

Phoenix Spree Deutschland Limited
(the "Company" or "PSD")

Financial results for the year ended 31 December 2020

Phoenix Spree Deutschland Limited (LSE: PSD.LN), the UK listed investment company specialising in German residential real estate, announces its full year audited results for the financial year ended 31 December 2020.

Financial Highlights

	Year to 31 December 2020	Year to 31 December 2019	2020 v 2019 % change
Income Statement			
Gross rental income (£m)	23.9	22.6	5.7
Profit before tax (£m)	37.9	28.6	32.5
Dividend (£ cents (£ pence)) ¹	7.50 (6.75)	7.50 (6.30)	-
Balance Sheet			
Portfolio valuation (£m)	768.3	730.2	5.2
Like-for-like valuation growth (%)	6.3	7.1	-
IFRS NAV per share (£)	4.48	4.23	5.9
IFRS NAV per share (£) ¹	4.04	3.58	12.8
EPRA NTA ² per share (£ cents)	5.28	4.92	7.3
EPRA NTA ² per share (£ pence)	4.76	4.16	14.4
EPRA NTA ² per share total return (%)	8.8	9.1	-
Net LTV ³ (%)	33.1	32.6	-
Operational Statistics			
Portfolio valuation per sqm (£)	3,977	3,741	6.3
Annual like-for-like rent per sqm growth (%)	-15.8	5.6	-
EPRA vacancy (%)	2.1	2.8	-
Condominium sales notarised (£m)	14.6	8.8	65.4

1 - Calculated at FX rate GBP/EUR 1:1.11

2 - New EPRA Best Practice guidelines from October 2019 introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). EPRA NTA is calculated on the same basis as EPRA NAV; and is the most relevant measure for PSD and therefore now acts as the primary measure of net asset value. Further information can be found on page 16.

3 - Net LTV uses nominal loan balances as per note 23 rather than the loan balances on the Consolidated Statement of Financial Position which take into account Capitalised Finance Arrangement Fees in the balance.

EPRA NTA underpinned by significant condominium potential

- Record condominium notarisations of £14.6 million (43 condominium units) during the year to 31 December 2020, a 65.4 per cent increase from £8.8 million in the prior year.
- Average achieved value per sqm of £4,320 for residential units, a 19.2 per cent premium to book value of each property.
- 70 per cent of Portfolio assets legally split into condominiums, up from 58 per cent as at 31 December 2019.
- A further 15 per cent are in application, over half of which are in the final stages of the process.

Berlin rent controls ("Mietendeckel") and COVID-19

- Collected rental income per sqm as at 31 December 2020 fell by 15.8 per cent, reflecting the implementation of the final phase of the Mietendeckel in November 2020.
- Contracted rental income per sqm as at 31 December 2020 grew by 4.1 per cent year on year. The Company may have the right to collect the difference between rents at the contracted level and the rates set by the Mietendeckel in the event that the Mietendeckel is successfully challenged.
- New tenant contracts which provide for the reversion to market rents in the event that the Mietendeckel is ruled to be unlawful.

- Underlying EPRA vacancy of 2.1 per cent, a near record low, reflecting the limited impact of COVID-19 and the Mietendeckel on the supply of available rental property.
- Final legal ruling by the Federal Constitutional Court on the Mietendeckel anticipated in H1 2021. The Company and its legal advisors remain of the view that the Berlin rent-cap is unconstitutional and will be removed.
- Limited impact on rent collection from COVID-19. In excess of 99 per cent of rents collected during 2020, with the collection rate remaining consistent in 2021 to date.

Continued shareholder value and robust balance sheet

- Successful refinancing of €37.8 million releasing €12.0 million of cash. Net LTV remains conservative at 33.1 per cent.
- Unchanged annual dividend of 7.50 cents. Dividend increased or maintained since listing in June 2015.
- Resumption of share buy-back programme in second half of 2020.
- As at 26 March 2021, 1.5 per cent of the issued share capital had been repurchased since the resumption of the share buyback programme in September 2020 at an average 32 per cent discount to year-end 2020 EPRA NTA.

Outlook

- Long-term Berlin demographic trends expected to remain positive:
 - Decreased availability of rental stock, exacerbated by the Mietendeckel, continues to support market rents;
 - Condominium pricing expected to remain strong, particularly for centrally located Berlin apartments.
- Mietendeckel will continue to materially impact Collected Rents in 2021 compared to 2020 unless legal challenge is successful.
- Pending clarification of the legality of Mietendeckel rules, the Company will continue to explore all options within the existing Portfolio to optimise strategic flexibility.
- Two new condominium construction projects, representing a combined total of 34 units, are under construction, with expected completion in early 2022.
- Condominium sales of €2.9 million to 26 March 2021, a 240 per cent increase versus Q1 2020.
- Robust business model, a strong balance sheet and good levels of liquidity mean PSD remains well positioned regardless of the outcome of the Mietendeckel constitutional review.

Robert Hingley, Chairman of Phoenix Spree Deutschland, commented:

"I am pleased to report another resilient performance for the year. We have adapted our strategy to mitigate any short-term impact on the portfolio and maintained our strategic optionality as we await a successful challenge of the new Berlin rent controls. Further progress on condominium splitting, combined with an acceleration in condominium sales at a premium to book value, highlights the intrinsic value within the Portfolio. We remain confident in the longer-term demographics for Berlin residential rental market."

Notes to the preliminary announcement

This announcement has been extracted from the annual report and financial statements for the year ended 31 December 2020 (the "Annual Report"), which will shortly be available on the Company's website, www.phoenixspree.com/investors. All page references in this announcement refer to page numbers in the Annual Report.

The Annual Report has also been submitted to the National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>. Printed copies of the Annual Report will be distributed to shareholder on or around 21 April 2021.

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CHAIRMAN'S STATEMENT

I am pleased to report that PSD has delivered another resilient performance. As at 31 December 2020, the Portfolio was valued at £768.3 million by Jones Lang LaSalle GmbH, a like-for-like increase of 6.3 per cent. The Euro EPRA NTA total return per share was 8.8 per cent over the year and the sterling return was 16.0 per cent, reflecting a fall in the value of sterling. The Company has additionally delivered record condominium sales and made further progress in condominium splitting.

This result has been achieved despite the full implementation during the financial year of the new Berlin rent controls (the "Mietendeckel") and the negative impact that COVID-19 has had on the German economy.

Adapting our strategy

During the course of 2020, the Company has complied with, and fully implemented, the various components of the Mietendeckel. All of our tenants have been notified as to how they will be affected by the new rules and, where necessary, rent reductions have been implemented in accordance with the new rent caps.

PSD has adapted its strategy to mitigate any short-term impact on the Portfolio, while ensuring it maintains maximum strategic optionality if, as expected, the Mietendeckel is found to be unconstitutional. More details of the measures we have taken can be found in the Report of the Property Advisor.

The financial impact on the Company and its medium-term strategy are largely dependent on the timing and eventual outcome of the legal ruling on the Mietendeckel. However, it is encouraging that the increase in the Portfolio valuation reported by JLL during the financial year assumes that it is fully implemented for its entire five-year term. PSD is well positioned to withstand any financial impact in the event that the new rental regulations are not overturned. However, PSD and its legal advisors remain of the view that this legislation will be successfully challenged in the German Federal court during the first half of 2021.

COVID-19

The Company's overriding priority is the health and wellbeing of its tenants, work colleagues and wider stakeholders during what has been a period of significant disruption. Where necessary, the Company continues to support its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.

Although the pandemic has caused unprecedented shrinkage in Germany's post war economy, I am pleased to report that the impact of COVID-19 on PSD's rent collection has been very limited, with the level of rent arrears in line with 2019.

I am pleased that PSD and its Property Advisor have continued to support all of their charitable causes and initiatives during the pandemic and that PSD has committed to supporting an additional Berlin charity, Laughing Hearts, in 2021. This charity supports children living in children's homes and social care.

Share buy-backs and dividend

After fully considering the potential impact of both the Mietendeckel and COVID-19, the Board is pleased to recommend an unchanged further dividend of 5.15 cents per share (GBP 4.65 pence per share). Since listing on the London Stock Exchange in June 2015 and including the announced dividend for 2020 and bought-back shares held in treasury, £57.9 million has been returned to shareholders. The Board is committed to continue to provide shareholders with a secure dividend over the medium term.

During the past year, PSD has secured more flexible and cost-efficient financing to support the medium and long-term strategic objectives of the business, providing liquidity in order to take advantage of opportunities arising from market disruption caused by changes to the rent laws. However, following the onset of the COVID-19 pandemic, the Board considered it prudent, at that time, to suspend PSD's share buy-back programme pending greater clarity on the financial impact that it might have. As it became clearer that the pandemic was not materially affecting rent collection levels, share buy-backs were resumed in September 2020.

