Company number 10638461

THE PRS REIT PLC

INTERIM REPORT AND FINANCIAL STATEMENTS 2018

The PRS REIT plc

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INTERIM REPORT AND FINANCIAL STATEMENTS

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HIGHLIGHTS

Summary

- Continuing good progress. Initial target of committing gross funds of £900m (including debt) to create a portfolio of newly-built rental homes across the UK was achieved in H1.

- Completed assets are performing well and demand for the Company's well-located, professionally managed houses remains high.

- Total dividends paid since launch on 31 May 2017 is 7.0p per share. Target total dividend for FY 2019 is 5p per share.

- Some short term headwinds are anticipated from expected planning approval delays. Stabilised covered dividend target for FY 30 June 2022 is c.5.5p per share (from original target of 6p), with the Company targeting a total dividend of 5.0p per share each year until that point.

- Family rental housing remains critically undersupplied and the drivers underpinning rising demand are unchanged.

Financial

Six months ended 31 December	2018	2017	Change
Rental income (gross)	£2.3m	£0.6m	Up 3.8x
Profit from operations	£7.3m	£0.3m	Up 24.3x
Profit before tax	£7.5m	£0.5m	Up 14.6x
Basic earnings per share	1.5p	0.22p	Up 6.8x
Net assets at 31 Dec	£477.2m	£245.5m	Up 94%
IFRS and EPRA NAV	96.3p	98.2p	
per share at 31 Dec	(after dividends of 6.0p paid)	(after nil dividends paid)	

Operational

	During H1	At end of H1	Post H1 at 28 February 2019
Number of completed PRS units	370	775	904
Number of completed and contracted sites	21	43	49
Number of completed and contracted units	2,166	3,575	3,951
GDC of completed and contracted sites	£328.5m	£530m	£603.0m
ERV of completed and contracted sites	£20.2m	£33.2m	£37.3m

- Completed assets are performing well, and rental demand is high. At 31 December 2018:

  - average gross yields on completed assets 6.2%
  - average capital uplift on completed assets to Investment Value 5.3%
  - average capital uplift on completed assets to Vacant Possession Value 12.8%
  - cost management of Gross to Net during development phase 15.6%
  - re-letting period (average) 6.7 days
  - rents 2% above budget

Dividends

- Q1 and Q2 dividends together totalled 2p per share – 1p per share respectively;
  - bringing total dividends paid since launch to 7p per share.

- Total dividend target for FY 2019 is 5.0p per share and the same each year thereafter until stabilisation in FY 2022.

Outlook

The Board views long term prospects with confidence.

HIGHLIGHTS

Steve Smith, Non-Executive Chairman, said:

"The PRS REIT made pleasing progress in the first half, and the growth in the number of completed rental homes is showing through in these financial results. We closed the half year with about 3,575 homes either built or under construction, with that number now at around 3,951.

"Looking over the remainder of the financial year, we anticipate short term headwinds that are likely to cause some delays to current construction schedules. We have therefore re-estimated our stabilised covered dividend target taking this into account, and now estimate it to be around 5.5p per share from 6.0p previously. Our dividend targets for the current financial year and each year thereafter until stabilisation is 5.0p per share. Outside these delays, the model is working very well, with delivery and operational costs in line with expectations, continuing high demand for our homes, and good visibility on the deployment of the remaining tranches of our gross capital.

"Housing for the family rental market remains critically undersupplied and the opportunity for the Company to establish itself as a major provider of high quality, professionally managed houses in the UK remains substantial. Consequently, the Board continues to view long term prospects with confidence."

CHAIRMAN'S STATEMENT

Overview

This is the Company's second interim report since its launch and it covers the six months ended 31 December 2018. The report summarises the progress that has been made in the first half of the financial year and provides the Board's view of the Company's near and longer term prospects, including the expected challenges in the short term, particularly in the light of current political uncertainty.

Overall, we are pleased with the PRS REIT's progress over the first six months of the new financial year. At 31 December 2018, 2,800 new rental homes across 32 sites in England were under construction for the Company's portfolio, and the number of completed homes in the portfolio stood at 775. The gross development cost ("GDC") of these 3,575 homes amounts to around £530m, and their combined estimated rental value ("ERV") when completed is £33.2m per annum.

