cover, at its expense, on the Directors' behalf.

Statement of voting at general meetings

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

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

Approval

The Directors' Remuneration Report was approved by the Board on 24 September 2019.

On behalf of the Board.

Steve Smith
Chairman

24 September 2019

Independent Auditors Report to the Members of The PRS REIT plc

Opinion

We have audited the financial statements of The PRS REIT plc (the "parent company") and its subsidiaries (the "group") for the year ended 30 June 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity and Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 2019 and of the group's profit for the year then ended;

> the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for Opinion

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

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 50 to 53 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 68 in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 62 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 62 in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Properties

This is detailed in the Audit Committee report on pages 76 to 78; the significant accounting judgements and estimates on pages 102 to 103; significant accounting policies on pages 100 to 103 and notes to the financial statements on pages 110 and 111.

Risk of material mis-statement

The group owns or controls through a portfolio of Special Purpose Vehicles (SPV's) a portfolio of investment properties which includes residential properties only. The total value of the portfolio at 30 June 2019 was £362m. The group either acquires completed sites or sites that are ready to develop with full planning consent having been granted, the latter form investment properties under construction and have been valued at fair value using the basis as set out in the accounting policies on page 103, at 30 June 2019 these were valued at £209m. The properties are predominately located in the north of England and the Midlands.

The Directors' assessment of the value of the investment properties at year end date, is considered a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity and complexity of the valuation process.

The valuation is carried out by external valuers, Savills (UK) Ltd, in line with the methodology set out in note 16.

Audit approach adopted

We audited the independent valuations of investment properties to ensure that where appropriate they had been prepared on a consistent basis for all properties, including those under construction, and in accordance with RICs standards and are considered to be appropriate and correctly recorded in the financial statements and in line with the Accounting Standards. We assessed the external valuers qualifications and expertise and considered their terms of engagement, we also considered their objectivity and any other existing relationships with the group and concluded that there was no evidence that the valuers objectivity had been compromised.

We discussed with the asset manager and the valuer the overall movement in property values giving consideration to whether properties were fully developed or under construction and recognizing the similarity of tenant profiles. We also specifically discussed any properties whose movement was not consistent with overall movements of the entire portfolio to gain an understanding of why these exceptions were reasonable.

Completed sites were valued at fair value whilst assets under construction were valued at fair value using a methodology agreed with Savills (UK) Ltd following the interim review. We discussed both methodologies with the asset manager and the valuer to ensure these were the most appropriate valuation methodologies for each property type.

For assets under construction we assessed the stage of development by reference to the stage of works completed to date and the amount still to be completed to the underlying documentation and forecasts.

We tested inputs provided by the asset manager to the valuer to ensure these reflected the key unobservable inputs for each property and considered whether market data for a sample of properties was consistent with the valuation report.

Key observations

We concluded that the fair values of the investment properties being adopted by the group were appropriate.

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 effect of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of users we take into account the qualitative nature and size of the misstatements. During planning materiality for the Group financial statements as a whole was calculated as £4,459,000, which was revised to £4,490,000 during the course of our audit. Materiality for the Parent Company financial statements as a whole was calculated at £3,152,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £50,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Our audit scope covered 100% of group rental income, group profit and total group assets, and was performed to the materiality levels set out above. The key audit matters were audited as noted above.

Other Information

The other information comprises the information included in the annual report set out on pages 3 to 83, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

> Fair, balanced and understandable set out on page 69, the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

> Audit committee reporting set out on pages 76 to 78, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

> Directors' statement of compliance with the UK Corporate Governance Code set out on page 67, the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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 report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the strategic report and the report of the Directors 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 report of the Directors.

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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 66, 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.

As part of our audit, we will consider the susceptibility of the group and parent company to fraud and other irregularities, taking account of the business and control environment established and maintained by the Directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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 period ending 30 June 2018 and subsequent financial periods.

The period of total uninterrupted engagements is two years covering the period ended 30 June 2018 and year ended 30 June 2019.

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.

Use of our report

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

Euan Banks
(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants

25 Farringdon Street
London
EC4A 4AB

24 September 2019

Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Rental Income	5	**5,970**	**1,765**
Non-recoverable property costs	6	**(1,054)**	**(274)**
Net rental income		**4,916**	**1,491**
Administrative Expenses			
Directors' remuneration	7	**(123)**	**(67)**
Investment advisory fee	9	**(4,402)**	**(3,295)**
Other administrative expenses	10	**(1,354)**	**(977)**
Total administrative expenses		**(5,879)**	**(4,339)**
Gain from fair value adjustment on investment property	16	**15,609**	**5,515**
Operating profit		**14,646**	**2,667**
Finance income	11	**789**	**570**
Finance cost	12	**(864)**	**-**
Profit before taxation		**14,571**	**3,237**
Taxation	13	**-**	**-**
Total comprehensive income for the year/period attributable to the equity holders of the Company		**14,571**	**3,237**
Earnings per share attributable to the equity holders of the Company:			
IFRS earnings per share (basic and diluted)	14	2.9p	1.0p

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
Company No. 10638461
As at 30 June 2019

