*Company Number 10638461*

# THE PRS REIT PLC

## INTERIM REPORT AND FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The PRS REIT plc


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## INTERIM REPORT AND FINANCIAL STATEMENTS
**For the six months ended 31 December 2020**

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## HIGHLIGHTS

### Summary

- Strong progress over the period, after the opening up of the construction and lettings sector in May 2020 following initial national lockdown
- Total dividend target* for FY2021 remains at a minimum of 4.0p per ordinary share – with dividends of 1.0p per ordinary share having already been paid for each of Q1 and Q2. Dividend progression* expected in FY2022
- Shares admitted to trading on the Premium Segment of the Main Market on 2 March 2021

### Financial

| | **H1 2021** | H1 2020 | Change |
|---|---|---|---|
| Rental income (gross) | **£10.7m** | £5.6m | +91% |
| Profit from operations | **£24.7m** | £12.4m | +99% |
| Profit before tax | **£20.3m** | £11.0m | +85% |
| Basic earnings per share | **4.1p** | 2.2p | +86% |
| Net assets at 31 December | **£476.3m** | £470.4m | +1% |
| IFRS and EPRA NAV per share at 31 December | **96.2p (after cumulative dividend payments of 15.0p)** | 95.0p (after cumulative dividend payments of 11.0p) | +1% |

### Operational

| | **At 31 December 2020** | At 31 December 2019 | Change |
|---|---|---|---|
| **Completed homes** | | | |
| Number of completed PRS homes | **3,163** | 1,617 | +96% |
| Estimated rental value ("ERV") per annum | **£29.4m** | £14.9m | +97% |
| **Contracted homes** | | | |
| Number of contracted homes | **1,963** | 3,328 | -41% |
| ERV per annum | **£19.4m** | £32.7m | -41% |
| **Total number of sites (completed and contracted)** | **65** | 62 | +5% |
| Number of completed and contracted units | **5,126** | 4,945 | +4% |
| ERV per annum | **£48.8m** | £47.6m | +3% |

- 1,081 new rental homes were added in H1 (H1 2019: 444), taking the portfolio to 3,163 completed homes at 31 December 2020, up 96% from a year ago and up 52% on H2 2020
  - includes three acquisitions of completed and let developments; 175 homes in total
  - ERV of portfolio at period end was £29.4m per annum, almost double a year ago (2019: £14.9m)
- Coronavirus-related disruption of construction activity reduced activity level by c. 10% over the period
- Completed assets performed well and demand is strong - rent roll almost doubled year-on-year, while rent arrears remained static.

## HIGHLIGHTS (Cont.)

### Outlook

- At 19 March 2021, the portfolio had grown to 3,530 completed homes, with c.1,600 homes under way
  - 3,359 homes were let, providing an annualised rental income of £30.9m and a further 93 homes reserved with qualified applicants

- The Board is confident of prospects for the remainder of the financial year and the Company remains firmly on track to take delivery of its 5,000th new home by early 2022

- Family rental housing market in the UK remains significantly undersupplied, providing a strong underpin for the Company's longer-term growth prospects

**Steve Smith, Non-Executive Chairman of The PRS REIT plc, said:**

*"The PRS REIT has made strong progress since construction activity reopened in May after the initial national lockdown.*

*"Several major milestones were reached in the period. The portfolio's 3,000th new rental home was added in December, following the delivery of the 2,000th home in June, and the balance of our £900 million gross funding resource was fully committed. The acquisition of three fully-completed and let sites has accelerated income delivery, and we remain well on our way to our 5,000th home by early 2022, based on current construction schedules.*

*"The PRS REIT has now created the largest portfolio of brand-new, single-family rental homes in the UK. We are fulfilling an important social need, and demand for our high-quality, professionally-managed homes remains strong. There continues to be a deficit in supply and we are confident about prospects for the Company and the delivery of our dividend target for the current financial year."*

**These are targets only and not a forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results.*

## 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 2020.

The construction and lettings sectors were opened in early May 2020 in England, following the easing of restrictions put in place during the initial national lockdown to contain the spread of the coronavirus. Since then, our Investment Adviser, Sigma PRS Management Ltd ("Sigma PRS"), together with all our delivery partners, have worked hard to ensure the safety and welfare of all those involved in the delivery and management of our homes, putting in place new working protocols in line with government guidance. In addition, Sigma PRS continued with its wide-range of tenant initiatives, including online health and well-being classes and community events, to ensure that customers have remained fully supported.

Despite the challenges, I am pleased to report that the Company performed well. We took delivery of 3,000th home in early December, having reached our 2,000th home in mid-June. In total, 1,081 new homes were added over the period. This compares to 909 homes added over the entirety of the last financial year. These new additions took the Company's portfolio by 31 December 2020 to 3,163 homes (30 June 2020: 2,082 and 31 December 2019: 1,617), providing an estimated rental value ("ERV") of £29.4 million per annum. Construction spanned 65 sites across the regions of England (31 December 2019: 62 sites).

The Company made three acquisitions of fully completed and let sites in the period, two from Sigma Capital Group and one from BlackRock Real Assets. Together they added 175 newly-built, fully-let homes, with a combined ERV of approximately £1.8 million. The latter acquisition also marked the full commitment of the balance of the Company's funding resource of £900 million (gross), and accelerated income delivery for the Company.

