Company registration number 13083766

Portfolio REIT Plc

Unaudited interim consolidated financial statements

For the period from 1 April 2023 to 30 September 2023

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STRATEGIC REPORT

The Directors of Portfolio REIT plc ("the Company" or the "Fund and together with its subsidiaries "the Group") are pleased to present the interim report for the period ended 30 September 2023.

Principal activity and investment policy

The Group's principal activity continues to be to invest, through subsidiaries, in freehold and long leasehold interests in residential properties in and around UK cities and let such properties generally on an assured shorthold tenancy ("AST") basis.

The Group's investment objective is to achieve regular long term rental income as well as capital appreciation by investing in a portfolio of high-quality UK residential real estate assets and its investment policy is to purchase and let residential properties in and around UK cities where the Company recognises the potential for long-term capital growth and a strong level of rental income.

The Company will acquire freehold or leasehold interests in residential properties, with at least 125 years remaining (and no provisions in a lease which would mean it is not possible to obtain mortgage finance from a lender who typically makes loans in respect of such properties).

The Company may acquire houses or flats which may be new builds or existing properties and may be individual units or in blocks. Where appropriate, the Company will seek to negotiate discounts on acquisitions.

The Company will aim to maintain what it believes to be an appropriate level of diversification at the geographical and asset levels.

The Company will aim to prioritise the total return over time rather than maximising discount or yield at the point of purchase.

Portfolio and operating review

During the period, the Group's portfolio of properties (the "Portfolio") remained stable with no acquisitions or disposals. At 30 September 2023, there were 18 properties (31 March 2023: 18) in the Portfolio.

The Portfolio has performed well versus the wider housing market.

As at 30 September 2023, the Portfolio was independently valued by Allsop LLP at £7,395,000, a slight decrease of 0.80% from £7,455,000 at 31 March 2023. It has been valued in accordance with the definitions published by the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards, July 2020, Global and UK Editions (commonly known as the "Red Book").

In the wider UK housing market, the Halifax Building Society house price index recorded six consecutive monthly declines between April and September 2023 with a fall of 3.33% for the six months to 30 September 2023.

In comparison to the original acquisition cost, the value of the Portfolio remains 6.74% above cost.

Despite the small decrease in value in the period to 30 September, the Board is pleased with the performance of the Portfolio, reinforcing the value of acquiring high-quality residential assets in strong growth markets

At the period end, all but one property in the portfolio was fully occupied, with a total annual rent of £391,000 (31 March 2023: £385,000) – an increase of approximately 1.50% and an average rent of £1,809 (31 March 2023: £1,782) per calendar month. A new tenant moved into the empty property earlier this month and so the Fund currently has no voids.

Positive rental growth has been achieved over the last twelve months by 16 of the 18 properties in the portfolio with annual rental growth achieved on individual properties ranging between 3% and 23%.

STRATEGIC REPORT

During the period, the Company chose not to exercise its right to purchase 19 units in the Nightingale Quarter development in Derby. The Company is entitled to a full refund of the deposit paid and other costs incurred which amount in aggregate to £1,940,000 with the refunds expected to be received during 2024.

Financial Review

Statement of Comprehensive Income and Expenditure

Rental income for the six months to 30 September 2023 was £184,000 (2022: £199,000). The difference is nearly entirely accounted for by the rent reduction on the Group's property in Manchester which was previously reported in the annual report and accounts for the year ended 31 March 2023.

The Directors are pleased to report that since 30 September 2023, a new two-year tenancy has commenced on that property that will result in an increase in rent on that property of £1,000 per calendar month (equivalent to a 10.00% increase) over the passing rent at the half-year end.

The gross rental yield on cost for the period was 5.33% which remains above our targeted KPI of 5%.

The loss for the period was £245,000 (2022: £41,000), which has primarily resulted from the negative movement in property valuation of £60,000 (2022: positive movement of £75,000) and higher property management costs (£51,000 2022: £38,000) and administrative expenses (£247,000 2022: £213,000) than during the comparable period in 2022.

If the movement in property values is excluded the loss for the period was £186,000 (2022: £116,000)

As explained below, the board is actively looking at actions available to reduce the administrative costs of the Group.