	Notes	At 30 June 2019 £'000	At 30 June 2018 £'000
ASSETS			
Non-current assets			
Investment property	16	**362,275**	121,109
		362,275	121,109
Current assets			
Trade receivables	18	**89**	28
Other receivables	18	**5,379**	3,786
Cash and cash equivalents	19	**229,946**	374,339
		235,414	378,153
Total assets		**597,689**	499,262
LIABILITIES			
Non-current liabilities			
Accruals and deferred income	20	**2,954**	961
Interest bearing loans and borrowings	21	**100,000**	-
		102,954	961
Current liabilities			
Trade and other payables	20	**20,410**	12,296
Total liabilities		**123,364**	13,257
Net assets		**474,325**	486,005
EQUITY			
Called up share capital	22	**4,953**	4,943
Share premium account	23	**245,005**	244,025
Capital reduction reserve	24	**206,559**	233,800
Redeemable preference shares	25	**-**	-
Retained earnings		**17,808**	3,237
Total equity attributable to the equity holders of the Company		**474,325**	486,005
IFRS net asset value per share (basic and diluted)	26	**95.8p**	98.3p

As at 30 June 2019, there is no difference between IFRS NAV per share and the EPRA NAV per share. These consolidated group financial statements were approved by the Board of Directors and authorised for issue on 24 September 2019 and signed on its behalf by:

Steve Smith
Chairman

24 September 2019

Consolidated Statement of Changes in Equity for the year ended 30 June 2019

Attributable to equity holders of the Company

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Redeemable preference shares £'000	Retained earnings £'000	Total equity £'000
Share capital issued in the period	4,943	495,524	-	50	-	500,517
Share capital issue costs	-	(8,999)	-	-		(8,999)
Cancellation of share premium		(242,500)	242,500	-	-	-
Share capital redeemed in the period	-	-	-	(50)	-	(50)
Dividend paid	-	-	(8,700)	-	-	(8,700)
Profit for the period	-	-	-	-	3,237	3,237
At 30 June 2018	4,943	244,025	233,800	-	3,237	486,005
Share capital issued in the period	10	961	-	-	-	971
Share capital issue credit	-	19	-	-	-	19
Dividend paid	-	-	(27,241)	-	-	(27,241)
Profit for the year	-	-	-	-	14,571	14,571
At 30 June 2019	**4,953**	**245,005**	**206,559**	**-**	**17,808**	**474,325**

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

	Note	At 30 June 2019 £'000	At 30 June 2018 £'000
Cash flows from operating activities			
Profit before tax		**14,571**	3,237
Finance Income		**(789)**	(570)
Finance costs		**864**	-
Fair value adjustment on investment property		**(15,609)**	(5,515)
Cash used in operations		**(963)**	(2,848)
Increase in trade and other receivables		**(1,684)**	(3,748)
Increase in trade and other payables		**3,026**	1,708
Net cash generated from/(used) in operating activities		**379**	(4,888)
Cash flows from investing activities			
Acquisition of subsidiaries		**(34,665)**	(40,770)
Purchase of investment property at fair value through profit and loss		**(181,627)**	(63,451)
Finance income		**823**	504
Net cash used in investing activities		**(215,469)**	(103,717)
Cash flows from financing activities			
Bank and other loans		**100,000**	-
Finance costs		**(2,877)**	-
Issue of shares		**971**	500,467
Cost of share issue		**(156)**	(8,823)
Redeemable preference shares		**-**	-
Dividends paid		**(27,241)**	(8,700)
Net cash generated from financing activities		**70,697**	482,944
Net (decrease)/increase in cash and cash equivalents		**(144,393)**	374,339
Cash and cash equivalents at beginning of period		**374,339**	-
Cash and cash equivalents at end of year/period	19	**229,946**	374,339

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

Company Statement of Financial Position
for the year ended 30 June 2019

	Note	At 30 June 2019 £'000	At 30 June 2018 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	17	**325,701**	104,273
		325,701	104,273
Current assets			
Other receivables	18	**34,317**	29,724
Cash and cash equivalents	19	**88,945**	346,614
		123,262	376,338
Total assets		**448,963**	480,611
Current liabilities			
Trade and other payables	20	**647**	1,312
Total liabilities		**647**	1,312
Net assets		**448,316**	479,299
EQUITY			
Called up share capital	22	**4,953**	4,943
Share premium account	23	**245,005**	244,025
Capital reduction reserve	24	**206,559**	233,800
Redeemable preference shares	25	**-**	-
Retained earnings		**(8,201)**	(3,469)
Total equity attributable to the equity holders of the Company		**448,316**	479,299

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss attributable to the Parent Company for the year ended 30 June 2019 amounted to £4.7m (period ended 30 June 2018: loss of £3.5m).

These financial statements were approved by the Board of Directors on 24 September 2019 and signed on its behalf by:

Steve Smith
Chairman

Company Statement of Changes in Equity
for the year ended 30 June 2019

	Share capital £'000	Share premium account £'000	Capital reduction return £'000	Redeemable preference shares £'000	Retained earnings £'000	Total equity £'000
Share capital issued in the period	4,943	495,524	-	50	-	500,517
Share capital issue costs	-	(8,999)	-	-		(8,999)
Cancellation of share premium		(242,500)	242,500	-	-	-
Share capital redeemed in the period	-	-	-	(50)	-	(50)
Dividends paid	-	-	(8,700)	-	-	(8,700)
Loss for the period	-	-	-	-	(3,469)	(3,469)
At 30 June 2018	**4.943**	**244,025**	**233,800**	**-**	**(3,469)**	**479,299**
Share capital issued in the year	10	961	-	-	-	971
Share capital issue credit	-	19	-	-	-	19
Dividends paid	-	-	(27,241)	-	-	(27,241)
Loss for the period	-	-	-	-	(4,732)	(4,732)
At 30 June 2019	**4,953**	**245,005**	**206,559**	**-**	**(8,201)**	**448,316**