Property Advisor

On 21 September 2020 the Company announced that its Property Advisor, PMM Residential Limited, had changed its name and rebranded as QSIX Residential Limited. This name change has no impact on the existing property advisory and investor relations agreement as it relates to PSD and the Board look forward to continuing its valued partnership in the years to come.

Governance and compliance

The Board recognises the importance of a strong corporate governance culture and maintains the principles of good corporate governance, as set out in the Association of Investment Companies Code of Corporate Governance ("AIC Code"). Further details of how the Company has applied the provisions of, and complied with, the AIC Code can be found in the Directors' Report.

During the year, the Company announced the appointments of Antonia Burgess and Greg Branch as independent, Jersey-based, non-executive Directors. Antonia and Greg bring with them a wealth of experience and insight across the real estate, legal and financial services worlds, which complement and enhance the skill set of the Board. As previously announced, Charlotte Valeur retired as a non-executive board member in May 2020. I would like to welcome Antonia and Greg and thank Charlotte for her service and contribution to the Company.

Quentin Spicer has signalled his intention to retire from the Board at the forthcoming Annual General Meeting. Quentin has overseen the transformation of the Company from inception in 2007, through to listing on the London Stock Exchange in 2015 and its expansion thereafter. On behalf of the entire Board and of QSix, I would like to express our gratitude for his dedicated service over the past fourteen years. He has provided invaluable guidance and leadership through a period of considerable change and leaves with all of our very best wishes.

Corporate responsibility

The Board recognises the importance of operating with integrity, transparency and clear accountability towards its shareholders, tenants and other key stakeholders. We understand that being a responsible Company, balancing the different interests of our stakeholders and addressing our environmental and social impacts, is intrinsically linked to the success and sustainability of our business.

To this end, our 'Better Futures' Corporate Responsibility ('CR') Plan provides a framework to monitor existing activities better. It has four key pillars that have been integrated throughout our business operations: Protecting our Environment; Respecting People; Valuing our Tenants and Investing in our Communities. This year, we have evolved our CR pillars to align with EPRA's Environmental, Social and Governance (ESG) reporting.

Protecting our environment

We recognise that the nature of our business has environmental and social impacts and that we have a responsibility to consider and minimise these impacts, where possible. Our Environment Policy sets guidance as to how PSD, QSix and other key suppliers should operate to reduce this impact.

Our aim is to strengthen our ESG monitoring and reporting by introducing EPRA's Sustainability Best Practice Recommendations and capturing our ESG measurements within their framework. During the financial year, the Company introduced measures to capture relevant environmental data for all our buildings that use oil-based energy and plans to increase coverage in the coming years to include the buildings using gas and district heating.

Outlook

As we await the outcome of the legal challenge to the Mietendeckel in 2021, the Board remains confident in the long-term outlook for PSD, particularly given the strength of demand for housing in Berlin and the strategic flexibility available to the Company.

PSD remains well positioned to mitigate any short or medium-term impact associated with the Mietendeckel and COVID-19. The Company continues to be supported by a strong balance sheet with good liquidity and we have maintained our strategic optionality in the event the rules are found unconstitutional. There continues to be positive condominium pricing trends and, with 70 per cent of the portfolio now legally split into condominiums, there is ample scope to launch further condominium projects, where appropriate.

We are closely monitoring the recent spike in COVID-19 infection rates in Germany and will continue to support our tenants as we await further progress on the planned European vaccination programme.

REPORT OF THE PROPERTY ADVISOR

The Property Advisor's priority throughout 2020 has been to protect and support the Company's tenants, colleagues and communities throughout this period of disruption. The Property Advisor has also continued to manage the impact on the Portfolio of the introduction of the Mietendeckel (outlined in further detail below) and the successful acceleration of the condominium strategy, reaching record levels in 2020.

The Berlin Mietendeckel

Regulations introduced by the Berlin Red-Red-Green coalition during 2020 to cap, or potentially reduce rents for private non-subsidised rental properties ("the Mietendeckel") aim to prevent rents being set at free market levels. This is despite the fact that Germany already has in place, at the federal level, tenant protections which rank amongst the strongest in the Western world.

The uncertainty created by the Mietendeckel has significantly disrupted the Berlin market. This has been reflected by a reduction in Berlin transaction activity from prior peak levels, a significant reduction in the availability of rental accommodation for tenants who require it most, and a sharp decline in investment in the stock of Berlin housing. Notwithstanding these impacts, Jones Lang LaSalle GmbH, the Company's independent property valuers, have confirmed that, as of 31 December 2020, there had been no material adverse effect on Berlin residential sales prices.

These measures have presented challenges to the Company's rental business model, which has traditionally relied on re-letting at market rates to justify the considerable investment that significantly improves the standard of accommodation available to our tenants. However, PSD is well positioned to withstand any financial impact if the new rental regulations are not overturned. Scenarios in the event that the Mietendeckel is not successfully challenged have been rigorously stress-tested, including any potential impact on rental income growth and loan covenants. Moreover, with over 70 per cent of the Portfolio now legally split into condominiums, the Property Advisor believes the Company has significant strategic flexibility to adapt its business model by selling parts of its Portfolio as individual apartments at a premium to book value if required.

The 2020 Portfolio valuation undertaken by Jones Lang LaSalle, the Company's independent property valuer, assumes that the Mietendeckel is implemented for its full five-year lifespan and therefore incorporates the negative impact on rental income caused by the Mietendeckel measures. Notwithstanding the fact that the majority of the Portfolio is now split into condominiums, just 7 per cent were valued under a condominium scenario (see note 17) as at 31 December 2020 as these were the only active sales projects.

Legal developments

Whilst the exact timing of a legal decision remains unclear, developments challenging the legality of the Mietendeckel during 2020 have been encouraging.

In May 2020, the opposition in the Berlin House of Representatives and a quorum of Federal Parliament MPs lodged cases in Berlin's Regional Constitutional Court and the Federal Constitutional Court. Additionally, in June 2020, twelve constitutional complaints from private owners were filed with the Federal Supreme Court.

In July 2020, a similar move to introduce a six-year rent freeze in Bavaria was blocked by the Bavarian Constitutional Court. The ruling stated that a federal state may not issue its own regulations that contradict federal rental laws. Whilst this ruling does not directly impact the legality of the Berlin Mietendeckel, many of the basic legal arguments against the imposition of a rent-cap are the same, namely that in Germany, residential tenant law is governed by the German Civil Code and is therefore a matter for the Federal and not State Government.

Maintaining strategic flexibility

Pending clarification of the legality of the Mietendeckel rules, the Company has explored all options within the existing Portfolio to optimise strategic flexibility. This includes condominium splitting and sales at a premium to book value, share buybacks at a discount to EPRA NTA, careful monitoring of capex projects and new tenant contracts which could allow the retrospective collection of market rents in the event that the Mietendeckel is ruled to be unlawful. These measures have been outlined in greater detail below.

New tenancy agreements

To avoid uncertainty among tenants as to their contractual rental obligations during the period when the legality of Mietendeckel remains unresolved, PSD has amended its tenancy agreements in line with the rest of the industry. These new agreements specify both rents currently payable as prescribed by the Mietendeckel whilst in place ("Collected"), and free market rents which would have been permissible under the German Civil Code ("Contracted").

The new tenancy contracts stipulate that, if the Mietendeckel or any part thereof is voided, suspended, repealed, or otherwise abolished, any higher Contracted rent permissible under the German Civil Code shall once again be payable. If the voiding or suspension were to be applied on an ex-tunc basis (i.e. from the outset), back-payments could be sought to cover the difference between the Collected rent and Contracted rent for the entire term of the agreement. Tenants have, therefore, been advised by the Berlin government to set aside appropriate reserves to cover this possibility.

Measures introduced to comply with the Berlin Mietendeckel

Specifically, the measures introduced by PSD to comply with the Mietendeckel in 2020 were as follows:

Post 23 February 2020:

- First time letting and reletting: New rents may not exceed the prescribed upper rent limit. In some instances, PSD has had to lower the rent to a level below the rent paid by the

- previous tenant.
- Rent freeze on existing leases: For existing leases, a rent freeze initially applied, but with no requirement to lower rents, provided the rent level set at 18 June 2019 had not been increased since that date. In instances where there had been a rent increase, PSD reduced rental payments to the June 2019 level.

Post 23 November 2020:

- Rent reductions: Where the rent limit (adjusted for location surcharges or discounts) was exceeded by more than 20 per cent, PSD has had to reduce the rent to 120 per cent of the prescribed rent limit. Around 44 per cent of tenants have received rent reductions.

Financial impact

Reported rental income for the financial year ended 31 December 2020 includes the impact of the Mietendeckel measures that have been implemented to date.

The Property Advisor estimates that the financial impact of these combined measures for the financial year ended 31 December 2020 was in the region of 4 per cent of gross rental income over the full year. In the event that the Mietendeckel is not repealed during 2021, it is estimated that the reduction of annualised net rental income would be up to 20 per cent, reflecting the implementation of all rental reductions for a full financial year.