Our development activity has continued to increase since the half year end, and at 28 February 2019 amounted to GDC of £603m, resulting in nearly 70% of the Company's expected gross funds of £900m now being in deployment. This equates to 3,951 new rental homes, of which 904 were completed as at 28 February 2019. Once fully completed and let, these 3,951 homes are expected to yield £37.3m per annum in rental income.

As we reported in early January 2019, we now have full visibility over the deployment of the balance of funds, with additional development sites identified and approved or under formal appraisal by the Investment Adviser and with planning being sought and/or sites in the process of being acquired. These additional sites together with existing sites being delivered should take the PRS REIT's initial portfolio to a total of around 5,600 new rental properties, yielding approximately £56.0m in rental income per annum once all the homes are completed and let. In line with the Company's risk diversification policy, the homes are located across a range of sites in different regions of England, including some sites in the South.

We are encouraged that at 31 December 2018 the average gross yield on developed assets was 6.2%, marginally ahead of our initial expectations. Our model of fixed price design and build contracts, standardised specifications, targeted locations and tight cost management has helped to support this outcome. The Company's IFRS and EPRA Net Asset Value ("NAV") on an investment valuation basis were both 96.3p as at 31 December. This is stated after the payment of dividends totalling 6.0p per share in the period since the launch of the REIT on 31 May 2017. Valuing the Company's portfolio on a Vacant Possession basis would improve the Company's IFRS and EPRA NAV at 31 December 2018 to an estimated 101.1p.

Looking to the immediate future and beyond, the Board expects continuing progress although we are now also factoring in current political and economic uncertainties. As previously reported, we experienced some delays with development activity in the third quarter of the last financial year. Given the current backdrop and the local elections that will take place in early May, we believe it prudent to anticipate lengthening decision-making processes at local government level. This has a direct bearing on site commencement schedules, and slower delivery, particularly of larger sites, would reduce the Company's earnings during the development phase. A consequence of this would be that more of our development profits would be utilised to support dividend payments during the development phase. Taking into account time delays, and while maintaining a 5p per share annual dividend target until stabilisation, our stabilised covered dividend target for the financial year to June 2022 is now c.5.5p as opposed to our original target of 6.0p per share. The Company continues to target net shareholder returns of 10% or more per annum on stabilisation. Outside delays, the model is working very well; delivery and operational costs are in line with expectations, demand for our homes is high, and the Company has good visibility on the deployment of the remaining tranches of its gross capital.

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. Notably, it is the first to focus on family houses. This market continues to be underserved, with build-to-rent activity overwhelmingly concentrated on the development of flats, and demand for the Company's well-located, professionally managed houses continues to be strong.

CHAIRMAN'S STATEMENT

Financial Results

The growth in the number of completed PRS assets in the portfolio is now showing through in the Company's financial results, with revenue, all of which was derived from rental income, having increased to £2.3m in the six months ended 31 December 2018 (2017: £0.6m). The net rental income for the period was £1.9m (2017: £0.5m) after non-recoverable property costs.

Profit from operations increased to £7.3m (2017: £0.3m) after gains of £8.2m from fair value adjustments on investment property (2017: £1.6m) and total expenses of £2.8m (2017: £1.8m). Profit before tax for the period increased to £7.5m (2017: £0.5m) and basic earnings per share rose to 1.5p (2017: 0.22p).

As at 31 December 2018, the PRS REIT's net assets totalled £477.2m (2017: £245.5m), which represents a NAV per share of 96.3p, on both the International Financial Reporting Standards ("IFRS") basis as adopted by the European Union and on an EPRA (European Public Real Estate Association) basis (30 June 2018: IFRS and EPRA NAV both 96.3p, and 31 December 2017: both 98.2p per ordinary share).

In comparing the NAV position at 30 June 2018 to the NAV position at 31 December 2018, it should be noted that the 31 December NAV of 96.3p is after dividend payments in August and November, which together totalled 3.5p per share. Specifically these were dividends of 2.5p per ordinary share paid on 31 August 2018, which related to the three months to 30 June 2018, and 1.0p per ordinary share paid on 30 November, which related to the three months to 30 September 2018.

KPI	Six months ended 31 December 2018 (unaudited)	Period from 31 May to 31 December 2017 (unaudited)	Period ended 30 June 2018 (audited)
EPRA Cost Ratio	-	-	-
EPS (pence per share)	1.5	0.22	1.0
EPRA EPS (pence per share)	(0.1)	(0.4)	(0.7)

KPI	As at 31 December 2018 (unaudited)	As at 31 December 2017 (unaudited)	As at 30 June 2018 (audited)
IFRS NAV (pence per share)	96.3	98.2	98.3
EPRA NAV (pence per share)	96.3	98.2	98.3

Debt Facilities

The Company has £200m of debt facilities in place and the first £50m will be drawn this month with the balance to be drawn over the next six months or so as we commit to further developments.