Company Statement of Cash Flows
for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Cash flows from operating activities			
Loss before tax		**(4,732)**	(3,469)
Finance Income		**(686)**	(570)
Cash used in operations		**(5,418)**	(4,039)
Increase in trade and other receivables		**(4,638)**	(29,658)
(Decrease)/ Increase in trade and other payables		**(489)**	1,136
Net cash used in operating activities		**(10,545)**	(32,561)
Cash flows from investing activities			
Investment in subsidiaries		**(221,429)**	(104,273)
Finance income		**731**	504
Net cash used in investing activities		**(220,698)**	(103,769)
Cash flows from financing activities			
Issue of shares		**971**	500,467
Cost of share issue		**(156)**	(8,823)
Dividends paid		**(27,241)**	(8,700)
Net cash (used in)/generated from financing activities		**(26,426)**	482,944
Net (decrease)/increase in cash and cash equivalents		**(257,669)**	346,614
Cash and cash equivalents at beginning of period		**346,614**	-
Cash and cash equivalents at end of year/period	19	**88,945**	346,614

Notes To The Financial Statements

1. General Information

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

2. Financial Risk Management

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk in the current and future periods. 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.

Market Risk

Risk relating to Investment Property

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

> changes in the general economic climate;

> competition from available properties; and

> government regulations, including planning, environmental and tax laws.

Interest Rate Risk

The Group has limited interest rate risk on its loan from Scottish Widows. At 30 June 2019, the amount of loan drawn amounted to £100m and carries a fixed rate interest of 3.138%. 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.

Credit Risk

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

Credit risk relating to property activities

The Group receives property rental income from its investments in PRS assets. Risk is mitigated as PRS assets consist of residential family housing with multiple tenants in multiple locations. Rental income is paid monthly in advance. Rental income outstanding and due to the Company as at 30 June 2019 amounted to £89,000 (2018: £28,000).

Credit risk arising related to financial instruments including cash deposits

Risk arises as a result of the cash deposits with banks and financial institutions. The Board of Directors believe the credit risk on short term deposits and current account balances are limited as they are held with banks with high credit ratings. As at 30 June 2019, short term deposits and current account balances were held with the following banks:

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

Liquidity Risk

The Group 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 2019, the Group's amount of current financial assets was in excess of its financial liabilities by £112,000,000 (2018: £365,000,000). The table below summarises the maturities of the Group's non-derivative financial liabilities as at 30 June 2019:

	Less than one year		1 - 3 years		Greater than 3 years	
	£'000	£'000	£'000	£'000	£'000	£'000
	2019	2018	2019	2018	2019	2018
Trade and other payables	20,410	12,296	2,954	961	-	-
Bank loans	-	-	-	-	100,000	-

3. Basis of Preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The Company has prepared its financial statements in accordance with IFRS as adopted for use in the European Union and as applied in compliance with the provisions of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments (IFRS9) and investment properties (IAS40) which are measured as fair value through profit and loss.

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

3.1 Going Concern

The financial statements have been prepared on a going concern basis. The Group's cash balances at 30 June 2019 were £230m of which £78m was readily available. The Group has debt borrowing as at 30 June 2019 of £100m, has secured further facilities of £250m and credit approval for an additional £50m. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group have adequate resources to continue in operational assistance for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's financial statements for the year ended 30 June 2019. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the financial statements for the year ended 30 June 2019 is appropriate.

3.2 Business Combinations

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group consider 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 property.

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.

3.3 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 period ended 30 June 2018. Except for some additional disclosures under IFRS 9, new standards introduced during the year had no material impact on the results or net assets of the Company or the Group.

IFRS 2 – Classification and measurement of share-based payment transactions (Amendment)

The standard is effective for periods beginning on or after 1 January 2018.

The Group does not currently or anticipate any share-based payment transactions and therefore this amendment will have no impact on the financial statements of the Group.

IFRS 9 Financial Instruments

The standard is effective for periods beginning on or after 1 January 2018.

The standard makes substantial changes to the classification of financial assets. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured at amortised cost. Classification of financial assets is based on whether the business model is to collect the contractual cashflows, sell the financial assets, or both, and whether the contractual cashflows are solely payments of principal and interest. The impact is that impairments are recognised on an expected cost basis instead of the previous incurred loss approach. As such where there are expected to be credit losses there are recognised in the profit and loss. The Group's assessment of this new standard is that it does not give rise to any significant adjustments either in the group financial statements relating to the rent arrears balances or in the parent company financial statements in respect of group balances.

IFRS 15 – Revenue from contracts with customers

The standard is effective for periods beginning on or after 1 January 2018.

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around the following steps in recognising revenue:

> Identify the contract with the customer;

> Identify the performance obligations in the contract;

> Determine the transaction price;

> Allocate the transaction price; and

> Recognise revenue when a performance obligation is satisfied.

The Group rents residential housing to individual tenants who are invoiced monthly in advance based on an agreed assured shorthold tenancy which lasts for a period of twelve months. This is the Group's only source of income and rental income is not impacted covered by IFRS 15.

IAS 40 – Investment Property (Amendment)

The standard is effective for periods beginning on or after 1 January 2018.

Under this amendment, an entity will transfer a property to or from investment property when there is evidence of a change of use. A change of use occurs if a property meets or ceases to meet the definition of an investment property. The Directors have concluded that all property held by the Group continues to meet the definition of an investment property.

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019.