Financial highlights for the twelve-month period to 31 December 2020

^ million (unless otherwise stated)	Year to	Year to
	31-Dec-20	31-Dec-19
Gross rental income	23.9	22.6
Investment property fair value gain	41.5	41.5
Profit before tax (PBT)	37.9	28.6
Reported EPS (^)	0.31	0.22
Investment property value	768.3	730.2
Net debt (Nominal balances) ¹	254.4	237.8
Net LTV (%)	33.1	32.6
IFRS NAV per share (^)	4.48	4.23
IFRS NAV per share (£) ²	4.04	3.58
EPRA NTA per share (^)	5.28	4.92
EPRA NTA per share (£)	4.76	4.16
Dividend per share (^ cents)	7.5	7.5
Dividend per share (£ pence) ²	6.75	6.3
^ EPRA NTA per share total return for period (%) ³	8.8	9.1
£ EPRA NTA per share total return for period (%) ²	16.0	2.9

1 - nominal loan balances as per note 23 rather than the loan balances on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance as per IAS 23.

2 - Calculated at FX rate GBP/EUR 1:1.11

3 - Further EPRA Net Asset Measures can be found in note 31.

Financial results

Reported revenue for the financial year to 31 December 2020 was ^23.9 million (31 December 2019: ^22.6 million). Profit before taxation was ^37.9 million (31 December 2019: ^28.6 million) which was positively affected by a revaluation gain of ^41.5 million (31 December 2019: ^41.5 million).

The year-on-year rise in profit before tax is driven by a property valuation increase alongside a smaller loss on the value of interest rate swaps than in prior year, a larger gain on disposal of condominiums and a decline in the performance fee due to the Property Advisor.

Property expenses rose over the year, reflecting service charge costs on the new acquisition in Brandenburg not present in the prior year. The increase in administrative expenses reflects an acceleration in the volume of assets undergoing separation into condominiums at the land registry. Reported earnings per share for the period were 0.31 cents (31 December 2019: 0.22 cents).

Reported EPRA NTA per share rose by 7.3 per cent in the period to ^5.28 (£4.76) (31 December 2019: ^4.92 (£4.16)). After taking into account the dividends paid during 2020 of 7.5 cents (6.5 pence), which were paid in June and October 2020, the Euro EPRA NTA total return for the period was 8.8 per cent (2019: 9.1 per cent). The sterling EPRA NAV per share total return was 16.0 per cent (31 December 2019: 2.9 per cent), reflecting a favourable exchange rate movement during the financial year.

Dividend

The Board is pleased to declare an unchanged further dividend of 5.15 cents per share (GBP 4.65 pence per share) (31 December 2019: 5.15 cents, GBP 4.40 pence). The dividend is expected to be paid on or around 7 June 2021 to shareholders on the register at close of business on 14 May 2021, with an ex-dividend date of 13 May 2021. Taking into account the interim dividend paid in October 2020, the total dividend for the financial year to 31 December 2020 is 7.50 cents per share (GBP 6.75 pence per share) (31 December 2019: 7.50 cents, GBP 6.30 pence).

Since listing on the London Stock Exchange in June 2015 to 29 March 2021, including the announced dividend for 2020 and bought-back shares held in treasury, ^57.9 million has been returned to shareholders. The dividend is paid from operating cash flows, including the disposal proceeds from condominium projects, and the Company will seek to continue to provide its shareholders with a secure dividend over the medium term, subject to the distribution requirements for Non-Mainstream Pooled Investments, and after full consideration of the impact of the Mietendeckel and any ongoing impact associated with COVID-19.

Table: Portfolio valuation and breakdown

	31 December 2020	31 December 2019
Total sqm ('000)	193.2	195.2
Valuation (^m)	768.3	730.2
Like-for-like valuation growth (%)	6.3	7.1
Value per sqm (^)	3,977	3,741
Fully occupied gross yield (%)	2.4	2.9
Number of buildings	98	98
Residential units ¹	2,555	2,537
Commercial units	139	142
Total units	2,694	2,679

1 Unit increase year-on-year down to units due to units in the new acquisition in Brandenburg being available for rent while being under construction in prior year

Like-for-like increase in Portfolio Valuation of 6.3 per cent

The Berlin residential property market has remained resilient during the financial year and, although transaction volumes remained below peak levels, investment demand observed by Jones Lang LaSalle GmbH ("JLL"), the Company's external valuers, continues to support increased pricing. JLL have conducted a full RICS Red Book property-by-property analysis, tied back to comparable transactions in the Berlin market, and have provided a Portfolio valuation with no matters of concern or material uncertainty raised. The discounted cash flow methodology used by JLL assumes that the Berlin rent cap ("the Mietendeckel") is fully implemented by PSD and remains in place for its full five-year lifespan.

As at 31 December 2020, the total Portfolio was valued at ^768.3 million by JLL, an increase of 5.2 per cent over the twelve-month period (31 December 2019: ^730.2 million).

On a like-for-like basis, after adjusting for the impact of acquisitions net of disposals, the Portfolio valuation increased by 6.3 per cent in the year to 31 December 2020, and by 3.6 per cent in the second half of the financial year. This increase reflects the combined impact of yield compression, supported by a further decline in risk-free interest rates during the financial year.

The valuation as at 31 December 2020 represents an average value per square metre of ^3,977 (31 December 2019: ^3,741) and a gross fully occupied yield of 2.4 per cent (31 December 2019: 2.9 per cent). Included within the Portfolio are nine properties valued as condominiums, with all sales permissions granted, with an aggregate value of ^52.4 million (31 December 2019: five properties, ^26.5 million).

Table: Rental income and vacancy rate

	31 Dec 2020 Collected¹	31 Dec 2020 Contracted¹	31 Dec 2019	30 June 2020 Collected¹	30 June 2020 Contracted¹
Total sqm ('000)	193.2	193.2	195.2	194.5	194.5
Annualised Rental Income (^m)	16.4	20.3	19.7	19.3	19.7
Gross in place rent per sqm (^)	7.5	9.3	9.0	8.9	9.1
Like-for-like rent per sqm growth (%)	-15.8	4.1	5.6	1.8	4.1
Vacancy %	6.8	6.8	6.7	8.0	8.0
EPRA Vacancy %	2.1	2.1	2.8	4.3	4.3

1 - New tenant agreements specify both rents currently payable as prescribed by the Mietendeckel whilst in place ("Collected"), and free market rents which would have been permissible under the German Civil Code ("Contracted"). This is discussed further under 'New tenancy agreements' section above.

"Collected" like-for-like rental income per sqm decreased by 15.8 per cent

Collected rental income includes the impact of the Mietendeckel measures that have now been fully implemented. It includes only rental income that can be legally "Collected" under the terms of the new Mietendeckel regulations.

As at 31 December 2020, Collected like-for-like rental income per sqm was $\hat{7.5}$, a decrease of 15.8 per cent compared with the prior year. This decline reflects the implementation of the final phase of the Mietendeckel in November 2020, included in December 2020 rent per sqm disclosure.

On an annualised basis, Collected rental income for the month of December 2020 was $\hat{16.4}$ million, a decrease of 16.7 per cent compared with the prior year. On a like-for-like basis, excluding the impact of acquisitions and disposals, Collected like-for-like rental income was down 16.1 per cent over the same period.

"Contracted" like-for-like rental income per sqm increased by 4.1 per cent

Including any higher contractual rents permissible under the German Civil Code, Contracted like-for-like rental income per sqm was $\hat{9.3}$ as at 31 December 2020, an increase of 4.1 per cent compared with the prior year.

On an annualised basis, Contracted rental income for the month of December 2020 was $\hat{20.3}$ million, an increase of 2.8 per cent during the financial year. On a like-for-like basis, excluding the impact of acquisitions and disposals, Contracted rental income was up 3.8 per cent over the same period.

The Property Advisor believes that Contracted rental growth slowed primarily due to the impact of COVID-19 in temporarily pausing the inward flow of population. This modest slowing compares to a significant drop in rents in other capital cities such as London and New York.

Table: EPRA Net Initial Yield (NIY) and "Topped up" Net Initial Yield (NIY)

All figures in $\hat{}$ million unless otherwise stated

	2020	2019
Investment property	768.3	730.1
Reduction for NCI share and property under development	(11.3)	(10.9)
Completed property portfolio	757.0	719.2
Estimated purchasers' costs	62.7	57.8
Gross up completed property portfolio valuation	819.7	777.0
Annualised cash passing collected rental income	16.4	19.7
Property outgoings	(2.8)	(3.3)
Annualised collected net rents	13.6	16.4
Expected increase from Mietendeckel rent cap expiry ¹	3.2	0
"Topped up" Annualised net rents	16.8	16.4
EPRA NIY (%)	1.7	2.1
EPRA "Topped Up" NIY (%)	2.1	2.1

1 - Under EPRA guidelines, legally allowed lease incentives and contracted step rents are included in the "Topped up" yield calculation, since the expectation is that the Mietendeckel is declared unconstitutional in 2021, the difference between annualised contracted rents and annualised collected rents has been included in this line.