In-line with our stated funding strategy, we are close to finalising credit terms for a further debt facility totalling £200m, maintaining the Company's gearing at or below the limit of 45% Loan-to-Value. This completes the planned capital structure for our initial phase of development, and the new debt facilities are being provided by our existing partners, Scottish Widows and Lloyds Banking Group.

Dividends

On 31 January 2019, the Board was pleased to declare a dividend of 1.0p per ordinary share for the second quarter of the current financial year, bringing total dividends paid to date since the Company's inception to 7p per share. This latest dividend was paid on 28 February 2019 to shareholders on the register as at 8 February 2019.

As previously reported, the Company is targeting a total dividend of 5.0p per ordinary share for the current financial year ending 30 June 2019. This is now a target for each year thereafter until stabilisation, which is expected in the financial year ended 30 June 2022. The stabilised covered dividend that year is now targeted at c. 5.5p per share and the targeted net total shareholder returns post stabilisation is 10% or more per annum.

CHAIRMAN'S STATEMENT

Summary

Our completed PRS assets are performing well and, as the Investment Adviser's report confirms, rental demand for our new homes remains high. Other key performance indicators are also encouraging and the Company's cost management, reflected in the Gross to Net yield, during the development phase is one of the industry's lowest.

While we anticipate short term headwinds that may cause some delays to construction programmes, we have committed the balance of the Company's £900m of expected gross funds, which will deliver some 5,600 new rental homes. Beyond this, we continue to see significant opportunity and there is a £1bn pipeline of new development opportunities.

Housing for the family rental market remains critically undersupplied and the Company is well-placed to continue its roll-out of new homes across the regions and to establish itself as a major provider of high quality, professionally managed houses in the UK. We therefore continue to view the Company's long term prospects very positively.

Steve Smith
Chairman

11 March 2019

INVESTMENT ADVISER'S REPORT

Sigma PRS Management Ltd ("Sigma PRS"), the Investment Adviser to the Company and part of Sigma Capital Group plc ("Sigma"), is pleased to report on the PRS REIT's progress in the six months to 31 December 2018.

We are very encouraged with the progress that has been made in the period. Significantly, with sufficient qualifying sites identified, we are in a position to utilise the Company's expected funding capacity of some £900m (gross). This places the PRS REIT in a strong position although the rate at which new sites start construction remains a variable. In the short term, as our comments in the Summary section of this report highlight, we view this as the Company's primary challenge.

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 is also seeking 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. Its aim is to create a geographically diversified portfolio of properties that are close to large employment centres and local amenities and that have easy access to the main road and rail infrastructure. Proximity to good quality primary education is also important. The Company is focused on family houses, although 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 Sigma 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. All 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 prerequisite 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 20% 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 but also Keepmoat Regeneration, Engie and Galliford Try, as well as local authorities. We are engaged with a further select group of potential partners who will complement and expand the Company's geographical coverage of the UK. All these relationships enable us 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, also works closely with Sigma in 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 now identified the remainder of the sites required to utilise the Company's expected funding of around £900m (gross) when full gearing is included.

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, the gross development cost of sites and the estimated rental value of all the homes that are under construction or completed.

	During H1	Total to 31 Dec 2018	Post H1 at 28 February 2019
Number of completed PRS units	370	775	904
Number of completed and contracted sites	21	43	49
Number of completed and contracted units	2,166	3,575	3,951
GDC of completed and contracted sites	£328.5m	£530.0m	£603.0m
ERV of completed and contracted sites	£20.2m	£33.2m	£37.3m

By 31 December 2018, the Company's portfolio of completed homes stood at 775 and these homes are generating an annualised ERV of approximately £7.0m. When added to the number of homes that were under construction at the end of December, the total of homes that are coming through for the portfolio at that date amounted to 3,575. Since the period end, a further 376 homes, with an expected revenue of £4.2m in annualised rental income, have been contracted. This takes the ERV to £37.3 per annum once the 3,951 homes have been completed and let.