Under IFRS 16, most leased assets are capitalised as 'right-to-use assets' by recognising the present value of lease payments as an asset and a financial liability representing the obligation to make future lease payments. This is a significant change for the lessee, however IFRS 16 substantially carries forward existing lessor accounting from IAS 17.

The Group has a small number of operating leases concerning the long term lease of land associated with the long leasehold of investment properties. At 30 June 2019 there was ground rent committed under these leases. Under IFRS 16 the Group will recognise the right-to-use asset in the Consolidated Statement of Financial Position and this will be valued at fair value. Changes in fair value will be recognised in the Consolidated Statement of Comprehensive Income. In addition, a financial liability will be recognised in the Consolidated Statement of Financial Position which will be valued at the present value of the future lease payments. Lease payments (also known as ground rent) which are currently recognised within non-recoverably property costs will instead reduce the financial liability and any further changes to the financial liability will be recognised as finance costs. Under IFRS 16, comparative information is not required to be restated upon adoption if the 'modified retrospective' approach is applied.

The Directors anticipate the value of the right to use asset and the financial liability at 30 June 2019 are £7,583,000 and £7,583,000 respectively so the overall impact on net assets will be negligible. The overall impact on profits will also be negligible. However instead of costs of approximately £30,000 per annum being recognised in non-recoverably property costs, these amounts will be recognised within unrealised gains and finance costs.

4. Summary of Significant Accounting Policies

Basis of Consolidation

The financial statements comprise of the financial information of The PRS REIT plc and its subsidiary undertakings. Subsidiaries are all entities over which the Group has control. The financial information of the subsidiaries 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 period, the Directors regard the Group as having just one reportable segment, Property, and the business only operates in the United Kingdom therefore segmental information is not disclosed in these financial statements.

Investment Property

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

> Fair value (at the date of valuation) = total development cost plus expected final uplift in valuation multiplied by % of site development completed; where

> Expected final uplift = Expected Investment value on completion less gross development cost

This method of valuation is different to that as reported at 30 June 2018 but the Board believes is a much simpler and transparent method of valuation than the residual approach previously adopted and importantly provides a true worth and fair value of the assets during the construction phase. The investment properties are externally valued by Savills. Savills are qualified external valuers who hold a recognised and relevant professional qualification. Gains or losses arising from changes in the fair value of the Group's investment properties are included in profit from operations in the income statement of the period in which they arise. Investment property falls within level 3 of the fair value hierarchy as defined by IFRS 13. Further details are provided in note 16.

Trade and Other Receivables

Trade and other 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 excepted credit losses on financial assets are estimated based on the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and assessment of both the current and forecast direction of conditions at the reporting date. As at 30 June 2019 the Group's loss allowance for expected credit losses on trade receivables was £nil.

Operating Leases

Rental income charge to tenants from operating leases is recognised on a straight line basis over the term of the relevant lease. Tenant lease incentives are recognised as a reduction of rental income when they arise. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the profit and loss account when the right to receive them arises.

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 19.

Trade and Other Payables

Trade and other payables are not interest bearing and are stated at their amortised cost.

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 expected tax payable on any non REIT taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

Revenue Recognition

Rental income arises from assured shorthold tenancies on investment properties with a period no longer than 12 months and is accounted for on an accruals basis.

Expenses

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

Finance Income

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

Finance Costs

Interest is charged as it accrues on bank loans held by the Group.

Costs of Borrowing

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

Share Issue Costs

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

Significant Accounting Judgements, Estimates and Assumptions

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

In the process of applying the Group's accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Acquisition of subsidiaries – as a business

During the period, the Group acquired five property owning special purpose vehicles. The Directors considered whether these acquisitions met the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that these acquisitions met the criteria for the acquisition of a business as outlined in IFRS 3 as the acquisitions were conditional on the IPO proceeding. All assets acquired and liabilities assumed in a business combination are measured at acquisition date fair value. The fair value of the assets and liabilities as at the date of the acquisitions were as follows:

	Sigma PRS Investments IV & V Limited £'000	Sigma PRS Investments (Our Lady's) Limited £'000	Sigma PRS Investments VIII & IX Limited £'000	Total £'000
Investment properties acquired	10,320	11,660	12,685	34,665
Other receivables	13	13	21	47
Other payables	(19)	(29)	(32)	(80)
Total consideration paid	**10,314**	**11,644**	**12,674**	**34,632**

> Investment property is measured at fair value as at the date of the acquisition of the subsidiary by an independent valuation expert.

> Other receivables are taken as being the value recorded in the accounts of the Company acquired, being the best estimate of their fair value.

> Other creditor balances are measured at the amounts actually payable.

> The total consideration paid was cash settled and no goodwill arose on acquisition.

(ii) Acquisition of subsidiaries – as a group of assets and liabilities

During the period, the Group acquired a further five property owning special purpose vehicles. The Directors considered whether these acquisitions meet the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that acquisitions did not meet the criteria for the acquisition of a business as outlined in IFRS 3 as they did not have an integrated set of activities and assets that were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. Furthermore, a business consists of inputs and process applied to those inputs that have the ability to create outputs. The fair value of identifiable assets and liabilities is allocated on the basis of their relative fair values at the date of purchase. The Directors have reviewed the fair value of the assets and liabilities as at the date of the acquisitions which were as follows:

	Sigma PRS Investments (Cable Street II) Limited £'000	Sigma PRS Investments (Our Lady's) Limited £'000	Sigma PRS Investments (DarlastonII) Limited £'000	Sigma PRS Investments (Darlaston Phase 2 II) Limited £'000	Sigma PRS Investments (Sutherland School II) Limited £'000	Total £'000
Investment properties acquired	2,862	2,519	1,755	1,746	2,905	11,787
Other receivables	-	474	-	-	528	1,002
Total consideration paid	2,862	2,993	1,755	1,746	3,433	12,789

> Investment property is measured at fair value as at the date of the acquisition of the subsidiary by an independent valuation expert.

