Company Number 10638461

THE PRS REIT PLC

INTERIM REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The PRS REIT plc

EDINBURGH

18 Alva Street
Edinburgh
EH2 4QG

MANCHESTER

Floor 3, 1 St Ann Street
Manchester
M2 7LR

LONDON

Office 106, 2nd Floor
40 Gracechurch Street
London EC3V 0BT

Tel: 0333 999 9926

INTERIM REPORT AND FINANCIAL STATEMENTS

CONTENTS	PAGE

HIGHLIGHTS

Coronavirus Update

- While there is considerable uncertainty as a result of the coronavirus pandemic, the Board believes that the Company is well positioned in the face of the crisis
  - delivery model substantially mitigates risk
  - balance sheet is robust
  - gearing is low at c.21% and there is considerable headroom on committed bank facilities
  - scale and geographic spread of portfolio of family homes reduces risk
  - cost base is covered by net rental income
- Dividends of 1.0p per ordinary share were paid for each of Q1 and Q2. The interim dividend in respect of Q3 will be deferred for review in Q4 when the outlook is likely to be clearer
- **H1 Trading Summary**
- 444 new rental homes were completed in H1, taking completed homes to 1,617 at period end, up 109% from a year ago and up 38% on H2 2019
- Annualised rental income up to £14.9m at period end, a 113% rise year-on-year, reflecting increased rate of completions and lettings
- Completed assets performed well – rents 2% above budget, confirming strong underlying demand
  - 600 homes let or reserved between 1 January and 27 March 2020

Financial

	H1 2020	H1 2019	Change
Rental income (gross)	**£5.6m**	£2.3m	+143%
Profit from operations	**£12.4m**	£7.3m	+70%
Profit before tax	**£11.0m**	£7.5m	+47%
Basic earnings per share	**2.2p**	1.5p	+47%
Net assets at 31 December	**£470.4m**	£477.2m	- 1%
IFRS and EPRA NAV per share at 31 December	**95.0p (after dividends of 11.0p paid)**	96.3p (after dividends of 6.0p paid)	

Housing Delivery

	At 31 December 2019	At 31 December 2018	Change %
Completed homes			
Number of completed PRS units	**1,617**	775	+109%
Estimated rental value ("ERV") per annum	**£14.9m**	£7.0m	+113%
Contracted homes			
Total number of contracted homes	**3,328**	2,800	+19%
ERV per annum	**£32.7m**	£26.2m	+25%
Total number of sites (completed and contracted)	**62**	43	+44%
Number of completed and contracted units	**4,945**	3,575	38%
Gross development cost ("GDC")	**£771m**	£530m	45%
ERV per annum	**£47.6m**	£33.2m	43%
Uplift on development cost to market value, subject to vacant possession (MV-VP)	**15.4%**	n/a	

HIGHLIGHTS

Outlook

- Full deployment of balance of funding, approximately £75m, has been strategically deferred pending assessment of opportunities, particularly for acquiring completed assets
- At 27 March 2020, the completed homes total had risen to 1,947 and c.3,000 homes were underway – together nearly 5,000 family homes once fully completed
    - 1,675 homes are let, generating £15.4m annualised rental income
- In response to the coronavirus crisis, construction work on all sites has recently been temporarily suspended. Given the Company's delivery model, which includes fixed price contracts, there is little adverse cash flow implication for the Company during this period of suspension
- Family rental housing market in the UK remains critically undersupplied. The trend underpins the Company's long term growth prospects
- Strong Central and Local Government support, including from Homes England

Steve Smith, Non-Executive Chairman, said:

"While the coronavirus pandemic has created significant uncertainty in every walk of life, we believe that our business is resilient. Our delivery model and processes substantially mitigate the Company's exposure to construction and other operational risks, and we have a robust balance sheet and low gearing, which are unaffected by a pause in construction activity. Our customer base is diversified and the underlying demand for good quality rental housing is strong.

"Our priority is the welfare of our colleagues, tenants and communities, and this remains our focus as we continue to adapt to the changing conditions created by the coronavirus.

"We have added 444 new family rental homes in the first half of this financial year and a further 330 since then, taking the PRS REIT's portfolio to 1,947 completed homes across the regions of England. We are targeting around 5,300 properties once the balance of the Company's existing funds is fully deployed. Our deployment approach has now strategically shifted to focus on the acquisition of completed assets.

"In light of the coronavirus situation, a decision regarding the payment of a dividend in respect of the third quarter will now be taken in the fourth quarter of the current financial year, when the outlook is likely to be clearer.

"Despite the current macro uncertainty, we continue to view long-term prospects with confidence as we meet the critical need for quality family houses in the UK."

CHAIRMAN'S STATEMENT

Overview

This interim report covers The PRS REIT plc's (the "Company" or "PRS REIT") results and progress for the six months ended 31 December 2019. The Company made good progress over the period, however, in recent weeks, the spread of the coronavirus in the UK has caused unprecedented economic and social disruption. It is difficult to predict accurately the full impact of the pandemic, but we believe that the Company's business model and strategy are resilient and we will adapt as the current situation evolves. Our overriding priority remains the welfare of our colleagues, tenants and communities.

The Company has a robust balance sheet, a diversified customer base and a housing delivery model that limits construction risk. The Company's cost base is covered by net rental income.

In the first half of the financial year, a further 444 new homes were completed, which took the PRS REIT's portfolio to 1,617 homes at the half year end (30 June 2019: 1,173 and 31 December 2018: 775), and housing construction spanned 62 sites across the regions of England (31 December 2018: 43 sites).