The vast majority of the Company's sites are located across the North of England and the Midlands. However, in September 2018 the PRS REIT contracted its first site in the South of England, in Essex, and has since signed contracts over three further sites in the South. These three Southern sites are expected to deliver a combined total of 248 homes and yield £4.2m in rental income per year once completed and let. While yields in the South East are typically lower than in other regions of England, the risk diversification is helpful in the context of the overall portfolio.

In total, 21 new sites were secured under contract in the first half of the financial year. Of these, 19 were development sites and two were fully completed and let sites. The 21 sites have a combined gross development cost of £328.5m and will comprise 2,166 new homes when finished, generating an expected combined rental income of over £20.2m per annum.

The 19 development sites consist of eleven sites in the North West, five sites in the Midlands, two southern sites, and one site in Yorkshire. The sites were selected as they fulfil the selection criteria of being accessible and close to centres of employment and good quality primary education.

The two completed sites, situated in Salford, Greater Manchester and Smethwick, near Birmingham, were purchased for a combined total of £22.0m and added 73 and 63 homes respectively, with the combined annualised rental income being £1.2m per annum (£0.6m per annum each). Savills provided an independent valuation on both sites before their purchase by the PRS REIT.

Rental Performance and Key Metrics

The Company's completed properties continued to perform well, justifying the selection criteria. Rental income has been 2% higher than management budget and, when a vacancy arises, re-letting takes, on average, about seven days.

Control of costs also remains well within the budget of 17% of income set for the first four years (which represents the development phase) and is running at an efficient 15.6%.

INVESTMENT ADVISER'S REPORT

The table below summarises key performance measures on completed assets, all of which are very encouraging and remain on target:

Average gross yields on completed assets	6.2%
Average capital uplift on completed assets to Investment Value	5.3%+
Average capital uplift on completed assets to Vacant Possession Value	12.8%+
Cost management of Gross to Net during development phase	15.6%
Re-letting period	6.7 days average
Rents	2% above budget

The Investment Valuation completed in December showed an average uplift in the value of completed assets over the costs of delivery of 5.3%, underlining the benefits of the PRS REIT's model. Benchmarked against vacant possession value, the average uplift in the value was 12.8%.

The Market and Our *Simple Life* Brand

The residential rental housing market in the UK remains significantly undersupplied and the drivers underpinning rising demand are unchanged. In his report to Government in 2018, Sir Oliver Letwin highlighted the contribution the build-to-rent sector can make in accelerating the delivery of much needed supply.

The private rented sector as a whole now amounts to £1.5 trillion and accounts for over 20% of all UK households, having doubled in the last decade and a half. The build-to-rent sector as a subset is still remarkably small and whilst it is now distributed fairly evenly between London and the regions, it still only accounts for about 140,000 units. As a comparison, some 72,000 buy-to-let mortgages were redeemed in the last 18 months. In addition, most of this new build-to-rent supply comprises apartment blocks, which are generally not targeted towards the family market.

The PRS REIT's homes are marketed under the *'Simple Life'* brand, which was established with the aim of representing a gold standard in lettings.

According to our analysis undertaken in December 2018, the families, couples and single people who live in a *'Simple Life'* home earn an average of £39,000 per household, have an average age of 34.5 years, and half have children. Two thirds of our new customers in December travelled up to 50 miles to live in one of our homes, with 22% travelling more than 50 miles.

Corporate Social Responsibility and Charitable Activity

A core tenet underpinning the *'Simple Life'* brand is 'community' and the belief that we can play an active part in fostering a sense of community among our tenants and their neighbours. We do this through the organisation of community events, which range from organised activities around festive events at Christmas and Easter to initiatives such as 'Pizza Night' and the 'Summer Ice Cream Dash'.

We also wish *'Simple Life'* to play its part in supporting the wider local community, predominantly through charitable and sponsorship activities. During 2018, for example, we supported five primary schools close to *Simple Life* developments with donations that have been used for improving library facilities, enabling school trips and providing outdoor play equipment. We have also made donations to charities, such as Park House Ponies in Liverpool, which provides inner city children with the opportunity of learning to ride. We intend to expand our community-based activities in 2019, focusing in particular on the issue of homelessness. We will continue to support the Salford-based 'Loaves and Fishes', which carries out valuable work with homeless and vulnerable people and in particular runs a drop-in centre. At the same time, we hope to launch other initiatives that help to address this problem.