> Other receivables are taken as being the value recorded in the accounts of the Company acquired, being the best the amounts actually recoverable.

(iii) Fair value of investment property

The fair value of any property, including investment property under construction is determined by an independent property valuation expert to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. The valuation experts use recognised valuation techniques applying principles of both IAS40 and IFRS13.

The key assumptions that are used in fair value assessment of completed assets are net investment yield and gross to net assumption. The key assumptions that are used in the fair value assessment of assets under construction are investment value on completion, gross development costs, construction costs spend to date and estimated profit on completion.

The valuations are prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 ("Red Book").

There were no estimates impacting the business.

5. Rental Income

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Gross rental income from investment property	5,970	1,765
	5,970	1,765

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

6. Non-recoverable Property Costs

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Other property expenses and irrecoverable costs	1,054	274
	1,054	274

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

7. Directors' Remuneration

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Directors' emoluments	123	67
	123	67

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The Chairman receives a Director's fee of £45,000 per annum, and the other Directors of the Board receive a fee of £30,000 per annum (with the exception of the Chairman of the Audit Committee who receives an additional fee of £5,000 per annum).

8. Particulars of Employees

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

9. Investment Advisory Fees

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Advisory Fee	4,402	3,295
	4,402	3,295

Sigma PRS Management Ltd is appointed is the Investment Adviser of the Company. Under the current Investment Management Agreement, the Advisory Fee shall be an amount calculated in respect of each month, in each case based upon the Adjusted Net Asset Value on the following basis:

(a) 1 per cent per annum of the Adjusted Net Asset Value up to, and including, £250 million;

(b) 0.90 per cent per annum of the Adjusted Net Asset Value in excess of £250 million and up to, and including, £500 million;

(c) 0.80 per cent per annum of the Adjusted Net Asset Value in excess of £500 million and up to, and including, £1 billion; and

(d) 0.70 per cent per annum of the Adjusted Net Asset Value in excess of £1 billion.

The appointment of the Investment Adviser shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 31 May 2023.

10. Administrative Expenses

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Legal and professional fees	210	91
Administration and secretarial fees	151	123
Audit and tax fees	157	134
Valuation fees	227	156
Depositary fees	43	56
Financial adviser and broker	60	66
Insurance	27	20
Public relations	66	41
Regulatory fees	169	134
Sundry expenses	12	5
Subscriptions	26	-
Bad debt provision	13	-
Costs of acquisition of subsidiaries	28	24
Disallowed VAT	165	127
	1,354	977

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Services provided by the Group's Auditors and its associates

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

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Audit of the Group financial statements	80	70
Audit of the subsidiary financial statements	50	21
Review of the half year financial statements	18	18
Corporate services relating to the initial launch		35
	148	144

11. Finance Income

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Interest on short term deposits	789	570
	789	570

12. Finance Cost

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Amortisation of debt legal costs and arrangement fees	69	-
Interest on bank loans	795	-
	864	-

13.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 period, 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 as it is not anticipated that sufficient residual profits will be generated in the future.

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'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 year/period is less than the standard rate of corporation tax in the UK of 19 per cent. The differences are explained below.

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Profit before tax	14,571	3,237
Tax at UK corporation tax standard rate of 19%	2,768	615
Change in value of exempt investment properties	(2,966)	(1,048)
Exempt REIT income	(719)	(232)
Amounts not deductible for tax purposes	5	14
Unutilised residual current period tax losses not recognised in deferred tax	816	582
Difference in deferred tax rates	96	69
	-	-

The standard rate of corporation tax in the UK for the period from incorporation to 31 March 2017 was 20%. From 1 April 2017 to 30 June 2019, the standard rate of corporation tax in the UK was 19%.

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

14. Earnings per Share

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

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

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Net profit attributable to ordinary shareholders	14,571	3,237
EPRA adjustments: Changes in value of investment properties	(15,609)	(5,515)
EPRA Net loss attributable to ordinary shareholders	(1,038)	(2,278)
Weighted average number of ordinary shares	495,180,547	330,854,803
Earnings per share (pence)	2.9	1.0
EPRA loss per share (pence)	(0.2)	(0.7)

15. Dividends

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

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Dividend of 1.5p for the 7 months to 31 December 2017	-	3,757
Dividend of 1.0p for the 3 months to 31 March 2018	-	4,943
Dividend of 2.5p for the 3 months to 30 June 2018	12,382	-
Dividend of 1.0p for the 3 months to 30 September 2018	4,953	-
Dividend of 1.0p for the 3 months to 31 December 2018	4,953	-
Dividend of 1.0p for the 3 months to 31 March 2019	4,953	-
	27,241	8,700

On 31 January 2018, the Company announced the declaration of a dividend in respect of the period from 31 May 2017 to 31 December 2017 of 1.5 pence per Ordinary Share, which was payable on 16 March 2018 to shareholders on the register as at 16 February 2018.

On 30 April 2018, the Company announced the declaration of a dividend in respect of the period from 1 January 2018 to 31 March 2018 of 1.0 pence per Ordinary Share which was payable on 31 May 2018 to shareholders on the register as at 11 May 2018.