Currently, all construction activity has been suspended across all sites, a measure put in place by all major house builders in response to the coronavirus. At present, it is not known when activity will resume but there should be little adverse cash flow or balance sheet effect during this period of suspension, reflecting the Company's delivery model and our fixed price contracts.

The latest data on our housing activity is at 27 March 2020, when the number of completed homes stood at 1,947, an additional 330 since January 2020, with approximately 3,000 homes underway. The number of homes let is 1,675, generating an annualised rental income of £15.4m across six regions.

We reported in early January 2020 that the major part of the PRS REIT's available funding (£900 million gross) had been contracted and that the balance of approximately £75 million was expected to be fully contracted by the end of March 2020. Given the changing situation as a result of the coronavirus, we have strategically deferred deployment of the balance in order to reassess opportunities, particularly for the acquisition of completed assets. We expect to contract the balance of funds by the end of the third quarter of the calendar year, subject to the coronavirus position. With full deployment, the PRS REIT's initial portfolio is anticipated to constitute around 5,300 new rental properties, yielding a potential £53.0 million in gross rental income per annum once all the homes are completed and let.

The PRS REIT's growing portfolio of homes is establishing it as a leading player in the build-to-rent sector, and the Company remains the only quoted REIT to focus exclusively on the Private Rented Sector ("PRS") in the UK and the first to focus on family homes. This market continues to be underserved, with the majority of build-to-rent activity concentrated on the development of city centre flats. Long-term, demand for our family houses is expected to be strong, reflecting the critical shortage of housing and the attraction of our high quality, well-located, professionally-managed homes.

We are pleased to have a strong governmental support, including from Homes England, the public body sponsored by the Ministry of Housing, Communities & Local Government.

Financial results

Revenue, which was all derived from rental income, increased by 143% to £5.6 million in the six months ended 31 December 2019 (31 December 2018: £2.3 million), reflecting the growth in assets in the portfolio. After non-recoverable property costs, the net rental income for the period increased by 137% to £4.5 million (31 December 2018: £1.9 million).

Profit from operations rose by 70% to £12.4 million over the first half (31 December 2018: £7.3 million) after gains of £10.9 million from fair value adjustments on investment property (31 December 2018: £8.2 million) and total expenses of £2.9 million (31 December 2018: £2.8 million). Profit before tax for the period increased by 47% to £11.0 million (31 December 2018: £7.5 million) and basic earnings per share rose by 47% to 2.21p (31 December 2018: 1.52p).

As at 31 December 2019, the PRS REIT's net assets totalled £470.4 million (30 June 2019: £474.3 million). This represents a net asset value ("NAV") per share of 95.0p, on both the International Financial Reporting Standards ("IFRS") basis, as adopted by the European Union, and the European Public Real Estate Association ("EPRA") basis (30 June 2019: IFRS and EPRA NAV both 95.8p).

CHAIRMAN'S STATEMENT

The movement in the NAV position, from 95.8p to 95.0p between 30 June 2019 and 31 December 2019, is after the payment of 3p per share in total dividends (£14.9 million). These dividend payments comprised a final dividend payment of 2.0p per share, relating to the 2019 financial year, which was paid in August 2019, and a dividend payment of 1.0p per share, relating to the first quarter of the 2020 financial year, which was paid in November 2019.

We have reached an inflexion point given the growth of the portfolio, where operating cash inflows now exceed operating outflows and cover the Company's cost base.

KPI	Six months ended 31 December 2019 (unaudited)	Six months ended 31 December 2018 (unaudited)	Year ended 30 June 2019 (audited)
IFRS EPS (pence per share)	2.21	1.52	2.90
EPRA EPS (pence per share)	0.02	(0.10)	(0.20)

KPI	As at 31 December 2019 (unaudited)	As at 31 December 2018 (unaudited)	As at 30 June 2019 (audited)
IFRS NAV (pence per share)	95.0	96.3	95.8
EPRA NAV (pence per share)	95.0	96.3	95.8

Debt Facilities

As at 31 December 2019, the Company has £400 million of committed debt facilities in place. The first £100 million has been drawn, with the balance to be drawn over the next 18 months as we finish the current phase of construction. The debt facilities have an average term of 14.3 years and an average weighted cost of 2.72% once fully drawn. Our lending partners are Scottish Widows (£250 million), Lloyds Banking Group plc (£50 million) and The Royal Bank of Scotland plc (£100 million), to whom we would like to express our thanks for their support.

The Company's gearing is low at around 21% and it has significant headroom in its covenants. Our revised strategy for the balance of the deployment of our funds is focused on acquiring completed assets, which should accelerate net rental income and earnings growth.

Dividends

On 31 January 2020, the Board was pleased to declare a dividend of 1.0p per ordinary share in respect of the second quarter of the current financial year. The dividend was paid on 28 February 2020 to shareholders on the register as at 7 February 2020, and brought total dividends paid to date since the Company's inception in May 2017, to 12.0p per share.

Given the current situation caused by the coronavirus crisis, the Board will consider the payment of an interim dividend in respect of the three months to 31 March 2020 in the fourth quarter of the current financial year when the outlook is likely to be clearer than at present.

Environmental, Social and Governance ("ESG") Practices

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

The Board of Directors is responsible for determining the Company's investment objectives and policy, and has overall responsibility for the Company's activities including the review of investment activity and performance. The Board consists of four independent non-executive directors, all of whom bring significant and complementary experience in the management of listed funds, equity capital markets, public policy, operations and finance in the property and investment funds sectors.

CHAIRMAN'S STATEMENT

The Board delegates the day-to-day management of the business, including the management of ESG matters, to the Investment Adviser, Sigma PRS Management Ltd ("Sigma PRS"). Sigma PRS is a specialist in the sourcing, development and management of PRS assets, with in excess of £1 billion under management. It is also a signatory and participant of the United Nations Global Compact.