Rent collection and rent demand both remained strong. Over the six months to 31 December 2020, rent collections matched rent invoiced during the period while rent arrears (defined as rent outstanding past its due date) remained unchanged at only £0.2 million. This is less than 1% of annualised ERV of £29.4 million on completed homes. At 31 December 2020, 3,045 homes of the 3,163 completed homes were occupied, and a further 55 homes were reserved to qualified applicants, with rental deposits paid.

The latest data on construction activity at 19 March 2021 shows that an additional 367 homes have been completed since 1 January 2021, taking the portfolio to 3,530 completed homes across six regions, with an ERV of £32.5 million per annum. Approximately 352 homes were let or reserved between 1 January and 19 March 2021. The total number of homes let at that date was 3,359, providing an annualised rental income of £30.9 million, and a further 93 homes were reserved to qualified applicants, with rental deposits paid. An additional 1,600 homes are currently under construction.

The Company's resilience through the crisis reflects both our robust business model and careful financial management. Our housing delivery model, based on fixed-price design and build contracts, limits construction risk and our diversified customer base provides a robust underpinning to rental income. The Company's financial position remains very strong, and the cost base has been covered by gross rental income since before the initial lockdown in March 2020.

The PRS REIT's growing portfolio of homes is establishing it as a leading player in the build-to-rent sector, and we remain 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. We expect long-term demand for our family houses to remain strong, given the severe shortage of housing and the attraction of our high quality, well-located, professionally-managed homes.

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

In January 2021, we extended our Investment Advisory Services contract with Sigma PRS. This has secured access to an unrivalled platform in the private rented sector, which is capable of providing a comprehensive service spanning site origination and development, and asset management. It allows us to plan effectively for the next stage of the Company's development, providing greater clarity over future growth.

The Company's transfer from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange took place on 2 March. The migration will enable us to broaden the share register and facilitates our eligibility for inclusion in FTSE's EPRA and UK Index Series.

### Financial results

Revenue, which was all derived from rental income, increased year-on-year by 91% to £10.7 million in the six months ended 31 December 2020 (H1 2019: £5.6 million), reflecting continued growth in completed and let homes in the portfolio. After non-recoverable property costs, the net rental income for the period increased by 87% to £8.4 million (H1 2019: £4.5 million).

Profit from operations rose by 99% to £24.7 million over the first half (H1 2019: £12.4 million) after gains of £19.4 million from fair value adjustments on investment property (H1 2019: £10.9 million) and total expenses of £3.1 million (H1 2019: £2.9 million). Profit before tax for the period increased by 85% to £20.3 million (H1 2019: £11.0 million) and basic earnings per share rose by 86% to 4.1p (H1 2019: 2.2p).

As at 31 December 2020, the PRS REIT's net assets had risen to £476.3 million over the six month period (30 June 2020: £470.9 million and 31 December 2019: £470.4 million). This represents a net asset value ("NAV") per share of 96.2p, 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 2020: IFRS and EPRA NAV both 95.1p).

The movement in the NAV position, from 95.1p to 96.2p between 30 June 2020 and 31 December 2020, is after total dividend payments of 3.0p per share (£14.9 million). These dividend payments related to the third and fourth quarters of the 2020 financial year and the first quarter of 2021, and were paid respectively in July, September, and December 2020.

Operating cash inflows continue to exceed operating outflows and cover the Company's cost base.

| | **Six months ended 31 December 2020 (unaudited)** | **Six months ended 31 December 2019 (unaudited)** | **Year ended 30 June 2020 (audited)** |
|---|---|---|---|
| IFRS EPS (pence per share) | **4.1** | 2.2 | 3.3 |
| EPRA EPS (pence per share) | **0.2** | - | 0.1 |

| | **As at 31 December 2020 (unaudited)** | **As at 31 December 2019 (unaudited)** | **As at 30 June 2020 (audited)** |
|---|---|---|---|
| IFRS NAV (pence per share) | **96.2** | 95.0 | 95.1 |
| EPRA NAV (pence per share) | **96.2** | 95.0 | 95.1 |

### Dividends

Three dividend payments, each of 1.0p per ordinary share, were made in the period, on 17 July, 18 September and 11 December 2020. These payments related to the three-month periods ended 31 March, 30 June and 30 September 2020. A dividend of 1.0p per ordinary share relating to the second quarter of the current financial year ended 31 December 2020 was paid on 8 March 2021 to shareholders on the register as at 19 February 2021. This brought the total of dividends paid to date since the Company's inception in May 2017, to 16.0p per share.

The Board expects to announce the payment of an interim dividend for the three months ending 31 March 2021 in the fourth quarter of the current financial year. It continues to target a minimum total dividend of 4.0p per ordinary share for the current financial year. This minimum target is expected to be fully covered by earnings on an annualised basis by the middle of calendar 2021, with coverage continuing to grow during the financial year ending 30 June 2022 as construction, completions and lettings advance. The dividend for the next financial year is expected to show progression on the current financial year.

## CHAIRMAN'S STATEMENT (Cont.)

### Debt Facilities

As at 31 December 2020, the Company had £450 million of committed debt facilities available for utilisation. This comprises £400 million of investment debt facilities and £50 million of development debt facilities with our lending partners being Scottish Widows (£250 million), The Royal Bank of Scotland plc (£100 million), Lloyds Banking Group plc (£50 million) and Barclays Bank PLC (£50 million). £75 million of the Lloyds Banking Group/ RBS facility and the £50 million Barclays Bank PLC debt facility are available to be drawn as development debt facilities, which enables a larger number of sites to be developed simultaneously. The debt facilities are subject to the maximum gearing ratio of 45% of gross asset value such that the effective maximum debt is £400 million. Approximately £360 million of these facilities have been drawn to date with the remainder expected to be utilised over the next 12 months as we finish the current phase of construction, completion and letting activity. The long-term investment debt facilities of £400 million have an average term of 14.3 years and an average weighted cost of 2.4% once fully drawn. As ever, we would like to thank our banking partners for their support.