INVESTMENT ADVISER'S REPORT

Summary

The PRS REIT's progress over the first half of the year has been encouraging, and the Company is well-positioned to continue the delivery of further sites. In the current political and economic climate though, and with local elections that will be taking place in early May, we believe there may be an increased risk of delays in decision-making at local government level. If this occurs, particularly in relation to larger sites, it would affect construction schedules, and consequently earnings during the development phase. With the delays experienced in the last financial year, we therefore think it is prudent at this stage to maintain the 5p annual dividend target until stabilisation and to revise our stabilised covered dividend target for the financial year to 30 June 2022 to c. 5.5p per share from 6.0p per share.

The Company's completed assets are performing well and rental demand remains strong. We see continuing opportunities for further growth and have identified an additional £1bn pipeline of development opportunity over and above current committed activity.

Sigma PRS Management Ltd
11 March 2019

DEFINITIONS

The following terms shall have the meanings specified below:

"**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 Cost Ratio**" means administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income;

"**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 terms property business model;

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

"**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; and

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 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 54)
Rod has over 20 years of 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.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Notes	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Rental Income	4	**2,320**	583	1,765
Non-recoverable property costs		**(376)**	(99)	(274)
Net rental income		**1,944**	484	1,491
Administrative Expenses				
Directors' remuneration		**(61)**	(9)	(67)
Investment advisory fee	5	**(2,195)**	(1,382)	(3,295)
Administrative expenses	6	**(552)**	(364)	(977)
Total expenses		**(2,808)**	(1,755)	(4,339)
Gain from fair value adjustment on investment property	11	**8,157**	1,618	5,515
Operating profit		**7,293**	347	2,667
Finance income	7	**488**	192	570
Finance costs	8	**(246)**	-	-
Profit before taxation		**7,535**	539	3,237
Taxation	9	**-**	-	-
Total comprehensive income for the period/year attributable to the equity holders of the Company		**7,535**	539	3,237
Earnings per share attributable to the equity holders of the Company:				
Basic IFRS earnings per share	15	**1.5p**	0.22p	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.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	As at 31 December 2018 (unaudited) £'000	As at 31 December 2017 (unaudited) £'000	As at 30 June 2018 (audited) £'000
ASSETS				
Non-current assets				
Investment property	11	**269,232**	56,957	121,109
		269,232	56,957	121,109
Current assets				
Trade receivables		**56**	-	28
Other receivables		**5,024**	451	3,786
Cash and cash equivalents		**230,295**	194,255	374,339
		235,375	194,706	378,153
Total assets		**504,607**	251,663	499,262
LIABILITIES				
Non-current liabilities		**2,475**	-	961
Current liabilities				
Trade and other payables		**24,937**	6,124	12,296
Total liabilities		**27,412**	6,124	13,257
Net assets		**477,195**	245,539	486,005
EQUITY				
Called up share capital	12	**4,953**	2,500	4,943
Share premium account	13	**245,005**	-	244,025
Capital reduction reserve	14	**216,465**	242,500	233,800
Redeemable preference shares		**-**	-	-
Retained earnings		**10,772**	539	3,237
Total equity attributable to the equity holders of the Company		**477,195**	245,539	486,005
IFRS net asset value per share	16	**96.3p**	98.2p	98.3p

As at 31 December 2018, there is 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 2018