The loss for the period resulted in a loss per share of 3.1p (30 September 2022: 0.5p) based on the weighted average number of 7,868,243 shares in issue for the period.

The EPRA loss per share which adjusts for the movement in investment property valuation was therefore 2.4p (30 September 2022: 1.3p)

Statement of Financial Position

Investment properties include completed assets at fair value. The independent valuation of the Group's investment properties as at 30 September 2023 was £7,395,000 (31 March 2023: £7,455,000).

There has been no change to the Group's debt facilities during the period. As at 30 September 2023 and 31 March 2023, the Group had two secured loan facilities from Secure Trust Bank of £3,357,000 in aggregate with a blended interest rate of 2.85% which is fixed until maturity. Both the facilities have been fully drawn and are secured over the Group's investment properties. The loans are interest only and have an initial term of five years, repayable on 7 March 2027.

As at 30 September 2023, the LTV (Loan to Value) for the properties financed with Secure Trust Bank was 45.4% (31 March 2023: 45.0%) and the interest cover ratio (ICR) for the period to 30 September 2023 was 3.8 times (30 September 2022: 4.1 times). The loan covenants are 55% LTV and 2.5 times ICR, representing a significant margin of headroom within each level of covenant. The loan covenants are assessed and submitted to Secure Trust Bank on a quarterly basis.

The EPRA adjusted NAV, on which the share price is based, was 90p per share (31 March 2023: 94p per share), a decrease of 4.0p in the period.

The Group considers EPRA NRV to be the most relevant NAV measure for the Group. This allows adjustments to net asset value to exclude assets and liabilities that are not part of normal operations.

Under EPRA rules, £430,000 (31 March 2023: £433,000) has been added back to the NRV through the real estate transfer tax adjustment.

STRATEGIC REPORT

Statement of Cash Flows

The net cash outflow for the period was £460,000. During the period, the Company spent a net amount of £110,000 on buying back shares in the Company and paid dividends of £72,000.

Cash balances at 30 September 2023 were £571,000 (31 March 2023: £1,031,000).

Included in Other Debtors at 30 September 2023 are amounts of £1,940,000 advanced since February 2022 in relation to a property investment opportunity at Nightingale Quarter in Derby which the Group has now chosen not to pursue and therefore this amount is expected to be returned to the Group during 2024.

Dividends

The Company's dividend programme commenced in September 2022. In accordance with the REIT rules, at least 90 per cent of the Fund's annual property income must be distributed to shareholders.

During the period, the Board declared and paid two interim dividends of 0.4516p per share and 0.4571p per share, which were both Property Income Distributions.

On 13 November 2023, the Board declared an interim dividend of 0.4561p per share which was paid on 17 November 2023, again as a Property Income Distribution.

The aggregate dividend paid per share in the period was 0.91p which represents an annualised dividend yield calculated versus closing EPRA NAV per share of 2.02%.

The Company expects that further dividends will be paid each quarter.

Outlook

The Directors are pleased that any continuing uncertainty in the economic environment has so far had a minimal impact on our portfolio in terms of asset value and income generation. Our property portfolio has only experienced a very slight decline in value, compared to steeper declines across the market more generally.

We have continued to be insulated from rising interest rates due to our fixed rate debt facilities and the Group's portfolio continues to deliver strong rental yields during challenging times.

We are confident that the resilience of the portfolio demonstrates that the Fund's strategy has the necessary attributes to create value in the future for shareholders.

Market Outlook

Forecasts published by Savills earlier this month for the mainstream UK residential property market suggest value appreciation of 17.9% in the UK for the five years from 2024 to 2028, with London underperforming the broader UK market. Savills's rental forecasts for 2024 to 2028 suggest growth in the UK market of 18.1% between 2024 and 2028.

Savill's regional forecasts for the North West and East Midlands, where the Group's properties are located, are for valuation growth of 20.2% and 19.6% respectively during this period. While these forecasts do suggest some decline in prices in these two regions of less than three per cent during 2024, the long-term prognosis appears positive.