Vacancy at record lows

Reported vacancy as at 31 December was 6.8 per cent (31 December 2019: 6.7 per cent). On an EPRA basis, which adjusts for units undergoing renovation, development or made available for sale, the vacancy rate reduced to 2.1 per cent (31 December 2019: 2.8 per cent), driven by a significant decline in available Berlin rental property, caused by industry capacity withdrawal following the introduction of the Mietendeckel.

Berlin Reversionary re-letting premium of 25.2 per cent

During the year to 31 December 2020, 269 new leases were signed, representing a letting rate of approximately 11.6 per cent of occupied units. The average Contracted rent achieved on new lettings was $\hat{11.7}$ per sqm, a 1.5 per cent decrease on the prior year, and an average premium of 25.2 per cent to passing rents. This compares to a 36.4 per cent premium in the period to 31 December 2019. The decline in reversionary premium partially reflects the inclusion of the re-lettings from the recent acquisition in Brandenburg, where rents are lower than those achieved in central Berlin. Looking solely at the Berlin portfolio, the reversionary premium achieved was 33.9 per cent, down from 36.4 per cent in the prior period and reflecting the fact that the Company has reduced unit renovation spend compared to 2020 and offers the majority of its apartments in an "as is" state.

Following the introduction of the final phase of the Mietendeckel on 23 November 2020, which required an automatic rent reduction to all tenants in line with the new prescribed Mietendeckel levels, the average reletting rental level on a Collected basis for the Berlin

portfolio was $\text{€}7.6$ per sqm, a reversionary discount of 7.7 per cent. The Property Advisor believes this rent level is little more than half the current market rent and is required to be applied City-wide, regardless of apartment micro location, size or condition. For this reason, the Property Advisor believes the policy primarily benefits wealthier households, in contrast to the main policy intention which was to make housing more affordable for low-income households.

Limited impact from COVID-19 on rent collection

The Company's overriding priority is the health and wellbeing of its tenants, work colleagues and wider stakeholders throughout this period of unprecedented disruption. Where necessary, the Company continues to support its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.

To date, the impact on rent collection has been limited. During the year to 31 December 2020, 99.6 per cent of rents due had been collected in total compared to 99.2 per cent in the prior year.

Residential rent collection remained particularly resilient and, although a small number of the Company's commercial tenants were impacted, 99.3 per cent of commercial rents were collected, compared with 98.6 per cent in 2019.

Rent collection during the months of January and February 2021 has remained stable and the Company will continue to work sensitively with any tenants in arrears to agree appropriate and workable repayment schedules.

Portfolio investment

During the year to 31 December 2020, a total of $\text{€}4.2$ million was invested across the Portfolio (31 December 2019: $\text{€}6.5$ million). These items are recorded as capital expenditure in the financial statements. A further $\text{€}1.6$ million (31 December 2019: $\text{€}1.7$ million) was spent on maintaining the assets and is expensed through the profit and loss account. The year-on-year decline in investment reflects ongoing uncertainty in the Berlin rental market and the decision to cease the programme of apartment renovations since this investment cannot currently be recouped in the form of a rent uplift on re-letting. As a result, apartments are mainly rented in an "as is" condition, with expenditure focussed on areas which guarantee tenant safety.

Table: EPRA Capital Expenditure

All figures in $\text{€},000$ unless otherwise stated

	31 December 2020	31 December 2019
Acquisitions	0	62
Like-for-like portfolio	3,645	5,948
Development	274	0
Other	252	511
Total Capital Expenditure	4,171	6,459

Record condominium sales

PSD's condominium strategy involves the division and resale of selected apartment blocks as private units. This is subject to full regulatory approval and involves the legal splitting of the freeholds in properties that have been identified as being suitable for condominium conversion.

Condominium price growth across all major German cities has remained robust during 2020 having been largely unaffected by COVID-19 related disruptions. Industry data shows that, in the fourth quarter of 2020, prices in Berlin had increased by 5 per cent versus the same period in 2019.

During the financial year to 31 December 2020, 41 condominium units and two undeveloped attic spaces were notarised for sale (31 December 2019: 18 units). The average achieved notarised value per sqm for the residential units was $\text{€}4,320$, representing a 19.2 per cent premium to the most recent assessed book value of each property and an 8.6 per cent premium to the average residential Portfolio value as 31 December 2020.

These sales represent a significant increase compared with the first half of the financial year, during which eight residential units and two attic spaces were notarised for sale, with an aggregate value of $\text{€}3.0$ million. In total, the Company has notarised for sale condominiums with an aggregate value of $\text{€}14.6$ million during the year to 31 December 2020 (31 December 2019: $\text{€}8.8$ million), a 65 per cent increase compared with the prior year.

As at 31 December 2020, 70 per cent of the Berlin portfolio had been legally split into condominiums, providing opportunities for the implementation of further condominium sales projects, where appropriate. A further 15 per cent are in application, over half of which are in the final stages of the process.

The Company notes that the Federal Government has previously discussed the introduction

of legislation which may limit the ability of landlords to split their properties into condominiums. The implementation of any such measures would be likely to reduce the stock of apartments available on the market. Given the high proportion of the Portfolio already split into condominiums the valuation impact on the Company's Portfolio is expected to be positive.

Condominium construction

The Property Advisor has completed an exercise to examine the financial viability of the creation of new condominium units within the footprint of the existing Portfolio. Two new construction projects, representing a combined total of 34 units across two assets, have been granted planning approval.

The first project is for the construction of a new 23-unit apartment block located in the footprint of a property acquired in 2018. Alongside this, the undeveloped attic of the same property will be built out with the creation of four new units for sale as condominiums, or for rental. The second project involves building out the attic and renovating existing commercial units to create seven new residential units in an existing asset bought in 2007.

Construction on both projects is expected to commence in the middle of 2021 and the first units are projected to be available for sale or rental in the first half of 2022. The total construction budget for two combined projects is expected to be £11.8 million.

The Company also has building permits to renovate attics in 20 existing assets to create a further 49 units for sale as condominiums, or as rental stock.

Debt and gearing

As at 31 December 2020, PSD had gross borrowings of £291.4 million (31 December 2019: £280.2 million) and cash balances of £37.0 million (31 December 2019: £42.2 million), resulting in net debt of £254.4 million (31 December 2019: £237.8 million) and a net loan to value on the Portfolio of 33.1 per cent (31 December 2019: 32.6 per cent).

Following a strategic review of PSD's liability structure, a new £240 million term loan on improved terms was completed in September 2019. The new facility was agreed with Natixis Pfandbriefbank AG and comprised of two tranches, being a refinancing facility for £190 million which was drawn down in September 2019, and a further acquisition facility for £50 million which was drawn down in two parts in 2020.

The first drawdown of the acquisition facility comprised a £20.3 million facility signed in April 2020, replacing the existing £16.4 million facility acquired as part of the share deal acquisition of the apartment complex in Brandenburg in December 2019. The new loan was signed on improved terms with an extended duration and lower interest rate.

The second drawdown comprised the remaining £29.7 million of the acquisition facility. The £29.7 million drawdown refinanced £21.4 million of existing loans and offered more flexible terms, released £8.1 million of cash and had a maturity profile in line with the Company's existing debt facilities. The new debt does not amortise, whereas the replaced debt incurred amortisation of 1.5 per cent per annum. Additionally, the new debt allows the sale of assets as condominiums, offering more flexibility than the previous debt provider terms.

The increase in gross debt in the period partly results from the refinancing discussed above, offset by debt repayments associated with the sale of condominiums during the year, and scheduled repayments on existing debt.

Nearly all PSD's debt effectively has a fixed interest rate through hedging. As at 31 December 2020, the blended interest rate of PSD's loan book was 2.0 per cent (31 December 2019: 2.0 per cent). The average remaining duration of the loan book at 31 December 2020 had decreased to 6.0 years (31 December 2019: 6.6 years)

EPRA Best Practice Reporting Metrics

In October 2019, the European Public Real Estate Association (EPRA) published new best practice recommendations (BPR) for financial disclosures by public real estate companies. PSD supports this reporting standardisation approach designed to improve the quality and comparability of information for investors.

The BPR introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). The Company has adopted these new guidelines early and applies them in our 2020 Annual Report. EPRA NTA is calculated in the same way as EPRA NAV has been calculated in previous reports and is the most relevant measure for our business and therefore now acts as our primary measure of net asset value. Where relevant, the previously reported EPRA measures of net assets are also included below for comparative purpose.

The following table sets out PSD's EPRA KPIs, and references where more detailed calculations supporting the KPIs can be found in the report.