The Company's gearing, measured by comparing net debt to the investment value of assets, is low at around 29% (31 December 2019: 4% and 30 June 2020: 15%) and it has headroom in its covenants.

### 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 five 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.

The Board delegates the day-to-day management of the business, including the management of ESG matters, to the Investment Adviser, Sigma PRS. Sigma PRS, the creator of the PRS REIT, specialises 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.

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

### Board of Directors

Today, we are very pleased to welcome Geeta Nanda to the Board as a Non-Executive Director. She is Chief Executive Officer of Metropolitan Thames Valley Housing Association ("MTVH") and brings significant experience of the property sector, including the Private Rented Sector. MTVH provides housing at different levels of affordability for people living in London, the South East, East Midlands and east of England, and manages 60,000 homes with 100,000 residents, as well as an ongoing new-build programme. Geeta was previously Chief Executive Officer of Thames Valley Housing Association Ltd, and oversaw its merger with Metropolitan Housing Trust to create MTVH. She is also an Advisory Board member of Cities Restart, the body dedicated to helping cities reopen following COVID-19, a Board member of The National Housing Federation, the industry body representing providers of housing, and Vice Chair and Chair-elect of G15, the group of London's largest housing associations.

Geeta was previously a Non-executive Director of McCarthy & Stone plc, the retirement communities developer and manager, from 2015 until its acquisition in early 2021, a Non-executive Director of The St Mungo Community Housing Association, a charity that helps the homeless, and Vice Chair of SCOPE, the national disability charity. In 2013, she was an awarded an OBE for her services to social housing.

We look forward to working with her and are confident that her wide-ranging skills and understanding of the sector will strengthen the Board as the Company continues to develop.

### Outlook

The pace of home completions has stepped up significantly over the last six months, and with 3,530 completed homes in the portfolio as at 19 March 2021 and a further 1,600 under way, the Company has already created the largest portfolio of newly-constructed, single-family homes in the UK.

The Company remains firmly on track to take delivery of its 5,000th completed home by early 2022, based on current construction schedules. This will take us very close to our eventual, fully optimised target of 5,200 homes, providing an ERV of approximately £50.0 million per annum.

## CHAIRMAN'S STATEMENT (Cont.)

Demand for our homes continues to be strong and rent collection remains robust, with arrears broadly constant from the start of lockdown to March 2021 at £0.2 million despite the significant increase in rent roll.

While the financial and economic impact of the coronavirus crisis has created uncertainties, we believe that the PRS REIT remains well-positioned for further progress. There continues to be a deficit in the supply of high-quality family homes and we are very pleased to play our part in fulfilling this important social need. We remain confident about the delivery of our dividend target for the current financial year and expect dividend progression in the next financial year, subject to continuing good progress. Overall, we continue to view prospects very positively.

**Steve Smith**
**Chairman**

23 March 2021

## 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 2020.

### 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 where a greater diversity of rental levels is required.

The PRS REIT is building its portfolios in two ways:

- by acquiring undeveloped sites sourced by Sigma PRS. Their subsequent delivery 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 the Sigma group, or from third parties. A pre-requisite is that these completed and 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 only 17% of the Company's asset allocation.

Sigma, has a well-established PRS delivery platform, which sources and develops investment opportunities. The PRS REIT has first right of refusal over sites within Sigma's platform assuming they meet its investment criteria and it has available 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, Springfield Properties plc and Vistry Partnerships Limited (formerly Galliford Try Partnerships Limited), as well as local authorities and letting agencies. These relationships enable Sigma to identify and source land and deliver and manage 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

Towards the end of December 2020, we completed the full allocation of the Company's gross funding of £900 million (which includes gearing) by acquiring a fully-completed and let site from BlackRock Real Assets for approximately £19.1 million. This was after a careful review of the acquisition opportunities available. The site, situated in Walkden, a suburb to the north west of Manchester, comprises 123 homes and generates £1.16 million per annum in rental income. It is well-known to us, having been originally sourced and completed by Sigma's PRS property platform in June 2019, and it is also similar to other sites in the PRS REIT's portfolio.

In addition, we made two acquisitions of fully completed and let sites in the period from Sigma for a total of £11.8 million. These sites, in Lea Hall, Birmingham and Bury St Edmunds, Suffolk, added a combined 52 homes, with an estimated rental value ("ERV") of £0.6 million per annum. Together with the site acquired from BlackRock Real Assets, they have helped to accelerate rental income growth.

While the pace of housing delivery over the first half was affected by coronavirus restrictions, a total of 1,081 new homes were completed through our platform. This took the total number of completed homes in the Company's portfolio at 31 December 2020 to 3,163. This is almost double the same point in 2019 when 1,617 homes had been completed, and a 52% increase from 2,082 homes at 30 June 2020. The homes have an ERV of £29.4 million per annum, which is also almost double the £14.9 million of a year ago and a 54% increase from £19.1 million at 30 June 2020.