The investment case for Build-to-Rent ("BTR") properties in the UK remains strong. There remains a shortage of high-quality housing and demand for homes continues to be strong. In their most recent quarterly review of the Build-to Rent sector in the UK report, Knight Frank recently estimated the value of the market for professionally managed rental accommodation in the UK to be £71 billion, doubling from £35 billion in 2019 with the potential to increase to £126 billion by 2028. The Knight Frank BTR Rental Index reported that annual rental growth for new build-to-rent lets was 8.4% in the twelve months to 30 September 2023 compared with 5.7% for the wider private rental sector ("PRS").

With the Group's long-standing relationships with developers and its ability to source quality new homes with potential for high capital growth, we believe we are well positioned to take advantage of such opportunities as they arise and continue to deliver stable income and growth to investors.

STRATEGIC REPORT

Strategy update

Given the positive market outlook, the Directors and the Property Adviser continue to be encouraged by the long-term prospects for UK residential property. Accordingly, the Board and the Property Adviser remain committed to attracting further investment into the REIT and increasing the size of the REIT's property portfolio.

While we explore opportunities to increase the scale of the Group, we are also very much focused on managing the running of the Group as efficiently as possible.

Equity redemptions

The Board notes that a number of shareholders have submitted redemption requests in recent months. We believe that large scale redemptions would damage the prospects of the Fund potentially requiring properties to be disposed of at a time when full value for any properties sold is unlikely to be realised.

Having given the matter much consideration, the Directors believe that it is in the best interests of shareholders not to accept any further redemption requests from shareholders and will review this decision by 31 December 2025. Many other real estate investment vehicles have paused or limited redemptions in a similar way to protect value for shareholders.

The Board will revisit redemption requests received prior to the date of this announcement after the AGM of the Company in 2024.

Portfolio App

During the period the decision was taken to close the Portfolio app, launched in 2021 and this was completed in late October 2023. The Directors are satisfied that this decision should not materially impact the prospects for the Group.

Cost reduction

While we explore opportunities to increase the scale of the Group, we are also very much focused on managing the running costs of the Group.

The Board has reappraised the merits of issuing a new equity prospectus and decided that the costs to the Company are not justified at present.

With effect from 1 October 2023, Portfolio Advisors has committed to waive all advisory fees due from the REIT for the life of the Fund. It had already agreed to waive 50 per cent. of its base advisory fees for the period to 30 September 2023 and has agreed to accept payment of the remaining 50 per cent in ordinary shares, a strong demonstration of its alignment with shareholders and its commitment to preserving and growing shareholder value in the REIT.

In order to reduce its administrative costs, the Fund will, consistent with many other REITS, also move from monthly to quarterly disclosures of EPRA NAV per share. Therefore, the next disclosure of EPRA NAV per share to be published will be for 31 December 2023.

We are undertaking a review of all other costs of the Group and will continue to take all appropriate action to reduce costs on an ongoing basis to preserve value for shareholders.

We appreciate the support of all our shareholders during the period and remain determined to deliver long-term value for you all.

Stephen Vakil

Chairman

Portfolio REIT Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 April 2023 to 30 September 2023

	Note	For the period from 1 April 2023 to 30 September 2023 £ '000	For the period from 1 April 2022 to 30 September 2022 £ '000
Income			
Gross rental income		184	199
Property operating expenses		(51)	(38)
Net rental income		**133**	**161**
Operating expenses			
General and administrative expenses		(247)	(213)
Total operating expenses		**(247)**	**(213)**
Net operating loss before fair value changes		**(114)**	**(52)**
Changes in fair value of investment properties	5	(60)	75
Net operating (loss)/profit after fair value changes		**(174)**	**23**
Finance costs		(71)	(64)
Operating loss before taxation		**(245)**	**(41)**
Taxation		-	-
Loss for the period attributable to owners		**(245)**	**(41)**
Total comprehensive loss for the period attributable to the owners		**(245)**	**(41)**
Loss per share – basic and diluted (pence)*	11	**(3.1)**	**(0.5)**

*Based on the weighted average number of ordinary shares in issue in the period from 1 April 2023 to 30 September 2023.

All amounts included in the Consolidated Statement of Comprehensive Income relate to continuing activities.

The notes on pages 10 to 18 form part of these consolidated interim financial statements.