On 31 July 2018, the Company announced the declaration of a dividend in respect of the period from 1 April 2018 to 30 June 2018 of 2.5 pence per Ordinary Share which was payable on 31 August 2018 to shareholders on the register as at 10 August 2018.

On 31 October 2018, the Company announced the declaration of a dividend in respect of the period from 1 July 2018 to 30 September 2018 of 1.0 pence per Ordinary Share which was payable on 30 November 2018 to shareholders on the register as at 9 November 2018.

On 31 January 2019, the Company announced the declaration of a dividend in respect of the period from 1 October 2018 to 31 December 2018 of 1.0 pence per Ordinary Share which was payable on 28 February 2019 to shareholders on the register as at 8 February 2019.

On 29 April 2019, the Company announced the declaration of a dividend in respect of the period from 1 January 2019 to 31 March 2019 of 1.0 pence per Ordinary Share which was payable on 31 May 2019 to shareholders on the register as at 10 May 2019.

A further dividend was paid during August 2019 which is detailed under note 33, Post Balance Sheet Events.

16. Investment Property

The freehold, leasehold and part freehold part leasehold interests in the properties held within the PRS REIT were independently valued as at 30 June 2019 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 2017 incorporating the IVSC International Valuation Standards (the "RICS Red Book"). The valuation basis conforms to International Valuation Standards and is based on market evidence of investment yields, expected gross to net income rates and actual and expected rental values.

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

	Completed Assets £'000	Assets under Construction £'000	Total £'000
Properties acquired on acquisition of subsidiaries	40,770	10,640	51,410
Property additions - subsequent expenditure	-	64,184	64,184
Change in fair value	850	4,665	5,515
Transfers to completed assets	2,015	(2,015)	-
At 30 June 2018	43,635	77,474	121,109
Properties acquired on acquisition of subsidiaries	34,665	11,787	46,452
Property additions - subsequent expenditure	-	179,105	179,105
Change in fair value	1,605	14,004	15,609
Transfers to completed assets	73,020	(73,020)	-
At 30 June 2019	**152,925**	**209,350**	**362,275**

The historic cost of completed assets and assets under construction as at 30 June 2019 was £341,151 (2018: £115,594).

16. Investment Property (continued)

Fair Values

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

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 unobservable inputs for the asset or liability.

Investment property falls within Level 3. The Investment valuations provided by the external valuation expert are based on RICS Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions. The significant unobservable inputs and the range of values used are:

Type	Range
Investment yield	4.30% to 4.84%
Gross to net assumption	22.5% to 25.0%

The impact of changes to the significant unobservable inputs are:

	2019 Impact on statement of comprehensive income	2019 Impact on statement of financial position	2018 Impact on statement of comprehensive income £'000	2018 Impact on statement of financial position £'000
Improvement in yield by 0.125%	10,411	10,411	5,400	5,400
Worsening in yield by 0.125%	(9,934)	(9,934)	(5,223)	(5,223)
Improvement in gross to net by 1%	4,647	4,647	2,412	2,412
Worsening in gross to net by 1%	(4,742)	(4,742)	(2,557)	(2,557)

17. Investment in Subsidiaries

Company

	Year ended 30 June 2019 £'000	31 May 2017 to 30 June 2018 £'000
Cost at the start of the period	104,273	-
Additions during the period	221,428	104,273
Cost at the end of the period	325,701	104,273

The Group comprises a number of companies, all subsidiaries included within these financial statements are noted below:

Ownership Name of Entity	Principal Activity	Country of Incorporation	%
The PRS REIT Development Company Limited	Property Investment	England	100%
The PRS REIT Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT Investments LLP	Property Investment	England	100%
The PRS REIT Memberco Limited	Property Investment	England	100%
The PRS REIT (LBG) Borrower Limited	Property Investment	England	100%
The PRS REIT (LBG) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (LBG) Investments LLP	Property Investment	England	100%
The PRS REIT (LBG) Memberco Limited	Property Investment	England	100%
The PRS REIT (SW) Borrower Limited	Property Investment	England	100%
The PRS REIT (SW) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (SW) Investments LLP	Property Investment	England	100%
The PRS REIT (SW) Memberco Limited	Property Investment	England	100%
The PRS REIT (SW II) Holding Company Limited	Investment Holding Company	England	100%
The PRS REIT (SW II) Borrower Limited	Property Investment	England	100%
The PRS REIT (SW II) Memberco Limited	Property Investment	England	100%
The PRS REIT (SW II) Investments LLP	Property Investment	England	100%
Sigma PRS Investments I Limited	Property Investment	Scotland	100%
Sigma PRS Investments II Limited	Property Investment	England	100%
Sigma PRS Investments III Limited	Property Investment	England	100%
Sigma PRS Investments VI Limited	Property Investment	England	100%
Sigma PRS Investments VII Limited	Property Investment	England	100%
Sigma PRS Investments IV Limited	Property Investment	England	100%
Sigma PRS Investments V Limited	Property Investment	England	100%
Sigma PRS Investments VIII Limited	Property Investment	England	100%
Sigma PRS Investments IX Limited	Property Investment	England	100%
Sigma PRS Investments (Baytree II) Limited	Property Investment	England	100%
Sigma PRS Investments (Cable Street II) Limited	Property Investment	England	100%
Sigma PRS Investments (Carr Lane II) Limited	Property Investment	England	100%
Sigma PRS Investments (Darlaston II) Limited	Property Investment	England	100%
Sigma PRS Investments (Darlaston Phase 2 II) Limited	Property Investment	England	100%
Sigma PRS Investments (Newton Le Willows II) Limited	Property Investment	England	100%
Sigma PRS Investments (Our Lady's) Limited	Property Investment	England	100%
Sigma PRS Investments (Sutherland School II) Limited	Property Investment	England	100%
Sigma PRS Investments (Whitworth Way II) Limited	Property Investment	England	100%