Table: EPRA Metrics

Metric	Balance	Page reference	Note reference

EPRA Earnings (^m)	(4.5)	121	30
EPRA Net Tangible Assets / share (NTA)	5.28	122	31
EPRA Net Reinvestment Value / share (NRV)	5.93	122	31
EPRA Net Disposal Value / share (NRV)	4.44	122	31
EPRA Capital Expenditure (^m)	4.2	14	N/A
EPRA Net Initial Yield (%)	1.7	13	N/A
EPRA "Topped up" Yield (%)	2.1	13	N/A
EPRA Vacancy (%)	2.1	1	N/A
EPRA Like-for-Like rental income (%)	(15.8)	1	N/A

Outlook

Predictably, the effect of Berlin rent controls, limiting rent levels to well below free market levels, has been to reduce the supply and quality of rental property. Since the Mietendeckel has been implemented, the number of properties constructed prior to 2014 available for rent has fallen by 70 per cent. Moreover, at a time when the need for sustainable, environmentally friendly housing has become ever more apparent, levels of investment in the fabric of existing properties in the wider market have reduced. These trends are likely to continue whilst the Mietendeckel remains in place.

Germany's National Statistics Office estimates that gross domestic product fell 5 per cent in 2020, as the pandemic ended a 10-year growth period. However, the recession in Germany is expected to be among the least severe in [Europe](#), assisted by a decisive fiscal response. By comparison, national output in 2020 is estimated to have dropped by more than 9 per cent in Italy and France, and by 11 per cent in the UK. After eight years of budget surpluses, Germany recorded a budget deficit of almost 5 per cent of GDP at the end of 2020. By contrast, the UK is expected to record a deficit of 17 per cent of GDP for the financial year ending March 2021. Under the German system of wage subsidies to protect workers' jobs - similar to the UK furlough scheme - the peak number of people accessing the support was the equivalent of 13 per cent of the labour force, compared with 26 per cent in the UK.

Notwithstanding these headwinds, investor demand for German residential property remains high, with CBRE reporting record investment in 2020. The experience of German residential property during a year of unprecedented economic disruption has been stable and reliable cash flows. Whilst rental yields have fallen, residential property has, compared to negative interest rates available on German Bunds, offered an attractive risk adjusted alternative.

The monetary policy pursued by the European Central Bank in the wake of the COVID-19 pandemic has been extremely accommodating and is set to remain so in the years ahead, as economies seek to regain lost momentum. With interest rates set to remain at historically low levels, relatively higher yields from residential real estate will remain attractive to institutional investors, such as insurance companies, pension funds and wealth managers, who are increasingly looking favourably on multi-family housing as an alternative to government bonds and other long-dated fixed income instruments.

Low interest rates will continue to benefit the Condominium market as well. Favourable mortgage rates, coupled with a lack of available rental properties, and favourable mortgage versus market rent dynamics, will continue to provide a tailwind for Condominium pricing.

Demographic trends to date in Berlin's private rental market have shown some signs of change in the wake of the Mietendeckel and COVID-19. Scarcity of supply of high-quality rental property, coupled with a growing realisation that working remotely is a viable alternative to a daily city centre commute, has begun to impact tenant settlement choices. Less densely populated areas in the greener suburban areas of Berlin, where supply is less constrained, with more affordable rents and strong commuter links, now hold increasing appeal for tenants seeking to relocate. This effect is likely to be seen in increased demand for apartments in PSD's 2019 acquisition of the apartment complex in Brandenburg. This phenomenon is by no means Berlin specific, with accelerating rent momentum and yield compression being observed in many suburban areas across Germany.

Looking specifically at PSD, the 2020 Portfolio valuation conducted by JLL, by necessity, assumes that the Mietendeckel will be in place for its full five-year term. However, the Company and its legal advisors remain firmly of the view that the Berlin rent-cap is unconstitutional and, although a formal timetable for a legal ruling has yet to be published, it is currently expected that the Federal Court will reach a final decision in the first half of 2021.

Prior to the announcement of the Mietendeckel laws, the shares were valued at, or around, Net Asset Value. Although the shares are currently valued at a significant discount to Net Asset Value, a positive ruling on the Mietendeckel has the potential to materially reduce this.

If the Mietendeckel were to be ruled to be legal then the Property Advisor believes that there

is unlikely to be an immediate impact on the EPRA NTA of the Company but it may impact future market volumes and ultimately prices of market transactions. The Company, however, remains well positioned since it expects condominium prices to continue to rise.

The German Federal Elections are due to be held in September 2021. Currently, there is a "Grand Coalition" led by Angela Merkel between the CDU and the SPD which has been in power since the previous Federal Elections in 2017. Any change in the Federal Government make-up could lead to changes in the current regulations around tax, compliance and tenant law. The Property Advisor believes that the Company has a flexible enough business model to adapt to new regulations caused by a change in Government.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board recognises that effective risk evaluation and management needs to be foremost in the strategic planning and the decision-making process. In conjunction with the Property Advisor, key risks and risk mitigation measures are reviewed by the Board on a regular basis and discussed formally during Board meetings.

RISK	IMPACT	MITIGATION	MOVEMENT
Legal risk	Failing to comply with current laws and regulations in Germany, the UK and Jersey, as well as proposed changes to laws, and failing to implement changes in policies and procedures to take into account new laws could lead to financial penalties and/or loss of reputation of the Company.	The Property Advisor regularly monitors the impact that existing and proposed laws or regulation could have on future rental values and property planning applications. The Company has appointed legal advisors in Jersey, the UK and Germany who advise of any relevant changes in legal requirements and are periodically invited to Board meetings to report any changes. The Company recently underwent a detailed review of its structure, carried out by EY to ensure it was working within the confines of the law and regulations of Jersey.	Unchanged
Tenant / Letting and Political risk	Property laws remain under constant review by the "Red-Red-Green" coalition government in Berlin and changes to property regulation and rent controls for all tenancies have negatively affected rental values in 2020. The most recent tenant law changes	The Property Advisor regularly monitors the impact that existing and proposed laws or regulations could have on future rental values and property planning applications. The Property Advisor feels that the Company has a flexible enough business model to adapt to new regulations caused by a change in Government. The Company	Unchanged

	<p>involve the Mietendeckel rent cap, which was passed into law in February 2020. The Company's response to this and the legal situation regarding appeals to the German Constitutional Court are set out in pages 7 to 9 of this Annual Report.</p> <p>The German Federal Elections are due to be held in September 2021. Currently, there is a "Grand Coalition" led by Angela Merkel between the CDU and the SPD which has been in power since the previous Federal Elections in 2017. Any change in the Federal Government make up could lead to changes in the current regulations around tax, compliance and tenant law.</p>	<p>has sought independent legal advice regarding the Mietendeckel and has been advised that the legislation is likely to be found unconstitutional and illegal and should be successfully challenged in the courts of law in the first half of 2021.</p> <p>The Company set out last year how it intends to adapt its strategy during the period in which the Mietendeckel remains in law to mitigate any short-term impact on the portfolio. These measures, together with the financial impact in 2020 are summarised on pages 7 to 9.</p>	
Market risk	<p>Economic, political, fiscal and legal issues can have a negative effect on property valuations. A decline in Group property valuations could negatively impact the ability of the Group to sell properties within the Portfolio at valuations which satisfy the Group's investment objective. COVID-19 remains prevalent in</p>	<p>Although the Board and Property Advisor cannot control external macro-economic risks, economic indicators are constantly monitored by both the Board and Property Advisor and Company strategy is tailored accordingly. The effects of COVID-19 on the Company's operations and finances have been limited, with strong rent collection</p>	Unchanged

	<p>Germany and potential restrictions to work and assembly have the possibility of negatively impacting the Company's operations and tenants' ability to pay rents as they fall due.</p>	<p>during 2020. Its outsourced service providers have also managed to continue operating with limited disruption. The Company does not anticipate potential further disruption negatively impacting its operations in 2021 but will continue to monitor the situation. The German Federal government is currently considering introducing new laws which would allow States to block the partitioning of apartment blocks into condominiums. The Berlin Government is likely also to adopt this stance should the proposals proceed into law. This would likely be a net positive for the Company since the supply of condominiums would be materially reduced, increasing the value of the stock of over 1700 split units owned by the Company.</p>	
Financial risk	<p>A fall in revenues could result in the Group breaching financial covenants of a lender, and also lead to the inability to repay any debt and related borrowing costs. A fall in revenue or asset values could also lead to the Company being unable to maintain dividend payments to investors.</p>	<p>The Group took on new covenants when signing the ^240 million debt with Natixis; Interest coverage ratio (ICR), debt yield, and Loan-to-Value covenants. Only the Debt yield and ICR covenants are "hard" covenants resulting in an event of default in case of breach. The loan-to-value covenant is a cash trap covenant alone, with no event of default. The Company carried out extensive sensitivity analysis prior to signing these covenants and even in the most stressed Mietendeckel rent scenarios, no covenants were</p>	Unchanged