	Share capital £'000	Share premium account £'000	Capital Reduction Reserve £'000	Redeemable Preference Shares £'000	Retained earnings £'000	Total equity £'000
At 31 May 2017						
Share capital issued in the period	2,500	247,500	-	50	-	250,050
Share capital issue costs paid	-	(5,000)	-	-		(5,000)
Cancellation of share premium		(242,500)	242,500	-	-	-
Share capital redeemed in the period	-	-	-	(50)	-	(50)
Profit for the period	-	-	-	-	539	539
At 31 December 2017	**2,500**	**-**	**242,500**	**-**	**539**	**245,539**
Share capital issued in the period	2,443	248,024	-	-	-	250,467
Share capital issue costs paid	-	(3,999)	-	-	-	(3,999)
Cancellation of share premium	-	-	-	-	-	-
Share capital redeemed in the period	-	-	-	-	-	-
Dividend paid	-	-	(8,700)	-	-	(8,700)
Profit for the period	-	-	-	-	2,698	2,698
At 30 June 2018	**4,943**	**244,025**	**233,800**	**-**	**3,237**	**486,005**
Share capital issued in the period	9	962	-	-	-	971
Share capital issue costs not 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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Notes	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Cash flows from operating activities				
Profits before tax		**7,535**	539	3,237
Adjustments for:				
less finance income net of finance costs		**(242)**	(192)	(570)
less fair value adjustment on investment property		**(8,157)**	(1,618)	(5,515)
add interest received		**-**	54	-
Cash used in operations		**(864)**	(1,217)	(2,848)
Increase in trade and other receivables		**(1,367)**	(313)	(3,748)
Increase in trade and other payables		**1,218**	390	1,708
Net cash used in operating activities		**(1,013)**	(1,140)	(4,888)
Cash flows from investing activities				
Acquisition of subsidiaries		**(21,980)**	(34,754)	(40,770)
Purchase of investment property at fair value through profit and loss		**(103,173)**	(14,851)	(63,451)
Finance income net of finance costs		**(1,357)**	-	504
Net cash used in investing activities		**(126,510)**	(49,605)	(103,717)
Cash flows from financing activities				
Issue of shares		**971**	250,000	500,467
Cost of share issue		**(157)**	(5,000)	(8,823)
Redeemable preference share		**-**	-	-
Dividends paid		**(17,335)**	-	(8,700)
Net cash (used in)/generated from financing activities		**(16,521)**	245,000	482,944
Net (decrease)/increase in cash and cash equivalents		**(144,044)**	194,255	374,339
Cash and cash equivalents at beginning of period		**374,339**	-	-
Cash and cash equivalents at end of period		**230,295**	194,255	374,339

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 condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 11 March 2019.

This condensed consolidated interim financial information has not been audited or reviewed by the Company's auditor.

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. Its risk is on income and cash flows from changes in market interest rates. From time to time, certain of the Group's cash resources are placed on short term fixed deposits 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 31 December 2018 amounted to £56,000

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 31 December 2018, 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

NOTES TO THE FINANCIAL STATEMENTS

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 31 December 2018, the Group's amount of current financial assets was in excess of its financial liabilities by £365,000,000. The table below summarises the maturities of the Group's non-derivative financial liabilities as at 31 December 2018:

	Less than one year £'000	1 - 3 years £'000
Trade and other payables	**24,937**	**2,475**

3. Accounting Policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial statements are summarised below and in the annual audited financial statements for the period ended 30 June 2018 as described in the Group's Annual Report for that period and as available on the website (www.theprsreit.com).

Basis of Accounting

This condensed consolidated interim financial information has been prepared on a going concern basis. The Group's cash balances at 31 December 2018 were £230.3m of which £129.7m was readily available. Capital investment outstanding for contracts entered into as at 31 December 2018 were £177m. As at 31 December 2018, the Group has no debt borrowing but has £200m of debt facilities in place. 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 Group's condensed consolidated interim financial statements. The Board is therefore of the opinion that the going concern basis adopted in the preparation of the condensed consolidated interim financial statements is appropriate.

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU. The condensed consolidated interim financial information should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006 and are unaudited. The group's financial statements for the year ended 30 June 2018 have been reported on by its auditors and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified and did not draw attention to any matters by way of emphasis. It also did not contain a statement under section 498 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 (IAS 39).

Adoption of new and revised standards

The following are new standards, interpretations and amendments, which are not effective and have not been early adopted in these condensed consolidated interim financial statements that may have an effect on the Company's future financial statements.

IFRS 16 – Leases

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

Under IFRS 16, most leased assets are capitalised by recognising the net present value of the lease payments as an asset and a financial liability representing the obligation to make future lease payments. The Directors are assessing the impact of this standard on the financial statements but anticipate that there will be no impact on the Group's financial statements as it does not hold any operating leases as lessee.

NOTES TO THE FINANCIAL STATEMENTS

Basis of Consolidation

The condensed consolidated 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 period from 31 May 2017 to 31 December 2018, the Directors regard the Group as having just one reportable segment, Property, and the business only operates in the United Kingdom.

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) = development spend to date 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 11.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the statement of comprehensive income.

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 cash held by solicitors.

Trade Payables

Trade 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 registered in the Condensed 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 balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

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 income statement, 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.

Costs of Borrowing

Borrowing costs 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.