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

18. Trade Receivables and Other Current Assets

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade receivables	89	-	28	-
Receivables from group undertakings	-	34,076	-	27,995
Accrued income	132	21	127	71
Social security and other taxes	1,037	-	1,969	-
Prepayments and other receivables	4,210	220	1,690	1,658
	5,468	**34,317**	**3,814**	**29,724**

The Directors consider that the carrying amount of trade receivables approximates to their fair value. Debts provided for and written off are determined on an individual basis and included with administrative expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented above. As at 30 June 2019, £55,000 of trade receivables are less than thirty days. The Group has no pledge as security on trade receivables.

19. Cash and Cash Equivalents

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Treasury reserve deposits	-	-	50,000	50,000
Restricted cash	125,000	-	25,000	-
Cash held with solicitors	7,569	-	-	-
Cash at bank	97,377	88,945	299,339	296,614
	229,946	**88,945**	**374,339**	**346,614**

Restricted cash comprises £125m (2018: £25m) in funds held in a bank account controlled by one of the Group's lenders and are released to free cash once certain loan conditions are met.

Treasury reserve deposits refers to money held on deposit for a fixed term and fixed interest rate. At 30 June 2019, the Group held no treasury reserve deposits (2018: one).

20. Trade and Other Payables

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Current Liabilities				
Trade payables	12,953	499	5,022	27
Payables to group undertakings	-	-	-	611
Accruals and deferred income	7,438	141	7,265	665
Other creditors	14	2	5	5
Social security and other taxes	5	5	4	4
	20,410	**647**	**12,296**	**1,312**
Non-Current Liabilities				
Accruals and deferred income	2,954	-	961	-
	23,364	**647**	**13,257**	**1,312**

21. Interest bearing loans and borrowings

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Non-Current Liabilities				
Bank loans	100,000	-	-	-

Through its subsidiaries the Company has granted fixed and floating charges to secure the loans. At 30 June 2019 and 30 June 2018, the only asset secured was £25m of cash collateral.

The Group's borrowing facilities are with Scottish Widows and Lloyds Bank plc. At 30 June 2019, these comprised two fixed-rate term facilities from Scottish Widows for an aggregate of £250m with a weighted average maturity of 18.6 years and a revolving credit facility with Lloyds Bank for £100m. The Company has credit approval to increase the limit of the revolving credit facility to £150m. At 30 June 2019, the Company had drawn down £100m from the fixed rate term facilities with Scottish Widows which can be utilised when investment property is pledged as security. The Group's maximum loan to value ratio can be no more than 45%. As the loan was not utilised as at 30 June 2019 the Group's loan to value was nil (2018: nil).

22. Share capital

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

	2019 No. of Shares	2019 Share Capital £'000	2018 No. of Shares	2018 Share Capital £'000
Group and Company				
Balance at the beginning of period	**494,348,018**	**4,943**	-	-
Shares issued in relation to IPO	**-**	**-**	250,000,000	2,500
Shares issued in relation to management contract	**929,276**	**10**	445,578	4
Shares issued in relation to Placing Programme	**-**	**-**	243,902,440	2,439
Balance at end of period	**495,277,294**	**4,953**	494,348,018	4,943

The Company was admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange on 31 May 2017, raising £250m gross. In February 2018, the Company raised a further £250m gross through its placing programme.

23. Share Premium Reserve

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

	2019 £'000	2018 £'000
Group and Company		
Balance at beginning of period	**244,025**	-
Share premium arising on shares issued in relation to IPO	**-**	247,500
Share issue expenses in relation to the IPO	**-**	(5,000)
Transfer to capital reduction reserve	**-**	(242,500)
Share premium arising on shares issued in relation to management contract	**961**	463
Share premium arising on shares issued in relation to Placing Programme	**-**	247,561
Share issue credit/(expense) in relation to the Placing Programme	**19**	(3,999)
Balance at end of period	**245,005**	244,025

As stated in the Company's prospectus dated 4 May 2017, in order to increase the distributable reserves available to facilitate the payment of future dividends, the Company resolved that, conditional upon First Admission and approval of the Court, the amount standing to the credit of the share premium account as a result of the IPO be cancelled and transferred to a special distributable reserve.

The Company obtained court approval on 1 November 2017. An SH19 form was sent to Companies House with a copy of the court order on 1 November 2017 and the certificate of cancellation was issued by Companies House on 2 November 2017.

24. 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.

	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Balance at beginning of period	**233,800**	-
Transfer from share premium reserve	-	242,500
Dividend paid of 1.5p per share for the period ended 31 December 2017	-	(3,757)
Dividend paid of 1.0p per share for the period ended 31 March 2018	-	(4,943)
Dividend paid of 2.5p per share for the period ended 30 June 2018	**(12,382)**	-
Dividend paid of 1.0p per share for the period ended 30 September 2018	**(4,953)**	-
Dividend paid of 1.0p per share for the period ended 31 December 2018	**(4,953)**	-
Dividend paid of 1.0p per share for the period ended 31 March 2019	**(4,953)**	-
Balance at end of period	**206,559**	233,800

25.Redeemable Preference Shares

On 24 April 2017, the Company allotted 50,000 redeemable preference shares of £1 each to meet the minimum capital requirements. On 31 May 2017 and on completion of the IPO, the shares were redeemed at par value.