		<p>breached.</p> <p>The Company's debt with Berliner Sparkasse contains annual reporting rental requirements but does not contain any specific covenants.</p> <p>The Property Advisor continues to model its expected revenues and Covenant levels, and these are reported to the Board as part of its Viability assessment which can be seen on pages 61 to 63. At no point in the three-year projection process were any covenants projected to be breached.</p> <p>Furthermore, these projections also did not anticipate any reduction in the dividend to meet other requirements. In the event that rent levels or property values were to fall to a point where the covenants were in danger of being affected, the Company would use its surplus cashflow and cash reserves to pay down the debt balances to rectify the situation. At the most recent covenant test date, in January 2021, all covenants were cleared.</p>	
Outsourcing risk	<p>The Group's future performance depends on the success of its outsourced third-party suppliers, particularly the Property Advisor, QSix, but also its outsourced property management, IFRS and German GAAP accountants, and its administrative</p>	<p>Since the Company listed on the London Stock Exchange, the Property Advisor has expanded headcount through the recruitment of several additional experienced London and Berlin-based personnel. Additionally, senior Property Advisor personnel and</p>	Unchanged

	<p>functions. The departure of one or more key third-party providers may have an adverse effect on the performance of the Group.</p>	<p>their families retain a stake in the Group, aligning their interests with other key stakeholders. In November 2018, the Company announced that it had signed a new Property Advisor agreement with QSix, committing the Property Advisor to the Company for the foreseeable future.</p> <p>The key third parties responsible for property management, accounting and administration are continually monitored by the Property Advisor, and also have to provide responses annually to a Board assessment questionnaire regarding their internal controls and performance. These questionnaires are reviewed annually by the Board.</p>	
IT and Cyber Security risk	<p>The Company is dependent on network and information systems of various service providers - mainly the Property Advisor, Property Manager and Administrator, and is therefore exposed to cybercrimes and loss of data. As cyber-crime remains prevalent across Europe, this is considered a significant risk</p>	<p>Review of IT systems and infrastructure in place to ensure these are as robust as possible. Service providers are required to report to the Board on request, and at least annually via the Board questionnaires, on their financial controls and procedures. A detailed review of all IT processes led to the introduction of new invoice</p>	Unchanged

	by the Group. A breach could lead to the illegal access of commercially sensitive information and the potential to impact investor, supplier and tenant confidentiality and to disrupt the business of the Company.	payment software, as well as introducing new IT and Communication platforms to ensure all communications are carried out in a secure environment. Service providers are also required to hold detailed risk and controls registers regarding their IT systems. The Board reviews service organisations' IT reports as part of Board meetings each year.	
Lack of Investment opportunity	Availability of potential investments which meet the Company's investment objective can be negatively affected by supply and demand dynamics within the market for German residential property and the state of the German economy and financial markets more generally.	The Property Advisor has been active in the German residential property market since 2006. It has specialised acquisition personnel and an extensive network of industry contacts including property agents, industry consultants and the principals of other investment funds. It is expected that future acquisitions will be sourced from these channels. While the market in Berlin is currently challenging due to the recently introduced Mietendeckel, the Property Advisor believes that this will create other opportunities, including densification projects within the current Portfolio and acquiring in the suburbs of Berlin, outside the scope of the Mietendeckel, where the growth potential is more promising.	Increasing

Going concern

The Directors have reviewed cashflows for the period of 12 months from the date of signing using assumptions which the Directors consider to be appropriate to the current financial position of the Group with regard to revenues, its cost base, the Group's investments and borrowing and debt repayment plans. These projections show that the Group should be able to operate within the level of its current resources and expects to manage all debt covenants for a period of at least twelve months from the date of approval of the financial statements. The Group's going concern assumption is based on the outcome of a variety of scenarios that show the Group's ability to withstand the potential market disruption arising from events such

as the Mietendeckel, and COVID-19. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes for managing its capital and its risks are set out in the Strategic Report and in notes 3 and 32. After making enquiries and having regard to the FRC's Guidance for Companies on COVID-19 issued in December 2020, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and, therefore, continue to adopt the going concern basis in the preparation of the financial statements.

Viability Statement

The Directors have assessed the viability of the Group over a three-year period. The Directors have chosen three years because that is the period that broadly fits within the financing and development cycle of the business. The Viability Statement is based on a robust assessment of those risks that would threaten the business model, future performance, solvency or liquidity of the Group, as set out in the assessment of risks described earlier in this document. For the purposes of the Viability Statement the Directors have considered, in particular, the impact of the following factors affecting the projections of cash flows for the three-year period ending 31 December 2023:

- a) the potential operating cash flow requirement of the Group;
- b) seasonal fluctuations in working capital requirements;
- c) property vacancy rates;
- d) rent arrears and bad debts;
- e) capital and administration expenditure (excluding potential acquisitions as set out below) during the period;
- f) condominium sales proceeds;
- g) the impact of the Mietendeckel in the event a legal challenge is unsuccessful, which the Board considers to be unlikely; and
- h) the continuing impact of COVID-19; and
- i) condominium construction development costs

The assumptions on the effect of the Mietendeckel and COVID-19, as they relate to the Company, were assessed by the Board. They are intended to demonstrate the degree of stress that the Company is able to withstand over an extended period. The Board considers that it is unlikely that the more severe assumptions made with respect to the Mietendeckel and COVID-19 will represent a real-life scenario as the Company believes that the Mietendeckel will be found unconstitutional and, as the Company's revenues and general operations were relatively unaffected by COVID-19 in 2020, there is not expected to be any significant impact from COVID-19 either in 2021.

In response to the risks posed by the Mietendeckel the Directors applied additional stresses to the model as described below.

In the event that the Mietendeckel is not reversed, the Group has estimated that it could have a material impact on its revenues as set out in page 9. The cash impact of this fall in revenues could be mitigated in full by reducing capital expenditure down to a level of essential maintenance only, to preserve the condition of the assets to required standards. Furthermore, as demonstrated in 2020, the Group could increase sales of condominiums over the forecast period to mitigate any falls in revenue.

Financial modelling and stress testing was carried out on the Group's cashflows taking into account the Mietendeckel and COVID-19, and the following assumptions, which the Directors consider to be reasonable estimates of a worst case scenario, were made with respect to the operating metrics of the Company:

- COVID-19 leads to an increase in tenant arrears up to December 2021 - current tenant arrears stand at around 1 per cent of total revenues;
- Major changes in tenant law lead to necessary increases in legal and administrative expenses;
- Regulatory authorities move to impede sales of condominiums, leading to a fall in revenue arising from these sales;
- Changes in local building regulations lead to an increase in mandatory capex across all assets, as well as new projects;
- dividends are maintained at current levels throughout the projected three-year period but remain a potential source of mitigation from interim 2021 onwards if cash retention is required; and
- the Mietendeckel remains in force throughout the projected period.

After applying the assumptions above, individually and collectively, there was no scenario in which the viability of the Company over the next three years was brought into doubt from a cashflow perspective. Under the stresses set out above, mitigation may be required in 2022 and 2023 and headroom could be obtained in the following ways:

- reducing the dividend to preserve cash;
- cancellation of larger capital expenditure projects; and
- selling individual assets, or condominiums to release cash.

Under these stressed assumptions used to assess viability, including the impact of COVID-19,

the Group is projected to be able to manage all banking covenant obligations during the period using the available liquidity to reduce debt levels, as appropriate.

The projection of cash flows does not include the impact of further potential property acquisitions over the three-year period, as these acquisitions are discretionary in nature, though the cashflows do include the proposed condominium construction referred to on page 15. In this respect, the Directors complete a formal review of the working capital headroom of the Group for all material acquisitions.

On the basis of the above, and assuming the principal risks are managed or mitigated as expected, the Directors have a reasonable expectation that the Group will be able to continue in operation over the three-year period of their assessment.