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

Outlook

The coronavirus crisis is evolving and changing rapidly, and its full effect on the macro environment in the UK and globally is not easy to predict. We have taken both operational and financial measures to guide the Company through this difficult period, and will continue to assess our plans as the situation changes. We believe that our business model is resilient and that we have the financial and operational capacity and capability to navigate challenges successfully while responding to opportunities. Our partners are well-established and supportive.

The key performance indicators for our completed assets are encouraging and demonstrate the strength of our delivery model and the strong underlying demand for our homes. Approximately 600 homes were let or reserved between 1 January and 27 March 2020.

The Company will continue to roll-out its new houses across the English regions as soon as on-site construction activity resumes. In this market, we expect greater potential for acquisitions of completed assets, and have revised our execution strategy accordingly. Housing remains a major political and social priority, and support for our activities from Central and Local Government is strong as we meet a fundamental societal need in the communities and local economies in which we operate.

We are fully focused on completing the full deployment of funds and delivering an estimated 5,300 homes. Despite current uncertainties caused by the coronavirus, the Board continues to view the Company's long term prospects very positively.

Steve Smith
Chairman

30 March 2020

INVESTMENT ADVISER'S REPORT

Sigma PRS Management Ltd ("Sigma PRS"), the Investment Adviser to the PRS REIT and a wholly-owned subsidiary of Sigma Capital Group plc ("Sigma"), is pleased to report on the Company's progress for the six months to 31 December 2019. Our view of the unfolding coronavirus crisis is in the Summary section of this report.

We are pleased with our progress in the period. With the volume of qualifying sites identified and secured, we are in a position to deploy the balance, approximately £75 million, of the Company's £900 million of gross funding. However, in light of the disruption in the market place, we have taken the strategic decision to defer deployment in order to reassess opportunities, particularly for the acquisition of completed assets.

Very recently, reacting to the coronavirus situation in the UK, national house builders have taken the decision to suspend all work on construction sites, a move we support, and, therefore work on all of the Company's sites has ceased. Given our housing delivery model and the fixed price nature of our contractual agreements, there is little resultant adverse effect on the Company's cash flows and balance sheet, and its exposure to construction activity will only resume when construction recommences.

Investment objective and strategy

The Company is addressing a significant opportunity to create a large portfolio of newly constructed rental stock that meets existing demand in the UK for well-located, high quality, professionally managed rental homes.

In doing so, the Company seeks to provide investors with an attractive level of income, together with the prospect of income and capital growth.

The PRS REIT's main focus is on establishing PRS sites composed of multiple individual family homes, with these homes let under the *'Simple Life'* brand to qualifying tenants. The aim is to create a geographically diverse portfolio of properties that have easy access to the main road and rail infrastructure and are close to large employment centres and local amenities. Proximity to good quality primary education is of particular importance and a major attraction for families with children. While the Company is focused on family houses, it will also invest in some low rise flats in appropriate locations.

The PRS REIT is building its portfolios in two ways:

- by acquiring undeveloped sites sourced by Sigma PRS. Their subsequent development is managed by Sigma PRS (or another member of the Sigma Group as development manager), and the completed PRS units are let under the *'Simple Life'* brand.

  The PRS REIT aims to fund a minimum of two-thirds of the new properties this way. Pre-development risks are identified and underwritten by Sigma and its partners, and sites will have an appropriate certificate of title, detailed planning consent and a fixed price design and build contract with one of Sigma's housebuilding partners prior to acquisition by the Company. During the construction phase, many of the properties are pre-let and subsequently occupied as they complete.

- by acquiring completed PRS sites from Sigma (and/or one of its subsidiaries), or from third parties. A pre-requisite is that these stabilised developments must accord with the PRS REIT's investment objectives and satisfy both return and occupancy hurdles. The Company can fund up to a maximum of one third of new properties in this manner. To date this route represents 15% of the Company's asset allocation.

The Investment Adviser's parent company, Sigma, has a well-established PRS delivery platform, which plays a central role in sourcing and developing investment opportunities. The PRS REIT has first right of refusal over sites within Sigma's platform assuming they meet its criteria and it has capital to fund the opportunities.

The platform comprises well-established relationships with construction partners, particularly Countryside Properties PLC ("Countryside Properties") but also Engie Regeneration Limited, Seddon Construction Limited and Vistry Partnerships Limited (formerly Galliford Try Partnerships Limited), and local authorities. These relationships enable Sigma to identify, source and deliver land and properties on behalf of the Company in the target geographies. Homes England, an executive non-departmental public body sponsored by the Ministry of Housing, Communities & Local Government, has been extremely supportive of Sigma, with both parties sharing the common goal of accelerating new housing delivery in England.

Delivery progress

Significant progress was made over the first half of the financial year, and we have identified the remainder of the sites required to invest the Company's funding of £900 million (gross) when full gearing is included. However, given market flux, we are reviewing opportunities, and will be looking especially closely at acquiring completed assets, which has the potential to accelerate net rental growth and the overall delivery of the portfolio.

The table below provides a summary of development activity, including the number of PRS units that have been completed since the launch of the Company on 31 May 2017, the gross development cost ("GDC") of sites and the estimated rental value ("ERV") of homes under construction or completed.