Purchases of investment property over the first half to 31 December 2020 totalled £104.1 million (H1 2019: £134.5 million). The year-on-year reduction reflects the natural cycle of expenditure, from site acquisition through to unit development and completion. Expenditure is typically higher during the earlier months of acquiring and developing a site and reduces nearing completion across a site.

The table below provides a summary of development activity, and shows the cumulative number of PRS units that have been completed since the launch of the Company on 31 May 2017 and the ERV of homes under construction or completed.

| | At 31 December 2020 | At 30 September 2020 | At 30 June 2020 | At 31 December 2019 |
|---|---|---|---|---|
| **Completed homes** | | | | |
| Number of completed PRS units | 3,163 | 2,634 | 2,082 | 1,617 |
| Rental income per annum | £29.4m | £24.3m | £19.1m | £14.9m |
| **Contracted homes** | | | | |
| Number of contracted homes | 1,963 | 2,369 | 2,803 | 3,328 |
| ERV per annum | £19.4m | £23.3m | £27.4m | £32.7m |
| **Total number of sites (completed and contracted)** | 65 | 64 | 62 | 62 |
| Number of completed and contracted units | 5,126 | 5,003 | 4,885 | 4,945 |
| ERV per annum | £48.8m | £47.6m | £46.6m | £47.6m |

The number of sites in the Company's portfolio increased to 65 sites at 31 December 2020 (31 December 2019: 62). They span all the major regions of England and, to date, 39 sites are fully complete and producing income, with the remaining 26 still part-way through development. Some of these part-completed sites are producing rental income from completed and let homes. This reflects construction planning, with development sites built out in such a way that as tranches of homes are completed, they can be released for letting while construction continues elsewhere on the site, subject to health and safety review. The approach enables development sites to become income-generating relatively quickly.

Approximately 60% of homes in the portfolio, both completed and under development, are located in the North West, with the Midlands accounting for approximately 18%, and Yorkshire and the North East representing around 15%. Homes in the South of England account for 7% of the portfolio. The wide geographical spread of homes across the regions of England has created a diverse customer base, which helps to mitigate concentration risk. This is particularly relevant given the uncertainties in the economy caused by the coronavirus pandemic and lockdown.

Between 1 January and 19 March 2021, we delivered a further 367 rental homes with an ERV of approximately £3.1 million per annum. This has taken the Company's portfolio of completed homes at 19 March 2021 to 3,530 homes, with an ERV of around £32.5 million.

### Rental performance and key performance measures

Over the first half of the financial year, annualised rental income of completed assets almost doubled year-on-year to £29.4 million gross (31 December 2019: £14.9 million and 30 June 2020: £19.1 million), reflecting the increase in asset delivery and strong demand. Acquisitions of completed assets during the period accelerated this rental income growth.

Despite the pressures during the period, rent collection remained resilient matching rent invoiced in the period while rent arrears remained static.

While rental growth in the period was affected by our decision in March 2020 to freeze increases on tenancy renewals, like-for-like growth was still in the region of 0.5%. During the first lockdown, regulations meant that the average time taken to re-let a property increased to a little over a fortnight, however this has now returned to the pre-pandemic level of eight days, which confirms strong underlying demand.

Reservation rates remained strong over the period and into 2021 with an average of 65 new applications currently being received each week. At the Lower Broughton development in Salford, which is the Company's largest development currently under way, comprising 299 homes across six blocks, 108 units have been let and 53 have been reserved since the end of November 2020. At 19 March 2021, out a total of 3,530 completed homes, 3,359 homes have been let, providing annualised rental income of £30.9 million with a further 93 homes reserved to qualified applicants with rent deposits paid at that date.

The Company's cost base remains covered, and operating cash inflows have increased in the period as rental income from completed and let homes has grown.

As previously advised, legislative change, in the form of the Tenant Fees Act 2019, which came into force on 1 June 2019, has added almost 1.5% of additional cost to the lettings process, and contributed to an increase in overall running costs. However, this cost will reduce as the portfolio grows, reflecting a revised letting agent fee structure that will lower total lettings costs by over 1.0%. Currently, non-recoverable property costs are 21.3% of gross rent, reflecting the higher lettings costs. All other costs are in line with management's targets.

The table below summarises key performance measures on completed assets as at 31 December 2020:

| | |
|---|---|
| Average gross yields on cost of completed assets | 6.2% |
| Average capital uplift on completed assets to Investment Value | 9.7% |
| Average capital uplift on completed assets to Vacant Possession Value | 17.4% |
| Cost management of Gross to Net | 21.3% |
| Like-for-like rental growth | 0.5% |

The Investment Valuation completed in December 2020 showed an average uplift in the value of completed assets over the costs of delivery of 9.7%. The average uplift in the value of completed assets on a vacant possession basis against the cost of delivery was 17.4%. Both of these uplifts provide significant headroom between cost and value, underlining the benefits of the Investment Adviser's PRS model.

### ESG statement

We undertake the day-to-day management of the Company's ESG strategy and take responsibility for how the Company's ESG priorities are managed at both Company and asset level. We report to the PRS REIT's Board on ESG on a quarterly basis.

### Operational approach

To help focus and better direct ESG efforts, we have signed up to the UN Global Compact, and are guided by its 10 core principles, based on human rights, labour, environment and anti-corruption. In November 2020, Sigma Capital Group plc appointed a dedicated ESG Manager, who will help to further develop our ESG initiatives, and in December 2020, we appointed a leading sustainability consultant specialising in real estate solutions to analyse the Company's current ESG performance.