**Consolidated
Statement of
Comprehensive Income
For the year
ended 31
December
2020**

	Notes	Year ended 31 December 2020 ^'000	Year ended 31 December 2019 ^'000
Continuing operations			
Revenue	6	23,899	22,600
Property expenses	7	(16,437)	(14,196)
Gross profit		<u>7,462</u>	<u>8,404</u>
Administrative expenses	8	(3,263)	(3,103)
Gain on disposal of investment property (including investment property held for sale)	10	2,178	858
Investment property fair value gain	11	41,458	41,491
Performance fee due to property advisor	27	439	(2,798)
Separately disclosed items	12	-	(278)
Operating profit		<u>48,274</u>	<u>44,574</u>
Net finance charge	13	(10,417)	(16,013)
Profit before taxation		<u>37,857</u>	<u>28,561</u>
Income tax expense	14	(7,550)	(5,817)
Profit after taxation		<u>30,307</u>	<u>22,744</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>30,307</u></u>	<u><u>22,744</u></u>
Total comprehensive income attributable to: Owners of the		29,788	22,293

parent			
Non-controlling interests		519	451
		30,307	22,744
Earnings per share attributable to the owners of the parent:			
From continuing operations			
Basic (°)	30	0.31	0.22
Diluted (°)	30	0.30	0.22

**Consolidated
Statement of Financial
Position
At 31
December
2020**

	Notes	As at 31 December 2020 ^'000	As at 31 December 2019 ^'000
ASSETS			
Non-current assets			
Investment properties	17	749,008	719,521
Property, plant and equipment	19	42	54
Other financial assets at amortised cost	20	901	876
Deferred tax asset	14	2,880	2,529
		752,831	722,980
Current Assets			
Investment properties - held for sale	18	19,302	10,639
Other financial assets at amortised cost	20	-	1,590
Trade and other receivables	21	8,414	7,937
Cash and cash equivalents	22	36,996	42,414
		64,712	62,580
Total assets		817,543	785,560
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	23	1,018	17,752
Trade and other payables	24	9,018	7,236
Other financial liabilities	26	-	6,951
Current tax	14	550	1,413
		10,586	33,352
Non-current liabilities			
Borrowings	23	286,531	258,502
Derivative financial instruments	25	18,197	15,979
Deferred tax liability	14	68,273	60,825
		373,001	335,306
Total liabilities		383,587	368,658
Equity			
Stated capital	28	196,578	196,578
Treasury shares	28	(17,206)	(11,354)
Share based payment reserve	27	6,369	6,808

Retained earnings		244,685	221,859
Equity attributable to owners of the parent		<u>430,426</u>	<u>413,891</u>
Non-controlling interest	29	3,530	3,011
Total equity		<u>433,956</u>	<u>416,902</u>
Total equity and liabilities		<u><u>817,543</u></u>	<u><u>785,560</u></u>

**Consolidated
Statement of Changes
in Equity
For the year
ended 31
December
2020**

Attributable to the owners of the parent							
	Stated capital	Treasury shares	Share based payment reserve	Retained earnings	Total	Non-controlling interest	Total equity
	^'000	^'000	^'000	^'000	^'000	^'000	^'000
Balance at 1 January 2019	196,578	-	4,010	207,270	407,858	1,989	409,847
Comprehensive income:							
Profit for the year	-	-	-	22,293	22,293	451	22,744
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	22,293	22,293	451	22,744
Transactions with owners - recognised directly in equity:							
Dividends paid	-	-	-	(7,704)	(7,704)	-	(7,704)
Performance fee	-	-	2,798	-	2,798	-	2,798
Non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	571	571
Acquisition of treasury shares	-	(11,354)	-	-	(11,354)	-	(11,354)
Balance at 31 December 2019	196,578	(11,354)	6,808	221,859	413,891	3,011	416,902
Comprehensive income:							
Profit for the year	-	-	-	29,788	29,788	519	30,307
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	29,788	29,788	519	30,307
Transactions with owners - recognised directly in equity:							
Dividends paid	-	-	-	(6,962)	(6,962)	-	(6,962)
Performance fee	-	-	(439)	-	(439)	-	(439)
Acquisition of treasury shares	-	(5,852)	-	-	(5,852)	-	(5,852)
Balance at 31 December 2020	196,578	(17,206)	6,369	244,685	430,426	3,530	433,956

Treasury shares comprise the accumulated cost of shares acquired on the open market.

The share-based payment reserve was established in relation to the issue of shares for the payment of the performance fee to the property advisor.

**Consolidated
Statement of
Cash Flows
For the year
ended 31
December
2020**

	Year ended 31 December 2020 ^000	Year ended 31 December 2019 ^000
Profit before taxation	37,857	28,561
Adjustments for:		
Net finance charge	10,417	16,013
Gain on disposal of investment property	(2,178)	(858)
Investment property revaluation gain	(41,458)	(41,491)
Depreciation	8	16
Performance fee due to property advisor	(439)	2,798
Operating cash flows before movements in working capital	4,207	5,039
Decrease / (increase) in receivables	2,071	(393)
Increase / (decrease) in payables	1,782	(3,193)
Cash generated from operating activities	8,060	1,453
Income tax paid	(1,316)	(5)
Net cash generated from operating activities	6,744	1,448
Cash flow from investing activities		
Proceeds on disposal of investment property (net of disposal costs)	7,213	13,526
Interest received	19	62
Capital expenditure on investment property	(4,171)	(6,459)
Property additions	-	(32,208)
Put option settlement	(7,542)	-
Repayment of shareholder loans	1,622	-
Disposals to property, plant and equipment	4	18
Net cash used in investing activities	(2,855)	(25,061)
Cash flow from financing activities		
Interest paid on bank loans	(7,541)	(6,160)
Repayment of bank loans	(38,845)	(124,032)
Drawdown on bank loan facilities	50,000	188,594
Dividends paid	(6,962)	(7,704)
Acquisition of treasury shares	(5,956)	(11,536)
Net cash (used in) / generated from financing activities	(9,304)	39,162
Net (decrease) / increase in cash and cash equivalents	(5,415)	15,549
Cash and cash equivalents at beginning of year	42,414	26,868
Exchange gains / (losses) on cash and cash equivalents	(3)	(3)
Cash and cash equivalents at end of year	36,996	42,414
Reconciliation of Net Cash Flow to Movement in Debt For the year ended 31 December 2020		
	Year ended 31 December 2020 ^000	Year ended 31 December 2019 ^000
Cashflow from increase in debt financing	11,155	64,562
Non-cash changes from increase in debt financing	140	16,418

Change in net debt resulting from cash flows	11,295	80,980
Movement in debt in the year	11,295	80,980
Debt at the start of the year	276,254	195,274
Debt at the end of the year	287,549	276,254

Notes to the Financial Statements For the year ended 31 December 2020

1 - General information

The Group consists of a Parent Company, Phoenix Spree Deutschland Limited ('the Company'), incorporated in Jersey, Channel Islands and all its subsidiaries ('the Group') which are incorporated and domiciled in and operate out of Jersey, Guernsey and Germany. Phoenix Spree Deutschland Limited is listed on the premium segment of the Main Market of the London Stock Exchange.

The Group invests in residential and commercial property in Berlin, Germany.

The registered office is at 12 Castle Street, St Helier, Jersey, JE2 3RT, Channel Islands.

2 - Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable law and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated financial statements are presented to the nearest $\pm 1,000$.

In accordance with Section 105 of The Companies (Jersey) Law 1991, the Group confirms that the financial information for the year ended 31 December 2020 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The statutory accounts for the year ended 31 December 2020 have been audited and approved, but have not yet been filed.

The Group's audited financial statements for the period ended 31 December 2020 received an unqualified audit opinion and the auditor's report contained no statement under section 113B (3) and (6) of The Companies (Jersey) Law 1991.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 26 March 2021.

2.2 Going concern

The Directors have prepared projections for the 12 months from the signing of this report. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base and the Group's investments, borrowing and debt repayment plans and show that the Group should be able to operate within the level of its current resources and expects to comply with all covenants for the foreseeable future. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes from managing its capital and its risks are set out in the Strategic Report and in notes 3 and 32. After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has considered the current economic environment and the impact of the COVID-19 pandemic in its going concern assessment, including the Mietendeckel rent caps alongside the Company's principal risks, further information can be found in the viability statement on page 61 to 63. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Company controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Accounting policies of subsidiaries which differ from Group accounting policies are adjusted on consolidation. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2.4 Revenue recognition

Revenue includes rental income, service charges and other amounts directly recoverable from tenants. Rental income and service charges from operating leases are recognised as income on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

2.5 Foreign currencies

(a) Functional and presentation currency

The currency of the primary economic environment in which the Group operates ('the functional currency') is the Euro (€). The presentational currency of the consolidated financial statements is also the Euro (€).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in the consolidated statement of comprehensive income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating-decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Board has identified the operations of the Group as a whole as the only operating segment.

2.7 Operating profit

Operating profit is stated before the Group's gain or loss on its financial assets and after the revaluation gains or losses for the year in respect of investment properties and after gains or losses on the disposal of investment properties.

2.8 Administrative and property expenses

All expenses are accounted for on an accruals basis and are charged to the consolidated statement of comprehensive income in the period in which they are incurred. Service charge costs, to the extent that they are not recoverable from tenants, are accounted for on an accruals basis and included in property expenses.

2.9 Separately disclosed items

Certain items are disclosed separately in the consolidated financial statements where this provides further understanding of the financial performance of the Group, due to their significance in terms of nature or amount.

2.10 Property Advisor fees

The element of Property Advisor fees for management services provided are accounted for on an accruals basis and are charged to the consolidated statement of comprehensive income. These fees are detailed in note 7 and classified under 'Property advisors' fees and expenses. The settlement of the Property Advisor performance fees is detailed in note 27. Due to the nature of the settlement of the performance fee, any movement in the amount payable at the yearend is reflected within the share-based payment reserve in the consolidated statement of financial position.