	At 31 December 2019	At 30 September 2019	At 30 June 2019	At 31 December 2018
Completed homes				
Number of completed PRS units	1,617	1,361	1,173	775
Rental income per annum	£14.9m	£12.3m	£10.7m	£7.0m
Contracted homes				
Total number of contracted homes	3,328	3,422	3,196	2,800
ERV per annum	£32.7m	£33.7m	£30.3m	£26.2m
Total number of sites (completed and contracted)	62	60	54	43
Number of completed and contracted units	4,945	4,783	4,369	3,575
GDC	£771m	£740m	£661m	£530m
ERV per annum	£47.6m	£46.0m	£41.0m	£33.2m

By 31 December 2019, the Company's portfolio of completed homes stood at 1,617, an increase of 109% on the same point in 2018 when 775 homes had been completed, and a 38% increase since 30 June 2019. This has driven a 113% increase in ERV on completed homes to £14.9 million per annum at the half year end, up from £7.0 million a year ago and a 39% increase from £10.7 million at 30 June 2019.

Between 1 January and 27 March 2020, a further 330 rental homes were completed with an ERV of approximately £3 million per annum. This has taken the Company's portfolio of completed homes to 1,947 homes, with an ERV of around £17.9m. Since the beginning of 2020, 600 properties were let or reserved, a record amount to date. At 27 March 2020, 1,675 homes were let across six regions, generating a rental income of £15.4m per annum.

The number of sites and geographical distribution continued to expand and stood at 62 sites at 31 December 2019 (31 December 2018: 43). To date, 21 of these sites are now fully complete and producing income, and 12 are partially complete, with some homes already let and income-producing.

Construction work on any development site is planned such that as tranches of homes complete, they can be released for letting while work continues elsewhere on the site. This means that development sites are capable of becoming income-generating relatively quickly and before they are fully completed.

Looking across the portfolio of existing and planned homes, approximately 60% are in the North West, with the Midlands accounting for approximately 17%, and Yorkshire and the North East representing around 15%. The number of homes in the South of England has increased to 381 from 248 homes at the same point last year and make up 8% of current completed and planned sites. The wide geographical spread of our sites across the regions and our diversified customer base help to mitigate risk, particularly in the current situation brought on by the coronavirus.

INVESTMENT ADVISER'S REPORT

Rental performance and key performance measures

The Company's completed properties continued to perform well, with rental income 2% higher than management budget across the let properties. The re-letting average, when a vacancy arose, was a little over 8 days, which confirms strong underlying demand.

Overall rental income has grown by 143% to £5.6 million (gross) year-on-year, reflecting the increase in asset delivery and good demand.

The Company's cost base is covered, with operating cash inflows expected to increase as rental income from the completed homes comes on stream. Any acquisition of completed assets should accelerate this growth.

Legislative change, in the form of the Tenant Fees Act 2019, which came into force on 1 June 2019, has added additional cost to the lettings process, and contributed to an increase in overall running costs. However, this cost will be partially offset by a reduction in agency fees, which reduce as the portfolio grows. Currently, costs are at 1.2% over the target 17% of gross rent during the development phase. However, the Gross to Net deduction during the development phase is well below published averages, at 18.2%, reflecting the benefits of our model. All other costs are in line with management's targets.

At stabilisation we are targeting the Gross to Net deduction to be 22.5%, under the sector average of 25%.

The table below summarises key performance measures on completed assets as at 31 December 2019:

Average gross yields on completed assets	6.2%
Average capital uplift on completed assets to Investment Value	6.1%
Average capital uplift on completed assets to Vacant Possession Value	15.4%
Cost management of Gross to Net during development phase	18.2%
Re-letting period	8.3 days average
Rents	2% above budget

The Investment Valuation completed in December 2019 showed an average uplift in the value of completed assets over the costs of delivery of 6.1%. Benchmarked against vacant possession value, the average uplift in the value was 15.4%. Both of these uplifts provide significant headroom between cost and value, underlining the benefits of the PRS REIT's model.

ESG statement

The PRS REIT delegates the day-to-day management of ESG matters to the Investment Adviser, who assesses how ESG should be managed and integrated at Company and asset level on an ongoing basis. ESG information is reported on a quarterly basis to the PRS REIT's Board.

We recognise that the Company's, and our activities, have an impact on the environment and can also affect the lives of tenants and the wider community. We therefore wish to incorporate environmental, social and governance factors into decision-making processes and the way in which we operate. In order to better direct our ESG efforts, we have signed up to the UN Global Compact, and committed to its 10 principles, based on human rights, labour, environment and anti-corruption. We deploy a robust management structure to manage ESG issues effectively throughout the lifecycle of PRS assets. This is summarised below.

Opportunity review

- ESG risks are assessed, based on commitment, capacity, track record and features of the site
- Mitigation plans are identified

INVESTMENT ADVISER'S REPORT

Investment decision

- ESG issues are listed and addressed in a summary investment paper that informs decision-making at the Investment Committee stage
- ESG costs, including ongoing community and charitable involvement, continue to be determined and factored in to the investment decision process

Asset management

- Appropriate governance structures are established
- Relevant laws and regulations are adhered to
- Ongoing monitoring and management of ESG issues is established
- Impacts on the natural habitat surrounding PRS assets are managed
- Local community engagement and support plans are established
- Due diligence is performed on third parties
- Anti-corruption and money-laundering policies are established
- Best practice is established
- Carbon reduction opportunities are sought
- Investment restrictions are screened
- Investment's ability to comply with the ESG standards is assessed

Environmental

Processes and strategies

Whilst the Company's activities do not directly impact the environment, the Company takes account of the potential impact of its key business partners. We therefore work with partners who share our values and can demonstrate a commitment to working sustainably. We require all of our delivery partners to have policies on the management and origination of their supply chain, usage of resources and approach to biodiversity, and to integrate effective design into the houses and developments they build on the Company's behalf.