Work is currently under way towards submissions to achieve a GRESB rating. Formerly known as the 'Global Real Estate Sustainability Benchmark', GRESB is an organisation that provides standardised and validated ESG data to the capital markets. It has become the leading ESG benchmark for real estate and infrastructure investments globally. We are also applying to join the European Public Real Estate Association (EPRA), a non-profit association representing Europe's publicly listed property companies. It works to represent the real estate sector through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, and the promotion of best practices.

In order to incorporate ESG factors into our decision-making processes and operations, our practices are based on the following policy approaches:

### Opportunity review

- ESG risks are assessed, reviewed and monitored, and strategies for enhancement and mitigation are set, based on the understanding and recognition of the value assigned in the emerging frameworks such as climate change and associated social need; and

- Mitigation plans are identified.

### Investment decision

- ESG issues are listed and addressed in a summary investment paper that informs decision-making at the Investment Committee stage; and

- ESG costs, particularly ongoing community and charitable involvement, continue to be determined and factored into the investment decision process.

### Asset management

- Appropriate governance structures are established.
- Relevant laws and regulations are adhered to.
- COVID-19 Guidelines issued – structures, reviews and support in place.
- 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, reviewed and developed.
- Due diligence is performed on third parties.
- Policy reviews and updates are ongoing.
- Good practice is established.
- Continued research and review of carbon reduction opportunities are ongoing.
- Investment restrictions are screened.
- Investment's ability to comply with the ESG standards is assessed.

### Environment

#### *Processes and strategies*

As industry leaders in the provision of private rental homes, we recognise our responsibilities and the changing priorities towards the environment in our industry. The Government has recently set out its 10 Point Plan for a 'Green Industrial Revolution'. The plan aims to accelerate the UK's attainment of net zero carbon emissions and encompasses energy, transport, innovation, and the natural environment, with 2050 set as the endpoint of its net zero goal. In our industry, there is a need for action in areas such as energy and water consumption, non-fossil fuel heating provision, biodiversity, and we aim to work with forward-looking partners, who share our goals. In working towards further developing our ESG agenda, we are embedding best practices, auditing and tracking the supply chain, and ensuring that policies and activities comply with our commitment to the UN Global Compact.

### Partnerships

We continue to engage closely with our partners as they develop and enhance their ESG focus and commitments. 'Future proofing' assets, net zero carbon emissions and biodiversity are shared priorities. We are pleased to report that our principal construction partner Countryside Properties' modular construction methods have reduced traffic flow and site waste, with factory waste being recycled and diverted from landfill. Other partners are also making progress with sustainability goals, including recycling.

#### *Energy & Power*

We are putting in place plans for a transition away from gas boilers, in line with the Government's pledge to ban gas boilers by 2025, and possibly as early as 2023. We are working with our partners on alternative sources of heating, including air and ground source heat pumps, which we expect to have installed on a pilot basis in a sample of homes by the end of 2021.

***Water***
All homes completed in this period have been fitted with water meters, flow restrictors on taps and dual flush cisterns, in line with current building regulations. Our key delivery partner, Countryside Properties, shares this commitment to water-saving procedures, and has reduced site water usage for the third consecutive year through regular inspections and water-saving fittings.

***Maintenance Support***
We introduced a repair and management app, FixFlo, in the period. This has significantly improved customer service levels and has created operational efficiencies, reducing contractor visits and related emissions.

***Printing***
Our printing partner, Pinksheep, operates a sustainability scheme, which provides transparency over the sustainability of its products and donates a proportion of our spending to Trees for Life, a registered charity working to rewild the Scottish Highlands. We also receive regular reports, updating us on our carbon offset and planting data.

***Physical Environment***
We understand the benefits of green spaces for tenants, and are developing a broad and ambitious biodiversity strategy. This includes wildlife initiatives, a programme of planting native trees and the creation of wildlife-friendly gardens and spaces. We are also fostering links with The Woodland Trust, the UK's largest woodland conservation charity, and Plant Britain. The coronavirus pandemic has reinforced the importance of outdoor space for health and wellbeing, and the physical environment of our developments will continue to be an important focus.

***Clothes Banks***
We are installing clothes banks across all our sites, where possible, and encourage residents to act sustainably. All donated garments are either redistributed to good causes or recycled. We also include reusable shopping bags and water flasks in the 'Welcome' boxes provided to new residents.

***Transport***
We continue to encourage employees of Sigma to join the Electric Vehicle Scheme, which facilitates access to electric vehicles and is supported through a salary sacrifice scheme. We are also installing charging points on developments to encourage the use of electric vehicles by residents. Our sites typically have good access to public transport, which will also help to support lower vehicle usage and reduced carbon emissions.

**Charities**
In consultation with our residents, we donated £100,000 over the 2020 calendar year to four nominated charities. The charities selected from this consultation process were Centrepoint (£24,840), which works with the homeless young people, Mind UK (£31,980), the mental health charity, Trussell Trust (£17,700), which works to alleviate hunger and poverty, and Women's Aid (£25,480), which supports victims of domestic violence. A donation of £12,500 was given to each charity, with the remaining £50,000 allocated through a residents poll. Alongside this, we continued to donate to and work with other charities. This included The Salford Foundation, which champions disadvantaged young people, where a number of our staff have been assisting online during the lockdown.

**Schools and Education**
Our support to local schools is long-standing and part of our investment in local communities. The impact of lockdowns on schools and their pupils has been severe and we look forward to supporting school initiatives such as the Daily Mile running track at Mills Hill Primary and the Pond Regeneration project at River View Primary, as schools reopen.