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

During the period, the Group acquired two property owning special purpose vehicles that were included in the IPO prospectus. As set out in the group's annual financial statements for the period to 30 June 2018, these acquisitions were dependent on the IPO and have therefore been treated as business combinations in line with the requirement of IFRS 3. 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**
Investment properties acquired	10,320	11,660
Other receivables	13	13
Other payables	(19)	(29)
Total consideration paid	10,314	11,644

- 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

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. 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 (Cable Street II) Limited £'000	Sigma PRS Investments (Whitworth Way II) Limited £'000	Sigma PRS Investments (Darlaston II) Limited £'000	Sigma PRS Investments (Darlaston Phase 2 II) Limited £'000	Sigma PRS Investments (Sutherland School II) Limited £'000
Investment properties acquired	2,862	2,519	1,755	1,746	2,905
Other receivables	-	473	-	-	548
Other payables	-	-	-	-	(20)
Total consideration paid	**2,862**	**2,992**	**1,755**	**1,746**	**3,433**

- 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 creditor balances are measured at the amounts actually payable.

4. Rental Income

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Gross rental income from investment property	**2,320**	583	1,765
	2,320	583	1,765

5. Investment Advisory Fees

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Advisory fee	**2,195**	1,382	3,295
	2,195	1,382	3,295

Sigma PRS Management Ltd is appointed as 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;

(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.

6. General and Administrative Expenses

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Legal and professional fees	**73**	36	91
Administration and secretarial fees	**69**	53	123
Audit and tax fees	**59**	23	134
Valuation fees	**58**	24	156
Depositary fees	**20**	17	56
Financial adviser and broker	**30**	35	66
Insurance	**13**	9	20
Public relations	**32**	20	41
Regulatory fees	**87**	75	134
Sundry expenses	**-**	4	5
Costs of acquisition of subsidiaries	**42**	19	24
Disallowed VAT	**69**	49	127
	552	364	977

7. Finance Income

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Interest on short term deposits	**488**	192	570
	488	192	570

8. Finance Costs

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Amortisation of loan arrangement fees	**132**	-	-
Amortisation of loan commitment fees	**114**	-	-
	246	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. 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 period ended 31 December 2018, 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.

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Current tax			
Corporation tax charge/(credit) for the period	**-**	-	-
Total current income tax charge/(credit) in the income statement	**-**	-	-

The tax charge for the period is less than the standard rate of corporation tax in the UK of 19 per cent. The differences are explained below.

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period ended 30 June 2018 (audited) £'000
Profit before tax	**7,535**	539	3,237
Tax at UK corporation tax standard rate of 19%	**1,432**	102	615
Change in value of exempt investment properties	**(1,550)**	(307)	(1,048)
Exempt REIT income	**(340)**	(82)	(232)
Amounts not deductible for tax purposes	**-**	-	14
Unutilised residual current year tax losses	**410**	287	582
Difference in deferred tax rates	**48**	-	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 31 December 2018, 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.

NOTES TO THE FINANCIAL STATEMENTS

10. Dividends

The following dividends were paid during the period:

	Six months ended 31 December 2018 (unaudited) £'000	Period from 31 May to 31 December 2017 (unaudited) £'000	Period from 31 May 2017 to 30 June 2018 (audited) £'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**	-	-
	17,335	-	8,700

On 31 July 2018, the Company announced the declaration of an interim dividend in respect of the period 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 an interim 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.

A further dividend was paid during February 2019 which is detailed under note 20, Post Balance Sheet Events.

11. 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 valuation are reviewed by the Board.

	Completed Assets £'000	Assets under Construction £'000	Total £'000
Properties acquired on acquisition of subsidiaries	31,695	3,059	34,754
Property additions - subsequent expenditure	-	20,585	20,585
Change in fair value	175	1,443	1,618
Transfers to completed assets	-	-	-
As at 31 December 2017	31,870	25,087	56,957
Properties acquired on acquisition of subsidiaries	9,075	7,581	16,656
Property additions - subsequent expenditure	-	43,599	43,599
Change in fair value	675	3,222	3,897
Transfers to completed assets	2,015	(2,015)	-
As at 30 June 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 2019	102,806	166,426	269,232
Change in fair value	2,384	11,288	13,672

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	4.25% - 4.75%
Gross to net assumption	22.5% - 25%

12. Share Capital

	No. of Shares	Share Capital £'000
Balance at 31 May 2017	-	-
Shares issued in relation to IPO	250,000,000	2,500
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**