Countryside Properties, with whom we work most closely, has a strong track record in sustainable development. In its last reporting year, Countryside Properties diverted 99.4% of its waste away from landfill. As a result of its approach to ESG, it features in the FTSE4Good Index Series, which measures the performance of companies demonstrating strong ESG practices.

Physical environment

Sigma PRS planted 1,000 trees over the course of 2019 and intends to plant a further 1,000 trees over the course of 2020. The initiative makes a positive environmental contribution as well as enhancing our developments and the local neighbourhood. We are also working with landscapers to commence a programme of wildflower planting in our developments that will promote a greater volume of invertebrate life, which will support the wild bird population and greater overall biodiversity.

An exciting development in 2019 was the opening of Countryside's new modular panel factory in Warrington. At full capacity, the factory will be capable of manufacturing up to 1,500 homes per year. The homes are produced with sustainable timber, from certified forests, and as the homes are constructed in a factory setting, tracking and quality control processes are more efficient. The factory does not generate any landfill, with 96.4% of waste recycled and the remainder used as refuse-derived fuel in power generation. By the end of the first half of the financial year, the Company had taken delivery of over 350 of these modular homes, which are quicker to construct once on site and require less labour than a traditionally built home. They also create fewer vehicular movements, reducing greenhouse gas emissions.

Clothes banks

We have initiatives in place to encourage tenants to act sustainably. Notably, we are establishing clothes banks on each completed development, with collected garments either redistributed to good causes or recycled. We also include reusable shopping bags and water flasks in the 'Welcome' boxes provided to new tenants.

Promotion of electric cars and transport policy

During 2020, we plan to introduce a subsidised electric vehicle car policy to encourage staff to switch away from fossil fuels, and all our contractor partners have agreed to the adoption of targets to electrify their workforce transport.

Social

Strong social values underpin the Company's engagement with tenants and the local communities in which the Company's developments are situated. These values include integrity, trust and respect for others. We intend the *Simple Life* brand to represent a new, higher standard of rental experience, and our aim is for tenants to feel secure in their tenancy and enjoy their home and neighbourhood with total piece of mind.

We also believe in investing in the wider community. During the current financial year, we are funding projects across ten schools that are close to a number of our developments. Over £66,000 has been provided to equip these schools with facilities, including sensory rooms, playground landscaping, ponds, fitness and play equipment. We look forward to assisting further schools and projects in due course.

We continue to support a range of charities, including: Park Palace Ponies, a charity that enables young children in Liverpool to experience horse riding; Loaves and Fishes, a homeless charity based in Salford; and The Big Help Project, an anti-poverty charity based in Knowsley. We also support three food banks, in the North West and the Midlands, and various local sports clubs near our developments, including The Albert Tennis Club in Wolverhampton, Sale Rugby Club U18's and Sale United Football Club.

Our calendar of events for our customers is growing and this year our pizza nights, Easter egg hunts, ice cream dashes and visits from Santa Claus and his reindeer will reach over 3,000 households across over 30 sites. These activities foster friendly and engaged neighbourhoods, and promote social interaction across the age ranges.

Health and Safety

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

Equality

As an employer, Sigma PRS and its parent company, Sigma, aim to provide a collaborative and supportive working environment for all of their employees. Equality of opportunity is a core value and we wish to ensure that the best person for any role has the opportunity to apply for and excel in it.

Governance

Strong governance is essential to ensuring that risks are identified and managed, and enabling the delivery of returns in line with expectations whilst protecting the interests of shareholders.

Sigma and the Company are subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. The Boards of both Companies have independent non-executive directors who provide oversight, and challenge decisions and policies as they see fit. Both Boards believe in robust and effective corporate governance structures.

INVESTMENT ADVISER'S REPORT

Summary

Progress over the first half of the PRS REIT's current financial year was pleasing, and the PRS REIT's portfolio now stands at 1,947 completed homes.

We have reached a point where the growth in the Company's rental income has resulted in net operating cash inflows. The shift in focus to deploy the balance of the Company's funding on the acquisition of completed assets should help to accelerate net operating cash generation.

We continue to carefully monitor the coronavirus situation and are responding appropriately. Our partnership with Countryside Properties, as well as preparations for Brexit, means that we had already undertaken significant advance bulk-purchasing of building materials before the current crisis, which will help to ensure cost stability and supply. Countryside Properties' new factories, producing modular homes, also improves efficiencies in the delivery process. The delivery model, including fixed price contracts, also substantially reduces the PRS REIT's exposure to development risk. During construction suspension, the Company bears little cash flow exposure.

The Company's completed assets have increased in number and performed well to date, supported by strong rental demand across the portfolio. Its scale and geographic spread also reduces risk. Between 1 January and 27 March 2020, we recorded our highest months of lettings and reservations, a very encouraging indication of the attraction of our homes. Our letting brand, *Simple Life,* aims to set a new, higher standard of customer experience in the private rental market.

While there is no doubt that we are operating in an uncertain macro environment due to the coronavirus crisis, we have a resilient model and financial stability. We therefore feel confident about our ability to navigate the current market disruption, and safely steer the successful delivery of the Company's housing plans.

The Board will consider the payment of an interim dividend in respect of the three months to 31 March 2020 in the fourth quarter of the current financial year when the outlook is likely to be clearer than at present.

Sigma PRS Management Ltd
30 March 2020

DEFINITIONS

The following terms shall have the meanings specified below:

"**Average capital uplift on completed assets to investment value**" means the difference between investment value and gross development cost divided by gross development cost.

"**Average capital uplift on completed assets to vacant possession value**" means the difference between vacant possession value and gross development cost divided by gross development cost.