**Our Residents**
Despite the challenges of the pandemic and lockdown, we have been able to continue with our resident activities, both online and in person. Our '*Simple Life'* branded ice-cream van visited 29 communities during the summer when lockdown restrictions were eased. In August 2020, the 'Simple Life' resident portal also went live, enabling residents to access a variety of services such as online payments, tenancy documents, 'how-to' guides, and the online maintenance reporting tool, 'FixFlo'. We also engaged with residents through Instagram and Twitter to provide lines of communication during periods of lockdown.

## INVESTMENT ADVISER'S REPORT (Cont.)

### Covid-19

During the coronavirus crisis, we offered deferred payment support programmes to those experiencing difficulty paying rent, with cases reviewed on an individual basis. We also offered support for residents' physical and mental wellbeing, and extended our 'Peace of Mind Month' programme with a special 'health and wellbeing' series. Videos were created for '*Simple Life*' by professionals, partners and residents across a range of themes, including meditation, make-up, Pilates and baking, and we were pleased to see a great sense of community develop as residents engaged together online.

### 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

We aim to provide a collaborative and supportive working environment for all 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 to excel in it.

### Governance

Strong governance is essential to ensuring that risks are identified and managed, and that the interests of shareholders are protected. Strong governance also helps to underpin a well-functioning business and plays a part in ensuring the delivery of returns in line with expectations.

Sigma and the Company are both subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. The Boards of both Companies include 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.

### Summary

Despite the coronavirus pandemic and the restrictions that have slowed the pace of housing construction, we have made strong progress with housing delivery over the first half, and the Company's portfolio at 19 March 2021 stood at 3,530 completed homes. With the remaining balance of the PRS REIT's gross funding fully committed, we are now wholly focused on the delivery of homes currently under development. Based on current schedules, we remain firmly on target to deliver the portfolio's 5,000$^{th}$ home by early 2022.

Completed homes have continued to perform well across the portfolio in 2021 and rental demand is strong. Between 1 January and 19 March 2021, we continued to record strong lettings and reservations, with the effective lettings ratio (which includes 93 qualified applicants with deposits paid) at 98%. We believe this demonstrates the ongoing attraction of our homes, our high standards of customer care and structural undersupply.

While there is no doubt that the coronavirus crisis continues to create uncertainty, the Company's resilient model has been demonstrated over the past year. Looking ahead over the remainder of the financial year and beyond, we remain confident that the PRS REIT is in a strong position to achieve its performance targets.

The Board will consider the payment of an interim dividend in respect of the three months to 31 March 2021 in the fourth quarter of the current financial year. It continues to target* a minimum total dividend for the current financial year of 4p per ordinary share. A 4p dividend is expected to be fully covered by earnings on an annualised basis by the middle of calendar 2021, with coverage continuing to grow during the financial year ending 30 June 2022 as construction, completions and lettings advance. For the next financial year, we expect to see dividend progression*, subject to continuing good progress.

**Sigma PRS Management Ltd**
23 March 2021

**These are targets only and not forecasts. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results.*

## 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.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the six months ended 31 December 2020**

| | Notes | Six months ended 31 December 2020 (unaudited) £'000 | Six months ended 31 December 2019 (unaudited) £'000 | Year ended 30 June 2020 (audited) £'000 |
|---|---|---|---|---|
| **Rental income** | | **10,676** | 5,607 | 12,945 |
| Non-recoverable property costs | | **(2,278)** | (1,140) | (2,728) |
| **Net rental income** | | **8,398** | 4,467 | 10,217 |
| | | | | |
| **Administrative expenses** | | | | |
| Directors' remuneration | | **(70)** | (70) | (140) |
| Investment advisory fee | | **(2,143)** | (2,164) | (4,339) |
| Administrative expenses | | **(891)** | (680) | (1,681) |
| **Total expenses** | | **(3,104)** | (2,914) | (6,160) |
| | | | | |
| Gain from fair value adjustment on investment property | 4 | **19,371** | 10,867 | 15,806 |
| **Operating profit** | | **24,665** | 12,420 | 19,863 |
| | | | | |
| Finance income | | **-** | 188 | 220 |
| Finance costs | | **(4,411)** | (1,651) | (3,676) |
| **Profit before taxation** | | **20,254** | 10,957 | 16,407 |
| | | | | |
| Taxation | | **-** | - | - |
| **Total comprehensive income for the period / year attributable to the equity holders of the Company** | | **20,254** | 10,957 | 16,407 |
| | | | | |
| **Earnings per share attributable to the equity holders of the Company:** | | | | |
| Basic IFRS earnings per share | 6 | **4.1p** | 2.2p | 3.3p |