13. Share Premium Reserve

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

	Share Premium £'000
Balance at 31 May 2017	-
Share premium arising on shares issued in relation to IPO	247,500
Share issue expense in relation to the IPO	(5,000)
Transfer to capital reduction reserve	(242,500)
Balance as at 31 December 2017	-
Share premium arising on shares issued in relation to the management contract	463
Share premium arising on shares issued in relation to the Placing Programme	247,561
Share issue expense in relation to the Placing Programme	(3,999)
Balance as at 30 June 2018	244,025
Share issue credit in relation to Placing Programme expenses	18
Share premium arising on shares issued in relation to the management contract	962
Balance as at 31 December 2018	245,005

NOTES TO THE FINANCIAL STATEMENTS

14. Capital Reduction Reserve

	As at 31 December 2018 £'000	As at 31 December 2017 £'000	As at 30 June 2018 £'000
Opening balance	**233,800**	-	-
Transfer from share premium reserve	**-**	242,500	242,500
Dividends paid	**(17,335)**	-	(8,700)
Balance at end of period	**216,465**	242,500	233,800

15. 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 2018	**7,535**	**495,085,378**	**1.52**
For the period from 31 May to 31 December 2017	539	250,000,000	0.22
For the period ended 30 June 2018	3,237	330,854,803	1.00

16. IFRS Net Asset Value per Share

Basic 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 2018	As at 31 December 2017	As at 30 June 2018
Net assets at end of period (£'000)	**477,195**	245,539	486,0056
Shares in issue at end of period (number)	**495,277,294**	250,000,000	494,348,018
Basic IFRS NAV per share (pence)	**96.3**	98.2	98.3

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

17. Capital commitments

The Group have entered into contracts with unrelated parties for the construction of residential housing with a total value of £318,074,000. As at 31 December 2018, £176,930,000 of such commitments remained outstanding.

18. Contingent Liability

The Investment Adviser is currently seeking clearance from HM Revenue and Customs in terms of the VAT rate applicable that it applies to the Investment Advisory fee that is charged to the Company. After seeking specialist advice the Investment Adviser believes that the fees charged will be treated as a VAT exempt supply.

The Company might have to pay the VAT on investment advisory fees. For the period 31 May 2017 to 31 December 2018 the amount of VAT that would have applied to the Investment Advisory fees is £1,098,000

NOTES TO THE FINANCIAL STATEMENTS

19. Transactions with Investment Adviser

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

For the period from 1 July 2018 to 31 December 2018, fees of £2,195,000 were incurred and payable to Sigma PRS Management Ltd in respect of investment advisory services. At 31 December 2018, £372,000 remained unpaid.

For the period from 1 July 2018 to 31 December 2018, development fees of £4,533,000 were incurred and payable to Sigma PRS Management Ltd. At 31 December 2018, £1,155,000 remained unpaid.

On 8 August 2018, Sigma PRS Management Ltd acquired 929,276 shares in the Company equivalent to 50% of the development management fee earned for the period from 1 July 2018 to 31 December 2018. Subsequent to 31 December 2018, Sigma PRS Management Ltd acquired a further 976,804 shares.

During the period from 1 July 2018 to 31 December 2018, the Company acquired the following subsidiaries from Sigma Capital Group plc, the ultimate holding company of the Investment Adviser:

Name of Entity	Consideration
Sigma PRS Investments IV and V Limited	£10,314,000
Sigma PRS Investments (Our Lady's) Limited	£11,664,000
Sigma PRS Investments (Cable Street II) Limited	£2,862,000
Sigma PRS Investments (Whitworth Way II) Limited	£2,992,000
Sigma PRS Investments (Darlaston II) Limited	£1,755,000
Sigma PRS Investments (Darlaston Phase 2 II) Limited	£1,746,000
Sigma PRS Investments (Sutherland School II) Limited	£3,433,000

20. Post Balance Sheet Events

Dividend

On 31 January 2019, the Company declared an interim dividend in respect of the period from 1 October 2018 to 31 December 2018 of 1.0p per Ordinary Share totalling £4,952,773. The dividend was paid on 28 February 2019 to shareholders on the register at 8 February 2019.

Acquisition of investment properties

Since 31 December 2018 and to the date of this report, the Company has acquired the following land for development of investment property:

- Acquired a site in January 2019 located in Rochdale, Greater Manchester for £217,000; and
- Acquired a site in January 2019 located in Newhaven, Salford for £2,782,000.