Portfolio REIT Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

	Note	As at 30 September 2023 £ '000	As at 31 March 2023 £ '000
Non-current assets			
Investment properties	5	7,395	7,455
Total non-current assets		**7,395**	**7,455**
Current assets			
Trade and other receivables		2,141	2,114
Cash and cash equivalents		571	1,031
Total current assets		**2,712**	**3,145**
Total assets		**10,107**	**10,600**
Non-current liabilities			
Bank borrowings		(3,255)	(3,240)
Total non-current liabilities		**(3,255)**	**(3,240)**
Current liabilities			
Trade and other payables		(200)	(282)
Total current liabilities		**(200)**	**(282)**
Total liabilities		**(3,455)**	**(3,522)**
Net assets		**6,652**	**7,079**
Equity			
Share capital	6	91	91
Share premium	7	2,678	2,678
Capital reduction reserve	9	6,248	6,320
Warrants revaluation reserve	10	53	53
Treasury shares	8	(1,171)	(1,062)
Profit and loss account		(1,247)	(1,002)
Total equity		**6,652**	**7,079**
EPRA NAV per share (pence per share)	12	**89.9p**	**93.9p**

The Consolidated Interim Financial Statements were approved by the Board of Directors and authorised on their behalf by:

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Stephen Vakil
Chairman
Date:
Company registration number 13083766

The notes on pages 10 to 18 form part of these consolidated interim financial statements.

Portfolio REIT Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 April 2023 to 30 September 2023

	Note	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Warrant revaluation reserve £'000	Treasury shares £'000	Profit and loss account £'000	Total £'000
1 April 2023		91	2,678	6,320	53	(1,061)	(1,002)	7,079
Loss for the period		-	-	-	-	-	(245)	(245)
Transactions with Owners:								
Share Capital issued	6-10	-	-	-	-	-	-	-
Dividends paid	4	-	-	(72)	-	-	-	(72)
Treasury shares sold	8	-	-	-	-	17	-	17
Shares repurchased	8	-	-	-	-	(127)	-	(127)
30 September 2023		**91**	**2,678**	**6,248**	**53**	**(1,171)**	**(1,247)**	**6,652**

	Note	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Warrant revaluation reserve £'000	Treasury shares £'000	Profit and loss account £'000	Total £'000
1 April 2022		87	1,982	6,477	39	-	(822)	7,763
Loss for the period		-	-	-	-	-	(41)	(41)
Transactions with Owners:								
Share Capital issued	6-10	4	647	(14)	14	-	-	651
Dividends paid	4	-	-	(72)	-	-	-	(72)
Net purchase of Treasury shares	8	-	(5)	-	-	(428)	-	(433)
30 September 2022		**91**	**2,624**	**6,391**	**53**	**(428)**	**(863)**	**7,868**

The notes on pages 10 to 18 form part of these consolidated interim financial statements.

Portfolio REIT Plc

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period from 1 April 2023 to 30 September 2023 £'000	Period from 1 April 2022 to 30 September 2022 £'000
Cash flows from operating activities			
Loss before taxation		(245)	(41)
Adjustments for:			
Changes in fair value of investment properties	5	60	(75)
Amortisation of loan arrangement fees		15	16
Interest expenses		48	48
Decrease in trade and other receivables		16	133
Decrease in trade and other payables		(59)	(157)
Net cash used in operating activities		**(165)**	**(76)**
Cash flows from investing activities			
Deposit for investment properties		(43)	(104)
Net cash used in investing activities		**(43)**	**(104)**
Cash flows from financing activities			
Proceeds from shares issued in the period	6	-	651
Proceeds from treasury shares sold	8	17	-
Purchase of shares from investors	8	(126)	(433)
Dividend paid	4	(72)	(72)
Interest paid		(71)	(48)
Loan arrangement fees paid		-	(1)
Net cash from financing activities		**(252)**	**97**
Net increase in cash and cash equivalents		**(460)**	**(83)**
Cash and cash equivalents at the beginning of the period		1,031	1,697
Cash and cash equivalents at the end of the period		**571**	**1,614**

The notes on pages 10 to 18 form part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Portfolio REIT Plc (the "Company") was incorporated as The Property Hub REIT plc in England and Wales under the Companies Act 2006 on 15 December 2020 and is now a public Company limited by shares with Company number 13083766. These consolidated interim financial statements include the financial statements of Portfolio REIT Plc (the "Company") together with its subsidiaries Property Hub No.1 LP, Portfolio REIT Holdings Ltd, Portfolio REIT SPV 1 Ltd and Portfolio REIT SPV 2 Ltd, together known as the "Group".