"**Average gross yields on completed assets**" means current expected rental value divided by gross development cost

"**Committed**" means development sites that have been approved or are under formal appraisal by the Investment Adviser, and where planning consent is being sought, and/or are in the process of being acquired.

"**Contracted**" means sites under construction (under a design and build contract), which have been purchased by the PRS REIT or the PRS REIT's Investment Adviser (forward sold to the PRS REIT).

"**EPRA NAV**" means 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.

"**EPS**" means unadjusted earnings per share.

"**EPRA EPS**" means 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

"**IFRS NAV**" means unadjusted net asset value.

"**Pipeline**" means sites that have been identified as being suitable for appraisal. These sites are typically sourced from Sigma's PRS Platform, and are typically under a Framework Agreement or Collaboration Agreement with a construction partner.

DIRECTORS

Stephen Smith, Non-Executive Chairman (Age 66)

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 and non-executive Chairman of AEW 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 Gatehouse Bank Plc and of Tritax Big Box REIT plc.

Steffan Francis, Non-Executive Director (Age 65)

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

Roderick MacRae, Non-Executive Director (Age 55)

Rod has over 20 years of experience in the financial services sector. Latterly, he was an Executive Director at Aberdeen Asset Management PLC as the Group Head of Risk with responsibility for UK and Global operational risk and regulatory compliance. He was also chairman of the Aberdeen 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 65) (appointed 20 May 2019)

Jim, a Chartered Accountant, has nearly 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
Floor 3, 1 St. Ann Street
Manchester
M2 7LR

Company Secretary
Sigma Capital Property Ltd
18 Alva Street
Edinburgh
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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Rental income		**5,607**	2,320	5,970
Non-recoverable property costs		**(1,140)**	(376)	(1,054)
Net rental income		**4,467**	1,944	4,916
Administrative expenses				
Directors' remuneration		**(70)**	(61)	(123)
Investment advisory fee		**(2,164)**	(2,195)	(4,402)
Administrative expenses		**(680)**	(552)	(1,354)
Total expenses		**(2,914)**	(2,808)	(5,879)
Gain from fair value adjustment on investment property	4	**10,867**	8,157	15,609
Operating profit		**12,420**	7,293	14,646
Finance income		**188**	488	789
Finance costs		**(1,651)**	(246)	(864)
Profit before taxation		**10,957**	7,535	14,571
Taxation		**-**	-	-
Total comprehensive income for the period / year attributable to the equity holders of the Company		**10,957**	7,535	14,571
Earnings per share attributable to the equity holders of the Company:				
Basic IFRS earnings per share	6	**2.2p**	1.5p	2.9p

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December 2019 (unaudited) £'000	As at 31 December 2018 (unaudited) £'000	As at 30 June 2019 (audited) £'000
ASSETS				
Non-current assets				
Investment property	4	**519,870**	269,232	362,275
		519,870	269,232	362,275
Current assets				
Trade receivables		**227**	56	89
Other receivables		**2,718**	5,024	5,379
Cash and cash equivalents		**74,962**	230,295	229,946
		77,907	235,375	235,414
Total assets		**597,777**	504,607	597,689
LIABILITIES				
Non-current liabilities				
Accruals and deferred income		**2,976**	2,475	2,954
Interest bearing loans and borrowings		**96,807**	-	100,000
		99,783	2,475	102,954
Current liabilities				
Trade and other payables		**27,570**	24,937	20,410
		27,570	24,937	20,410
Total liabilities		**127,353**	27,412	123,364
Net assets		**470,424**	477,195	474,325
EQUITY				
Called up share capital	5	**4,953**	4,953	4,953
Share premium account		**245,005**	245,005	245,005
Capital reduction reserve		**191,701**	216,465	206,559
Retained earnings		**28,765**	10,772	17,808
Total equity attributable to the equity holders of the Company		**470,424**	477,195	474,325
IFRS net asset value per share	7	**95.0p**	96.3p	95.8p

As at 31 December 2019, there was no difference between IFRS NAV per share and the EPRA NAV per share.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Share capital £'000	Share premium account £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2018	4,943	244,025	233,800	3,237	486,005
Share capital issued in the period	10	961	-	-	971
Share capital issue costs paid	-	19	-	-	19
Dividend paid	-	-	(17,335)	-	(17,335)
Profit for the period	-	-	-	7,535	7,535
At 31 December 2018	4,953	245,005	216,465	10,772	477,195
Dividend paid	-	-	(9,906)	-	(9,906)
Profit for the period	-	-	-	7,036	7,036
At 30 June 2019	4,953	245,005	206,559	17,808	474,325
Dividend paid	-	-	(14,858)	-	(14,858)
Profit for the period	-	-	-	10,957	10,957
At 31 December 2019	**4,953**	**245,005**	**191,701**	**28,765**	**470,424**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Cash flows from operating activities				
Profit before tax		**10,957**	7,535	14,571
Finance income		**(188)**	(488)	(789)
Finance costs		**1,651**	246	864
Fair value adjustment on investment property	4	**(10,867)**	(8,157)	(15,609)
Cash generated from / (used in) operations		**1,553**	(864)	(963)
Increase in trade and other receivables		**(1,730)**	(1,367)	(1,684)
(Decrease) / Increase in trade and other payables		**(3,634)**	1,218	3,026
Net cash (used in) / generated from operating activities		**(3,811)**	(1,013)	379
Cash flows from investing activities				
Acquisition of subsidiaries	4	**(8,170)**	(21,980)	(34,665)
Purchase of investment property		**(126,328)**	(103,173)	(181,627)
Finance income		**221**	507	823
Net cash used in investing activities		**(134,277)**	(124,646)	(215,469)
Cash flows from financing activities				
Bank and other loans		**-**	-	100,000
Finance costs		**(2,038)**	(1,864)	(2,877)
Issue of shares		**-**	971	971
Cost of share issue		**-**	(157)	(156)
Dividends paid		**(14,858)**	(17,335)	(27,241)
Net cash (used in) / generated from financing activities		**(16,896)**	(18,385)	70,697
Net decrease in cash and cash equivalents		**(154,984)**	(144,044)	(144,393)
Cash and cash equivalents at beginning of period		**229,946**	374,339	374,339
Cash and cash equivalents at end of period		**74,962**	230,295	229,946