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 2020**

| | Notes | As at 31 December 2020 (unaudited) £'000 | As at 31 December 2019 (unaudited) £'000 | As at 30 June 2020 (audited) £'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Investment property | 4 | **700,591** | 519,870 | 577,119 |
| | | **700,591** | 519,870 | 577,119 |
| **Current assets** | | | | |
| Trade receivables | | **189** | 227 | 191 |
| Other receivables | | **5,095** | 2,718 | 3,463 |
| Cash and cash equivalents | | **128,897** | 74,962 | 59,304 |
| | | **134,181** | 77,907 | 62,958 |
| **Total assets** | | **834,772** | 597,777 | 640,077 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Accruals and deferred income | | **7,291** | 2,976 | 4,598 |
| Interest bearing loans and borrowings | | **331,197** | 96,807 | 145,244 |
| | | **338,488** | 99,783 | 149,842 |
| **Current liabilities** | | | | |
| Trade and other payables | | **19,967** | 27,570 | 19,314 |
| | | **19,967** | 27,570 | 19,314 |
| **Total liabilities** | | 358,455 | 127,353 | 169,156 |
| **Net assets** | | 476,317 | 470,424 | 470,921 |
| **EQUITY** | | | | |
| Called up share capital | 5 | **4,953** | 4,953 | 4,953 |
| Share premium account | | **245,005** | 245,005 | 245,005 |
| Capital reduction reserve | | **171,890** | 191,701 | 186,748 |
| Retained earnings | | **54,469** | 28,765 | 34,215 |
| **Total equity attributable to the equity holders of the Company** | | **476,317** | 470,424 | 470,921 |
| IFRS net asset value per share | 7 | **96.2p** | 95.0p | 95.1p |

As at 31 December 2020, 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 2020**

| | Notes | Share capital £'000 | Share premium account £'000 | Capital reduction reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| At 1 July 2019 | | 4,953 | 245,005 | 206,559 | 17,808 | 474,325 |
| Dividend paid | 10 | - | - | (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 |
| | | | | | | |
| Dividend paid | | - | - | (4,953) | - | (4,953) |
| Profit for the period | | - | - | - | 5,450 | 5,450 |
| At 30 June 2020 | | 4,953 | 245,005 | 186,748 | 34,215 | 470,921 |
| | | | | | | |
| Dividend paid | 10 | - | - | (14,858) | - | (14,858) |
| Profit for the period | | - | - | - | 20,254 | 20,254 |
| **At 31 December 2020** | | **4,953** | **245,005** | **171,890** | **54,469** | **476,317** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
**For the six months ended 31 December 2020**

| | Notes | Six months ended 31 December 2020 (unaudited) £'000 | Six months ended 31 December 2019 (unaudited) £'000 | Year ended 30 June 2020 (audited) £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before tax | | **20,254** | 10,957 | 16,407 |
| Finance income | | **-** | (188) | (220) |
| Finance costs | | **4,411** | 1,651 | 3,676 |
| Fair value adjustment on investment property | 4 | **(19,371)** | (10,867) | (15,806) |
| Cash generated from operations | | **5,294** | 1,553 | 4,057 |
| Increase in trade and other receivables | | **(1,630)** | (1,730) | (1,680) |
| Increase / (Decrease) in trade and other payables | | **3,259** | (3,634) | (3,677) |
| **Net cash generated from / (used in) operating activities** | | **6,923** | (3,811) | (1,300) |
| **Cash flows from investing activities** | | | | |
| Acquisition of subsidiaries | | **-** | (8,170) | - |
| Purchase of investment property | 4 | **(104,101)** | (126,328) | (193,772) |
| Finance income | | **-** | 221 | 236 |
| **Net cash used in investing activities** | | **(104,101)** | (134,277) | (193,536) |
| **Cash flows from financing activities** | | | | |
| Bank and other loans | | **187,107** | - | 50,000 |
| Finance costs | | **(5,478)** | (2,038) | (5,995) |
| Dividends paid | | **(14,858)** | (14,858) | (19,811) |
| **Net cash (used in) / generated from financing activities** | | **166,771** | (16,896) | 24,194 |
| **Net increase / (decrease) in cash and cash equivalents** | | **69,593** | (154,984) | (170,642) |
| Cash and cash equivalents at beginning of period | | **59,304** | 229,946 | 229,946 |
| **Cash and cash equivalents at end of period** | | **128,897** | 74,962 | 59,304 |

## 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 was quoted on the Specialist Fund Segment of the Main Market of the London Stock Exchange until 2 March 2021 when it migrated to the Premium Segment of the Main Market of the London Stock Exchange.

This interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 23 March 2021.

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 2020 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 2020 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 2020, except for the adoption of new standards effective as of 1 July 2020. 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.

**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 three 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 processes 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:

| | **The PRS REIT Holyoake Unit Trust (formerly BlackRock Housing Unit Trust) £'000** | **Sigma PRS Investments (Bury St Edmunds) Limited £'000** | **Sigma PRS Investments (Lea Hall) Limited £'000** |
|---|---|---|---|
| Investment properties acquired | 19,000 | 5,945 | 5,905 |
| Other receivables | 489 | 17 | 11 |
| Other payables | (389) | (45) | (20) |
| **Total consideration paid** | **19,100** | **5,917** | **5,896** |

## NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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

3. **Going concern**

The interim condensed consolidated financial statements have been prepared on a going concern basis. The Group's cash balances at 31 December 2020 were £129 million of which £3 million was readily available. The Group had debt borrowing as at 31 December 2020, of £337 million, and has secured further facilities of £113 million. Capital commitments outstanding as at 31 December 2020 were £93 million. The Group's ERV as at 31 December 2020, was £29.4 million from 3,163 homes and has increased to £32.5million from 3,530 homes as at 19 March 2021. This has increased the Company's recurring income and at this level is more than sufficient to cover monthly cash costs. The Company has monitored and performed stress tests throughout the period since the Government imposed the first national lockdown almost one year ago and these have shown the Group to be in a strong position throughout.