The Company is registered as an investment Company under section 839 (1) of the Companies Act 2006. The Company's registered office is Suite 101 Bloc 17 Marble Street, Manchester, M2 3AW. The Group's principal activities are set out in the Strategic report.

2 Accounting policies

Going concern

The consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence and realise its assets and discharge its liabilities in the normal course of business for a period of at least 12 months from the date of signature of these financial statements.

The Board have reviewed the Investment Advisor's work on going concern prepared for the purposes of the unaudited interim consolidated financial statements, which included compliance with loan covenants at the most recent quarter end, together with a forecast of the Group's cash flow over the period to 30 November 2024 and a reverse stress test. The forecast has considered the current liquidity position of the Group and has factored in committed cash flows and the funding available for this based on current resources. In addition, the reverse stress test is completed to estimate by how much valuations and rental income would need to fall for covenants to be breached. As at the period end, considerable headroom exists on all covenants and the Group has sufficient retained capital and liquidity.

Consequently, the Board are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the interim report and therefore have prepared the consolidated interim financial statements on a going concern basis.

Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 September 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The financial information is unaudited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial performance and position of the Group. The interim report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and accordingly should be read in conjunction with the annual report for the year ended 31 March 2023 which has been prepared in accordance with both International Accounting Standards, in conformity with the requirements of the Companies Act 2006.

The consolidated interim financial statements have been prepared under the historical cost convention except for investment properties which are stated at fair value and warrants that are initially recognised at fair value.

The preparation of consolidated interim financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on the Directors' best knowledge of the events and amounts involved, actual results may differ from those estimates.

Basis of consolidation

The Group's consolidated financial statements consolidate those of the parent Company and all of its subsidiaries as of 30 September 2023.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset

2 Accounting policies (Continued)

Basis of consolidation (Continued)

sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the investors of the parent based on their respective ownership interests.

Investment properties

Investment properties comprise residential properties which are measured initially at cost, including related transaction costs. These are held as investments to earn rental income and for capital appreciation and are stated at fair value at the Consolidated Statement of Financial Position date.

After initial recognition investment properties are carried at fair value, based on market values, as determined by independent external valuers.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Subsequent expenditure is added to an asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other property-related costs are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Any movement in the fair value of the properties is reflected within the Consolidated Statement of Comprehensive Income for the period.

The gain or loss arising on the disposal of investment properties is determined as the difference between the net sales proceeds and the carrying value of the asset at the beginning of the period and is recognised in the Consolidated Statement of Comprehensive Income.

Fair value hierarchy

In accordance with IFRS 13, the Group recognises investment properties at fair value at each balance sheet date which recognises a variety of fair value inputs depending upon the nature of the investment. Highest priority is given to Level 1, lowest priority is given to Level 3:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

2 Accounting policies (Continued)

Warrants

The initial recognition of the warrants will be based on the fair value report provided by an external valuer as at the date at which the warrants were issued. As the warrants are classified as an equity instrument under IFRS it is not required for them to be subsequently re-valued after the initial recognition. When the warrants are exercised the resultant shares issued will be valued at the warrant exercise price which was specified when the warrants were initially issued.

Capital and reserves

The capital reduction reserve is a distributable reserve to which the value of share premium, as a result of share issuance, has been transferred. Dividends can be paid from this reserve.

The warrant revaluation reserve reflects the fair value of warrants at the date of issue, as explained above.

The profit and loss account reflects accumulated comprehensive income as at reporting date.

Dividend distributions

Dividend distributions are recognised when paid to the investors or, if earlier, when shareholder approval is received. These amounts are recognised as a reduction in equity in the consolidated financial statements, detailed in the Consolidated Statement of Changes in Equity.

Alternative performance measures

The Group uses alternative performance measures to present certain aspects of its performance. These are explained and, where appropriate, reconciled to equivalent IFRS measures. The main alternative performance measures used are those issued by the European Public Real Estate Association ("EPRA"), which is the representative body of the listed European real estate industry.