NOTES TO THE FINANCIAL STATEMENTS

1. **General Information**
The PRS REIT plc (the "Company") is a public limited company incorporated on 24 February 2017 in England and having its registered office at Floor 3, 1 St. Ann Street, Manchester, M2 7LR with company number 10638461.

The Company is quoted on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

This interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 30 March 2020.

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

Basis of preparation
The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The Group's annual consolidated financial statements are available on the Company's' website, www.theprsreit.com.

Adoption of new and revised standards
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None of these are expected to have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases
IFRS 16 supersedes IAS 17 *Leases*. The new standard results in almost all leases held as lessee being recognised on the balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 applies to leases previously classified as operating leases where the Group is lessee. IFRS 16 has not impacted operating leases held by the Group where the Group is lessor, therefore the standard does not have a material impact on the Group. The accounting for lessors has not significantly changed.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group has entered into ground leases on some of its sites. The impact of IFRS 16 is a £1 million increase in investment property and a corresponding increase in liabilities of £1 million.

The adoption of IFRS 16 has an immaterial impact on net assets and underlying profit before tax. Therefore, the adoption of IFRS 16 will have an immaterial impact on alternative performance measures.

Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application, 1 July 2019:

Right-of-use ("ROU") assets
The Group recognises ROU assets at the commencement date of the lease. ROU assets are measured at fair value. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

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

Critical judgements in applying the Group's accounting policies

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

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 met the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that the acquisitions did not meet the criteria for the acquisition of a business, as outlined in IFRS 3, because 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. All assets acquired and liabilities assumed in acquisition of a group of assets and liabilities are measured at acquisition date fair value. 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 (Houghton Regis II) Limited £'000	Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited £'000	Sigma PRS Investments (Houghton Regis Parcel 8 II) Limited £'000	Sigma PRS Investments (Brackenhoe) Limited £'000	Sigma PRS Investments (Owens Farm II) Limited £'000
Investment properties acquired	5,360	4,954	1,405	2,757	8,170
Other receivables	-	-	-	-	-
Other payables	-	-	-	-	-
Total consideration paid	**5,360**	**4,954**	**1,405**	**2,757**	**8,170**

Sigma PRS Investments (Owens Farm II) Limited was acquired from Sigma in December 2019 as a stabilised asset meeting with the PRS REIT's investments objectives, satisfying both return and occupancy hurdles. The acquisition is therefore shown separately within the Condensed Consolidated Statement of Cash Flows as an Acquisition of subsidiary.

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

NOTES TO THE FINANCIAL STATEMENTS

3. **Going concern**

The interim condensed consolidated financial statements have been prepared on a going concern basis. The Group's cash balances at 31 December 2019 were £75 million of which £43 million was readily available. The Group had debt borrowing as at 31 December 2019, of £100 million, and has secured further facilities of £300 million. Capital commitments outstanding as at 31 December 2019 were £189 million. Due to the coronavirus crisis, construction has temporarily halted on all of our sites. We will work closely with our delivery partners in the efficient deployment of capital and resources when construction recommences. The Group's ERV as at 31 December 2019, was £14.9 million from 1,617 homes and has increased to £17.9 million from 1,947 homes as at 27 March 2020. This has increased the Company's recurring income and at this level is more than sufficient to cover monthly cash costs. However, we will keep this under review over the next few months in light of the coronavirus crisis and the potential impact on our customers.

Therefore, the Directors believe the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's interim condensed consolidated financial statements for the six months ended 31 December 2019. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 31 December 2019 is appropriate.

4. **Investment property**

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

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

	Completed assets £'000	**Assets under construction £'000**	**Total £'000**
As at 1 July 2018	43,635	77,474	121,109
Properties acquired on acquisition of subsidiaries	21,980	11,787	33,767
Property additions - subsequent expenditure	-	106,199	106,199
Change in fair value	1,534	6,623	8,157
Transfers to completed assets	35,657	(35,657)	-
As at 31 December 2018	102,806	166,426	269,232
Properties acquired on acquisition of subsidiaries	12,685	-	12,685
Property additions - subsequent expenditure	-	72,906	72,906
Change in fair value	71	7,381	7,452
Transfers to completed assets	37,363	(37,363)	-
As at 30 June 2019	152,925	209,350	362,275
Properties acquired on acquisition of subsidiaries	8,170	14,476	22,646
Property additions - subsequent expenditure	9	123,073	123,082
Right-of-use assets on transition	1,000	-	1,000
Change in fair value	1,373	9,494	10,867
Transfers to completed assets	48,765	(48,765)	-
As at 31 December 2019	**212,242**	**307,628**	**519,870**

The historic cost of completed assets and assets under construction as at 31 December 2019 was £486.9 million (30 June 2019: £341.2 million).