26. IFRS Net Asset Value per Share

Basic NAV per share is calculated by dividing net assets in the Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary Shares outstanding at the end of the period. As there are no dilutive instruments, only basic NAV per share is quoted below.

Net asset values have been calculated as follows:

	As at 30 June 2019	As at 30 June 2018
Net assets at end of period (£'000)	**474,325**	486,005
Shares in issue at end of period	**495,277,294**	494,348,018
Basic IFRS NAV per share (pence)	**95.8**	98.3

The NAV per share calculated on an EPRA basis is the same as the IFRS NAV per share for the year ended 30 June 2019 and the period to 30 June 2018.

27. Controlling Parties

As at 30 June 2019 and 30 June 2018, there is no ultimate controlling party.

28. 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 17 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.

29. Operating Leases

The future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's property portfolio are as follows:

	Group 2019 £'000	Group 2018 £'000
Receivable within 1 year	5,352	1,854
	5,352	1,854

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

The future minimum lease payments payable under non-cancellable operating leases in respect of the Group's property portfolio are as follows:

	Group 2019 £'000	Group 2018 £'000
Payable within 1 year	30	16
Payable between 1 and 5 years	120	66
Payable greater than 5 years	7,433	4,079
	7,583	4,161

30. Capital commitments

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £525,826,000 (2018: 206,991,000). As at 30 June 2019, £260,159,000 (2018: £128,871,000) of such commitments remained outstanding.

31.Related Party Disclosure

The number of shares owned by the Directors of the Company as at 30 June 2019 along with dividends they received during the period is as follows:

Company Director	No. of shares held		Dividends Received	
	2019	**2018**	**2019**	**2018**
Roderick MacRae	100,000	100,000	£5,500	£1,600
Steffan Francis	50,000	30,000	£1,650	£750
Stephen Smith	80,000	80,000	£4,400	£2,000
Jim Prower	-	-	-	-

For the current year, Directors' fees of £114,000 (2018: £64,000) were incurred.

32. Transactions with Investment Adviser

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

For the year ended 30 June 2019, fees of £4,402,000 (2018: £3,295,000) were incurred and payable to Sigma PRS Management Ltd in respect of investment advisory services. At 30 June 2019, £362,000 (2018: £374,000) remained unpaid.

For the year ended 30 June 2019, development fees of £7,332,000 (2018: £2,878,000) were incurred and payable to Sigma PRS Management Ltd. At 30 June 2019, £706,000 (2018: £515,742) remained unpaid.

For the year ended 30 June 2019, administration and secretarial services of £90,000 (2018: £97,500) were incurred and payable to Sigma Capital Property Ltd, a fellow subsidiary of the ultimate holding company of the Investment Adviser. At 30 June 2019, £22,500 (2018: £15,000) remained unpaid.

For the year ended 30 June 2019, Sigma PRS Management Ltd acquired 3,194,274 (2018: 445,578) shares in the Company. Of the 3,194,274 shares acquired in the year, 929,276 were new shares issued by the Company as a price of 104.5 pence per share. The remaining 2,264,998 shares acquired in the year were purchased in the market at an average price of 100 pence per share. All the shares acquired in the prior period were new shares issued by the Company at 105 pence per share. Subsequent to the year end, Sigma PRS Management Ltd acquired further shares of 750,000. Sigma PRS Management Ltd's shareholding equates to 0.9% of the issued share capital in the Company. All the shares acquired in the year and prior period were in accordance with the Development Management Agreement between the Company and Sigma PRS Management Ltd.

For the year ended 30 June 2019, Sigma PRS Management Ltd received dividends from the Company of £99,000 (2018: £11,000).

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

> Sigma PRS Investments IV Limited and Sigma PRS Investments V Limited for a consideration of £10,314,000

> Sigma PRS Investments VIII Limited and Sigma PRS Investments IX Limited for a consideration of £12,674,000

> Sigma PRS Investments (Cable Street II) Limited for a consideration of £2,862,000

> Sigma PRS Investments (Darlaston II) Limited for a consideration of £1,755,000

> Sigma PRS Investments (Darlaston Phase 2 II) Limited for a consideration of £1,746,000

> Sigma PRS Investments (Our Lady's) Limited for a consideration of £11,644,000

> Sigma PRS Investments (Sutherland School II) Limited for a consideration of £3,433,000

> Sigma PRS Investments (Whitworth Way II) Limited for a consideration of £2,993,000

33. Post Balance Sheet Events

Dividend

On 31 July 2019, the Company declared a dividend in respect of the period from 1 April 2019 to 30 June 2019 of 2.0p per Ordinary Share totalling £9,905,546. The dividend was paid on 30 August 2019 to shareholders on the register at 9 August 2019. The ex-dividend date was the 8 August 2019.

Acquisition of Investment Properties

Since the year end and to the date of this report, the Company has acquired the following land for development of investment property:

- Acquired a site in July 2019 located in Harlow, Essex for £5.6m

Acquisition of ordinary shares under Development Management Agreement

Subsequent to the year end and in accordance with the Development Management Agreement, Sigma PRS Management Ltd has acquired 750,000 ordinary shares in the Company at an average price of 94.9 pence per ordinary share.

The PRS REIT plc

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