EPRA issues guidelines and benchmarks for reporting both financial and sustainability measures. These are important in assisting investors in comparing and measuring the performance of real estate companies across Europe on a consistent basis as well as being key performance indicators for the Group.

EPRA NAV measures

EPRA has defined three measures in the 2019 Guidelines as below:

- EPRA Net Reinstatement Value ("NRV") highlights the value of net assets on a long-term basis. This assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

- EPRA Net Tangible Assets ("NTA") assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

- EPRA Net Disposal Value ("NDV") represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax

For the EPRA adjustments to arrive at the EPRA NAV (for all three methods), the Group used the starting point from IFRS and followed the EPRA guidelines, subsequently determining the following adjustments to be non-applicable to the Group:

a) Revaluation of Investment Property (if IAS 40 cost option is used)
Since under IAS 40 the Group will be using the valuation option rather than cost option, this adjustment will not be applicable and so no adjustment is necessary.

2 Accounting policies (Continued)

EPRA NAV measures (Continued)

b) Real estate transfer tax ("RETT")
According to the EPRA guidelines, this adjustment only effects the NRV and the adjustment has no impact on NTA or NDV. The Group considered in this case, stamp duty to be the RETT – Real Estate Transfer Tax. The guidance indicates that companies should use the gross value as provided in the valuation report. Under this adjustment, the Group will be adding back the stamp duty which was written off through the revaluation of the investment properties.

Treasury Shares

Treasury stock is a contra equity account recorded in the shareholders' equity section of the balance sheet. A contra equity account is a stockholders' equity account with a negative balance. When treasury shares are purchased by the Group, a contra-equity account (treasury shares) is set up and recorded in the equity section.

When treasury shares are sold by the Group, the sales proceeds offset against the treasury shares in the equity section, and any sales exceeding the purchase costs are credited to the share premium. If the sales proceeds are less than the purchase costs, the deficits are debited to the share premium remaining from prior treasury transactions, and any residual amount to retained earnings if there is no remaining balance in the additional share premium account.

3 Critical accounting judgements and key sources of estimation uncertainty

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.

REIT status

The Company will at all times conduct its affairs to enable it to remain qualified as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder). The Company reviews this qualification on a regular basis with its tax advisors and has not identified any risk of non-compliance to date.

Valuation of properties

The Group adopts the valuation carried out by its independent external valuers as the fair value of its property portfolio. Information on the basis of valuation is provided in note 5.

The Group's properties have been independently valued by Allsop LLP ("Allsop" or the "Valuer") in accordance with the definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation – Professional Standards, July 2020, Global and UK Editions (commonly known as the "Red Book"). Allsop is a recognised professional firm and has sufficient knowledge, skills and understanding to undertake the valuations competently.

With respect to the Group's financial statements, investment properties are valued at their fair value at each Statement of Financial Position date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment.

Given the nature of each of the Group's investments, all of the Group's investment properties are included in Level 3.

4 Dividends

	For the period ended 30 September 2023 £'000	For the period ended 30 September 2022 £'000
Dividends paid during the period		
Represents two interim dividends	72	72
Total dividend paid	**72**	**72**

4 Dividends (continued)

On 10 May 2023, the Company announced a first quarterly dividends in respect of the year ended 31 March 2023 of 0.4516p per share which were paid on 11 May 2023 to shareholders on the register on 5 May 2023.

On 9 August 2023, the Company announced a second quarterly dividend in respect of the year ended 31 March 2023 of 0.4571p per share which was paid on 17 August 2023 to shareholders on the register on 11 August 2023.

5 Investment properties

	As at 30 September 2023 £'000	As at 31 March 2023 £'000
Opening balance	7,455	7,380
Purchase of investment properties	-	-
Subsequent expenditure	-	-
Change in fair value of investment properties	(60)	75
Ending balance	**7,395**	**7,455**

In accordance with International Accounting Standard, IAS 40 Investment Property, investment properties have been independently valued at fair value by Allsop LLP, 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 the RICS Valuation Professional Standards (the "Red Book").