NOTES TO THE FINANCIAL STATEMENTS

Fair values

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

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

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

Completed assets:

Type	Range
Investment yield (net)	4.15% - 4.85%
Gross to net assumption	22.50% - 25.00%

5. Share capital

	No. of Shares	Share Capital £'000
Balance as at 31 December 2017	250,000,000	2,500
Shares issued in relation to management contract	445,578	4
Shares issued in relation to Placing Programme	243,902,440	2,439
Balance as at 30 June 2018	494,348,018	4,943
Shares issued in relation to management contract	929,276	10
Balance as at 31 December 2018	495,277,294	4,953
Balance as at 30 June 2019	495,277,294	4,953
Balance as at 31 December 2019	**495,277,294**	**4,953**

6. IFRS 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:

	Net profit attributable to ordinary shareholders £'000	Weighted average number of Ordinary Shares Number	Earnings per share Pence
For the period ended 31 December 2019	**10,957**	**495,277,294**	**2.21**
For the year ended 30 June 2019	14,571	495,180,547	2.90
For the period ended 31 December 2018	7,535	495,085,378	1.52

7. **IFRS Net Asset Value per share**

Basic Net Asset Value ("NAV") per share is calculated by dividing net assets in the condensed consolidated statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments, only basic NAV per share is quoted below.

Net asset values have been calculated as follows:

	As at 31 December 2019	As at 31 December 2018	As at 30 June 2019
Net assets at end of period (£'000)	**470,424**	477,195	474,325
Shares in issue at end of period (number)	**495,277,294**	495,277,294	495,277,294
Basic IFRS NAV per share (pence)	**95.0**	96.3	95.8

The NAV per share calculated on an EPRA basis is the same as the Basic IFRS NAV per share.

8. **Capital commitments**

The Group has entered into contracts with unrelated parties for the construction of residential housing with a total value of £478.0 million (30 June 2019: £525.8 million). As at 31 December 2019, £189.0 million (30 June 2019: £260.2 million) of such commitments remained outstanding.

9. **Transactions with Investment Adviser**

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

For the period from 1 July 2019 to 31 December 2019, fees of £2.2 million (1 July 2018 to 31 December 2018: £2.2 million) were incurred and payable to Sigma PRS in respect of investment advisory services. At 31 December 2019, £0.4 million remained unpaid (30 June 2019: £0.4 million).

For the period from 1 July 2019 to 31 December 2019, development fees of £5.3 million (1 July 2018 to 31 December 2018: £4.5 million) were incurred and payable to Sigma PRS. At 31 December 2019, £1.9 million (30 June 2019: £0.7 million) remained unpaid.

During the period from 1 July 2019 to 31 December 2019, Sigma PRS acquired 750,000 shares in the Company, increasing the total shares held by Sigma PRS in the Company to 4,389,852, which represents 0.89% of the issued share capital in the Company. The shares were acquired in the market at an average price of 94.9 pence per share. All the shares acquired to date were in accordance with the Development Management Agreement between the Company and Sigma PRS.

During the period from 1 July 2019 to 31 December 2019, the Company acquired the following subsidiaries from Sigma Capital Group plc, the ultimate holding company of the IA:

Name of Entity	Consideration
Sigma PRS Investments (Houghton Regis II) Limited	£5.36 million
Sigma PRS Investments (Houghton Regis Parcel 8 II) Limited	£1.41 million
Sigma PRS Investments (Houghton Regis Parcel 8A II) Limited	£4.95 million
Sigma PRS Investments (Brackenhoe) Limited	£2.76 million
Sigma PRS Investments (Owens Farm) Limited & Sigma PRS Investments (Owens Farm II) Limited	£8.17 million

NOTES TO THE FINANCIAL STATEMENTS

10. Dividends paid and proposed

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Dividends on ordinary shares declared and paid:			
3 months to 30 June 2018: 2.5p per share	-	12,382	12,382
3 months to 30 September 2018: 1.0p per share	-	4,953	4,953
3 months to 31 December 2018: 1.0p per share	-	-	4,953
3 months to 31 March 2019: 1.0p per share	-	-	4,953
3 months to 30 June 2019: 2.0p per share	9,905	-	-
3 months to 30 September 2019: 1.0p per share	4,953	-	-
	14,858	**17,335**	**27,241**
Proposed dividends on ordinary shares:			
3 months to 31 December 2019: 1.0p per share	4,953	-	-
3 months to 30 June 2019: 2.0p per share	-	-	9,905
3 months to 31 December 2018: 1.0p per share	-	4,953	-
	4,953	**4,953**	**9,905**

The proposed dividend was paid on 28 February 2020, to shareholders on the register at 7 February 2020.

11. Post balance sheet events

Dividends

On 31 January 2020, the Company declared a dividend of 1.0p per ordinary share in respect of the second quarter of the current financial year. The dividend was paid on 28 February 2020 to shareholders on the register as at 7 February 2020.

Coronavirus

Subsequent to the year end, the COVID-19 pandemic has led to uncertainty in all walks of life. The impact on the Company and how it is placed is discussed throughout these interim financial statements. The Directors believe that the business is resilient, the delivery model and processes substantially mitigate the Company's exposure to construction and other operational risks, and we have a robust balance sheet and low gearing. Our customer base is diversified and the underlying demand for good quality rental housing is strong.

The Directors continue to carefully monitor the coronavirus situation and are responding appropriately. Our partnership with Countryside Properties, as well as preparations for Brexit, means that we had already undertaken significant advance bulk-purchasing of building materials before the current crisis, which will help to ensure cost stability and supply. Countryside Properties' new factories, producing modular homes, also improves efficiencies in the delivery process. The delivery model, including fixed price contracts, also substantially reduces the PRS REIT's exposure to development risk. During construction suspension, the Company bears little cash flow exposure with spend being tied to work undertaken and independently certified.