Therefore, the Directors believe the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the Group's interim condensed consolidated financial statements for the six months ended 31 December 2020. 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 2020 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 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 | 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 |
| | | | |
| Properties acquired on acquisition of subsidiaries | - | 388 | 388 |
| Property additions - subsequent expenditure | (9) | 51,912 | 51,903 |
| Right-of-use assets | 19 | - | 19 |
| Change in fair value | 917 | 4,022 | 4,939 |
| Transfers to completed assets | 18,133 | (18,133) | - |
| As at 30 June 2020 | 231,302 | 345,817 | 577,119 |
| | | | |
| Properties acquired on acquisition of subsidiaries | 31,606 | - | 31,606 |
| Property additions - subsequent expenditure | - | 72,495 | 72,495 |
| Change in fair value | 6,761 | 12,610 | 19,371 |
| Transfers to completed assets | 102,850 | (102,850) | - |
| **As at 31 December 2020** | **372,519** | **328,072** | **700,591** |

The historic cost of completed assets and assets under construction as at 31 December 2020 was £643.5

million (30 June 2020: £540.2 million).

***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) | 4.00% - 4.75% |
| Gross to net assumption | 22.50% - 25.00% |

## 5. Share capital

| | No. of Shares | Share Capital £'000 |
|---|---|---|
| Balance as at 31 December 2019 | 495,277,294 | 4,953 |
| Balance as at 30 June 2020 | 495,277,294 | 4,953 |
| **Balance as at 31 December 2020** | **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 2020** | **20,254** | **495,277,294** | **4.1** |
| For the year ended 30 June 2020 | 16,407 | 495,277,294 | 3.3 |
| For the period ended 31 December 2019 | 10,957 | 495,277,294 | 2.2 |

## 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 2020 | As at 31 December 2019 | As at 30 June 2020 |
|---|---|---|---|
| Net assets at end of period (£'000) | **476,317** | 470,424 | 470,921 |
| Shares in issue at end of period (number) | **495,277,294** | 495,277,294 | 495,277,294 |
| Basic IFRS NAV per share (pence) | **96.2** | 95.0 | 95.1 |

## NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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 £620.0 million (30 June 2020: £628.5 million). As at 31 December 2020, £92.5 million (30 June 2020: £172.3 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 2020 to 31 December 2020, fees of £2.1 million (1 July 2019 to 31 December 2019: £2.2 million) were incurred and payable to Sigma PRS in respect of investment advisory services. At 31 December 2019, £0.7 million remained unpaid (30 June 2020: £1.1 million).

For the period from 1 July 2020 to 31 December 2020, development fees of £2.8 million (1 July 2019 to 31 December 2019: £5.3 million) were incurred and payable to Sigma PRS. At 31 December 2020, £1.0 million (30 June 2020: £0.7 million) remained unpaid.

During the period from 1 July 2020 to 31 December 2020, Sigma PRS acquired 1,500,000 shares in the Company, increasing the total shares held by Sigma PRS in the Company to 5,889,852, which represents 1.19% of the issued share capital in the Company. The shares were acquired in the market at an average price of 75.6 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 2020 to 31 December 2020, 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 (Bury St Edmunds) Limited | £5.9 million |
| Sigma PRS Investments (Lea Hall) Limited | £5.9 million |

10. **Dividends paid and proposed**

| | Six months ended 31 December 2020 (unaudited) £'000 | Six months ended 31 December 2019 (unaudited) £'000 | Year ended 30 June 2020 (audited) £'000 |
|---|---|---|---|
| **Dividends on ordinary shares declared and paid:** | | | |
| 3 months to 30 June 2019: 2.0p per share | - | 9,905 | 9,905 |
| 3 months to 30 September 2019: 1.0p per share | - | 4,953 | 4,953 |
| 3 months to 31 December 2019: 1.0p per share | - | - | 4,953 |
| 3 months to 31 March 2020: 1.0p per share | 4,953 | - | - |
| 3 months to 30 June 2020: 1.0p per share | 4,953 | - | - |
| 3 months to 30 September 2020: 1.0p per share | 4,953 | - | - |
| | **14,858** | **14,858** | **19,811** |
| **Proposed dividends on ordinary shares:** | | | |
| 3 months to 31 December 2020: 1.0p per share | 4,953 | - | - |
| 3 months to 31 March 2020: 1.0p per share | - | - | 4,953 |
| 3 months to 30 June 2020: 2.0p per share | - | - | 4,953 |
| 3 months to 31 December 2019: 1.0p per share | - | 4,953 | - |
| | **4,953** | **4,953** | **9,906** |

The proposed dividend was paid on 8 March 2021, to shareholders on the register at 19 February 2021.

## NOTES TO THE FINANCIAL STATEMENTS (Cont.)

### 11. Post balance sheet events

**Dividends**

On 10 February 2021, the Company declared a dividend of 1.0p per ordinary share in respect of the second quarter of the current financial year. The dividend was paid on 8 March 2021 to shareholders on the register as at 19 February 2021.

**Admission to the Premium Segment**

On 2 March 2021 the entire issued share capital was admitted to trading on the Premium Segment of the Main Market of the London Stock Exchange.

**Coronavirus**

Coronavirus remains a real and existing risk which requires careful monitoring and a management in conjunction with our house building partners and Letting Agents in order to mitigate the likely issues as much as possible pending the restoration of a more normal working and living environment. As one would expect the Company will continue to objectively review and assess the impact of the coronavirus outbreak and government response on both its strategy and focus of activities. Importantly, however, the pandemic will ultimately pass and the Company is well placed to thrive thereafter.