The valuation is prepared using the comparable approach, where properties are subject to tenancies the valuations do not reflect this. The valuations are of the individual dwellings if sold as a single asset and not as a part of a portfolio. Where there are multiple dwellings held in the same building or developments, it is assumed that the properties would be sold in an orderly fashion so as not to flood the market with similar dwellings.

6 Share capital

	As at 30 September 2023 £'000	As at 31 March 2023 £'000
Ordinary shares of £0.01 each (allotted and fully paid)	91	91

The Group was incorporated on 15 December 2020 with an initial issue of 100 ordinary shares of £0.01 each.

As at 30 September 2023, the Group has issued 9,106,091 ordinary shares (31 March 2023: 9,106,091 ordinary shares) of £0.01 nominal value for total consideration of £9.337m not including treasury shares (2022: £8.855m) before share issue costs of £nil (2022: £nil) and the premium of £9.246m (2022: £8.768m) has been credited to the share premium account.

7 Share premium

	As at 30 September 2023 £'000	As at 31 March 2023 £'000
Balance at beginning of period	**2,678**	**1,982**
Share premium arising on ordinary shares issue during the period/year	-	454
Share premium arising on sale of treasury shares during the period/year	-	242
Balance at end of period	**2,678**	**2,678**

8 Treasury shares

	As at 30 September 2023 £'000	As at 31 March 2023 £'000
At beginning of period	**1,061**	**-**
Treasury shares sold	(17)	(106)
Treasury shares repurchased	127	1,167
Balance at end of period	**1,171**	**1,061**

9 Capital reduction reserve

	As at 30 September 2023 £'000	As at 31 March 2023 £'000
At beginning of period	**6,320**	**6,477**
Share issue costs	-	(13)
Dividends	(72)	(144)
Balance at end of period	**6,248**	**6,320**

10 Warrant revaluation reserve

Under the Group's Offer for Subscription, the Group has issued ordinary shares with embedded warrants entitling the holder of each warrant to subscribe for shares in the Group, in the ratio of one warrant to every five shares subscribed at a price of £1.10 (the "Warrants"). The Warrants can be exercised until 2028 (inclusive), in June and December of each year.

The warrant revaluation reserve is based on a valuation provided by Interpath Advisory Limited an Independent external independent valuer as at 30 September 2022.

Valuation Approach

Based on the terms of the Warrants, the valuer has utilised the Black-Scholes Option Pricing Model to determine the fair value of the Warrants at 30 September 2022, which is as follows:

Period Issued	Warrants Issued	Value per Warrant (£)	Total Value of Warrants (£'000)
March 2021	1,134,900	0.0293	33
April to July 2021	194,351	0.0218	4
August 2021 to March 2022	85,838	0.0215	2
July 2022	(111,111)	0.0218	(2)
September 2022	131,137	0.1207	16
	1,435,115		**53**

The fair value of the Warrants has been primarily derived using analysis of recent market transactions, supported by market knowledge derived from Interpath agency experience. A table showing the yields and assumptions applied for the portfolio is included below:

10 Warrant revaluation reserve (continued)

	As at 30 September 2022
Volatility	4.50%
Risk-free rate	4.26%
Dividend yield	0.00%

11 Loss per share

Loss per share ("LPS") is calculated by dividing loss for the period attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the period. Amounts shown below are both basic and diluted measures as the dilutive instruments are anti-dilutive.

	Period from 1 April 2023 to 30 September 2023 £'000	Period from 1 April 2022 to 30 September 2022 £'000
IFRS loss	(245)	(41)
Adjustments to calculate EPRA loss:		
Changes in value of investment properties	60	(75)
EPRA and Group loss	**(185)**	**(116)**

	Period from 1 April 2023 to 30 September 2023	Period from 1 April 2022 to 30 September 2022
Weighted average number of shares used in basic LPS and diluted LPS	7,868,243	8,756,474
IFRS LPS (pence)	3.1	0.5
EPRA and Group LPS (pence)	**2.4**	**1.3**

12 Net asset value per share

Net asset value ("NAV") per share is calculated by dividing the consolidated net assets attributable to ordinary equity holders of the Group by the number of outstanding ordinary shares at period end. Amounts shown below are both basic and diluted measures as the dilutive instruments are anti-dilutive.

Basic and diluted NAV per share are quoted below.

	As at 30 September 2023	As at 31 March 2023
IFRS NAV	£6,652,000	£7,079,000
Number of outstanding ordinary shares	7,876,529	7,993,689
IFRS NAV per share – basic and diluted (pence)	**84.5**	**88.5**

12 Net asset value per share (continued)

EPRA NRV

The Group consider EPRA NRV to be the most relevant NAV measure for the Group. Reconciliations between EPRA NRV and the IFRS financial statements are below:

	As at 30 September 2023	**As at 31 March 2023**
IFRS NAV	£6,652,000	£7,079,000
Real estate transfer tax adjustment	£429,643	£432,806
EPRA NAV	£7,081,643	£7,511,806
Number of outstanding ordinary shares*	7,876,529	7,993,689
EPRA NAV per share (pence)	**89.9**	**93.9**

* Treasury shares are not included in this figure.

13 Related parties

Controlling Party

There is no ultimate controlling party of the Group.

Investment Advisor

Under the terms of the Investment Advisory Agreement dated 4 March 2021, Property Hub Advisors Limited was appointed as the Investment Advisor to the Group giving it significant influence over the decisions of the Group. Under this agreement, the Investment Advisor will advise the Group in relation to the management, investment and reinvestment of the assets of the Group. During the period, net advisory fees of £18,000 were charged (2022: £4,000 were waived) in the Consolidated Statement of Comprehensive Income, of which £35,000 (2022: £Nil) was payable at the period end.

Investment Advisor Subscriptions

As at 30 September 2023, Property Hub Advisors Limited holds 90,032 ordinary shares (2022: 30,500), with a nominal value of £0.01.

Lettings Manager

Under the terms of the Deed of Novation of Contract dated 12 July 2022, Property Hub Lets Limited ('PHLL') entered into a Lettings Management Agreement with Portfolio Management and Lettings Limited ('PMLL'). Under this agreement, PHLL transferred the property management services that were agreed in the contract dated 4 March 2021 to PMLL. During the year period 30 September 2023, lettings management fees amounting to £1,000 (2022: £Nil) were recognised in the Consolidated Statement of Comprehensive Income in relation to services provided by PHLL, of which £3,000 (2022: £Nil) was payable at the period end.

Directors

Each of the Directors is entitled to receive to £18,000 per annum from the Company in accordance with the Prospectus. In addition, the chair of the audit committee and the Chairman received an additional fee of £4,000 per annum each.

Other Related Party Transactions

As part of the restructuring of the Nightingale Quarter, Derby transaction, it was agreed that the Company would be reimbursed in full by Property Hub Invest Ltd ('PHI'), for transaction costs incurred by the Company in relation to the original forward purchase agreement. The current outstanding balance owed as of 30 September 2023 is £365,078 and it is anticipated that this will be reimbursed by June 2024.

14 Financial commitments

Following the re-negotiation of its contract at Nightingale Quarter, a residential development in Derby consisting of 209 units on 23 March 2023 where the Company secured the option to acquire 19 units in Nightingale Quarter under favourable condition, on 8 September 2023 the Company has subsequently decided not to proceed with the option.

Previously, in February 2022, the Company had engaged in a forward purchase agreement for the project where the Company paid a deposit of £1.575m in February 2022. As part of the restructuring of the agreement in March 2023, as the Company has decided not to accept the notice, it is entitled to a refund of the original deposit once 90 units within the development complete. There are currently 145 units exchanged and the deposit is therefore expected to be returned in January 2024 when the build is complete.

In addition, the Company incurred transaction costs in connection with the original forward purchase agreement. As part of the restructuring of the transaction, it was agreed that the Company would be reimbursed in full by Property Hub Invest Ltd for these costs. The current outstanding balance owed as of 30 September is £365,078 and it is anticipated that this will be reimbursed by June 2024.

15 Post balance sheet events

On 10 October 2023, the Board approved the purchase of 9 ordinary shares, with a nominal value of £0.01 and a premium of £0.91 a share for a total price of £8.28 pursuant to the Group’s Buyback Agreement and held as Treasury Shares.

On 17 November 2023, an interim dividend of £0.004561 per ordinary share at a total cost of £35,925 was paid.