2.11 Investment property

Property that is held for long-term rental yields or for capital appreciation, or both, which is not occupied by the Group, is classified as investment property.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value, based on market value.

The change in fair values is recognised in the consolidated statement of comprehensive income for the year.

A valuation exercise is undertaken by the Group's independent valuer, Jones Lang LaSalle GmbH ('JLL'), at each reporting date in accordance with the methodology described in note 17 on a building-by-building basis. Such estimates are inherently subjective and actual values can only be determined in a sales transaction. The valuations have been prepared by JLL on a consistent basis at each reporting date.

Subsequent expenditure is added to the 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. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred. Changes in fair values are recorded in the consolidated statement of comprehensive income for the year.

Purchases and sales of investment properties are recognised on legal completion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset, where the carrying amount is the higher of cost or fair value) is included in the consolidated statement of comprehensive income in the period in which the property is derecognised.

2.12 Current assets held for sale - investment property

Current assets (and disposal groups) classified as held for sale are measured at the most recent valuation.

Current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Group recognises an asset in this category once the Board has committed to the sale of an asset and marketing has commenced.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

If an asset held for sale is unsold within one year of being classified as such, it will continue to be classified as held for sale if:

(a) at the date the Company commits itself to a plan to sell a non-current asset (or disposal group) it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset that will extend the period required to complete the sale, and actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and a firm purchase commitment is highly probable within one year;

(b) the Company obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and timely actions necessary to respond to the conditions have been taken, and a favourable resolution of the delaying factors is expected;

(c) during the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset previously classified as held for sale is not sold by the end of that period, and during the initial one-year period the Company took action necessary to respond to the change in circumstances, and the non-current asset is being actively marketed at a price that is reasonable, given the change in circumstances, and the criteria above are met;

(d) otherwise it will be transferred back to investment property.

2.13 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets to their residual values over their estimated useful lives, on the following basis:

Equipment, fixtures and vehicles - 4.50% - 25% per annum, straight line.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

2.14

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.15 Tenants deposits

Tenants deposits are held off the consolidated statement of financial position in a separate bank account in accordance with German legal requirements, and the funds are not accessible to the Group. Accordingly, neither an asset nor a liability is recognised.

2.16 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade and other receivables

Trade receivables are amounts due from tenants for rents and service charges and are initially recognised at the amount of the consideration that is unconditional and subsequently carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. Provision is made based on the expected credit loss model which reflects the Company's historical credit loss experience over the past three years but also reflects the lifetime expected credit loss.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short term deposits, including any bank overdrafts, with an original maturity of three months or less, measured at amortised cost.

Trade and other payables

Trade payables are recognised and carried at their invoiced value inclusive of any VAT that may be applicable, and subsequently at amortised cost using the effective interest method.

Borrowings

All loans and borrowings are initially measured at fair value less directly attributable transaction costs. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

The interest due within the next twelve months is accrued at the end of the year and presented as a current liability within trade and other payables.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Interest-rate swaps

The Group uses interest-rate swaps to manage its market risk. The Group does not hold or issue derivatives for trading purposes.

The interest-rate swaps are recognised in the Consolidated Statement of Financial Position at fair value, based on counterparty quotes. The gain or loss on the swaps is recognised in the Consolidated Statement of Comprehensive Income within net finance charges.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In that case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current tax charge is based on taxable profit for the year. Taxable profit differs from net profit reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the accounting date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited in the consolidated statement of comprehensive income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is calculated at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the accounting date.

The carrying amount of deferred tax assets is reviewed at each accounting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.18 New standards and interpretations

The following relevant new standards, amendments to standards and interpretations have been issued, and are effective for the financial year beginning on 1 January 2020, as adopted by the European Union:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
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Amendments to References to the Conceptual Framework in IFRS Standards	Accounting periods beginning on or after 1 January 2020
Definition of a Business (Amendments to IFRS 3)	Accounting periods beginning on or after 1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	Accounting periods beginning on or after 1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Accounting periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The amendments do not impact on the current financial statements and are in general an exercise to make reference to the Conceptual Framework from existing IFRS Standards.

Definition of a Business (Amendments to IFRS 3)

Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments to the hedge accounting requirements impact both IFRS 9 and IAS 39 because entities have an accounting policy choice under IFRS 9 as to whether to continue to apply the hedge accounting model in IAS 39 or IFRS 9.

The amendments to IFRS 7 require entities to disclose the following:

- the significant interest rate benchmarks to which the entity's hedging relationships are exposed
- the extent of the risk exposure the entity manages that is affected by the interest rate benchmark reform
- how the entity is managing the process to transition to alternative benchmark interest rates
- a description of significant assumptions or judgements the entity made in applying the amendments to IFRS 9 and IAS 39
- the nominal amount of the hedging instrument in the hedging relationship for which the entity is applying the exceptions in the scope of the amendments

New and revised IFRS Standards in issue but not yet effective

The following standards have been issued by the IASB but have not yet been adopted by the EU:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
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Covid-19-Related Rent Concessions (Amendment to	
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The above standard was endorsed by the EU in October 2020 and current proposals are to extend this into 2021.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Risk Committee under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

3.2 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates and general property market risk.

(a) Foreign exchange risk

The Group operates in Germany and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to Sterling against the Euro arising from the costs which are incurred in Sterling. Foreign exchange risk arises from future commercial transactions, and recognised monetary assets and liabilities denominated in currencies other than the Euro.

The Group's policy is not to enter into any currency hedging transactions, as the majority of transactions are in euros, the Group's functional currency. Therefore, any currency fluctuations are minimal.

(b) Interest rate risk

The Group has exposure to interest rate risk. It has external borrowings at a number of different variable interest rates. The Group is also exposed to interest rate risk on some of its financial assets, being its cash at bank balances. Details of actual interest rates paid or accrued during each period can be found in note 23 to the consolidated financial statements.

The Group's policy is to manage its interest rate risk by entering into a suitable hedging arrangement, either caps or swaps, in order to limit exposure to borrowings at variable rates.

(c) General property market risk

Through its investment in property, the Group is subject to other risks which can affect the value of property. The Group seeks to minimise the impact of these risks by review of economic trends and property markets in order to anticipate major changes affecting property values.

(d) Market risk - Rent legislation

Through its policy of investing in Berlin, the Group is subject to the risk of changing rental legislation, specifically the Mietendeckel which, if not found unconstitutional, will continue to affect both the rental income, and the value of property. The Group seeks to mitigate any effect of the Mietendeckel using strategies set out in pages 7 to 9.

(e) Market risk - COVID - 19

The COVID-19 restrictions imposed in Germany in 2020 did not have a notable effect operations or finances of the Company. However the broader impact of the outbreak in 2021 will depend on how the success of the German vaccination programme and further responses of the authorities. The risk around whether service providers can continue their duties, and whether tenants can continue to pay rents as they come due will continue to be monitored by the Board, though no notable effect has been noticed in 2020.

3.3 Credit risk

The risk of financial loss due to counterparty's failure to honour their obligations arises principally in connection with property leases and the investment of surplus cash.

The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Tenant rent payments are monitored regularly and appropriate action taken to recover monies owed, or if necessary, to terminate the lease.

Cash transactions are limited to financial institutions with a high credit rating.

3.4 Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans secured on the Group's properties. The terms of the borrowings entitle the lender to require early repayment should the Group be in default with significant payments for more than one month.

3.5 Capital management

The prime objective of the Group's capital management is to ensure that it maintains the financial flexibility needed to allow for value-creating investments as well as healthy balance sheet ratios.

The capital structure of the Group consists of net debt (borrowings disclosed in note 23 after deducting cash and cash equivalents) and equity of the Group (comprising stated capital (excluding treasury shares), reserves and retained earnings).

In order to manage the capital structure, the Group can adjust the amount of dividend paid to shareholders, issue or repurchase shares or sell assets to reduce debt.

When reviewing the capital structure the Group considers the cost of capital and the risks associated with each class of capital. The Group reviews the gearing ratio which is determined as the proportion of net debt to equity. In comparison with comparable companies operating within the property sector the Board considers the gearing ratios to be reasonable.

The gearing ratios for the reporting periods are as follows:

As at	As at
31 December	31 December
2020	2019
£'000	£'000

Borrowings	(287,549)	(276,254)
Cash and cash equivalents	36,996	42,414
Net debt	<u>(250,553)</u>	<u>(233,840)</u>
Equity	433,956	416,902
Net debt to equity ratio	<u>58%</u>	<u>56%</u>

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the Group to make certain critical accounting estimates and judgements. In the process of applying the Group's accounting policies, management has decided the following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year:

i) Estimate of fair value of investment properties

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and condition, and expected future rentals. The valuation as at 31 December 2020 is based on the rules, regulations and market as at that date, including the Mietendeckel; and the valuation assumes that the Mietendeckel remains in place for the five year period specified in the law.

The best evidence of fair value is current prices in an active market of investment properties with similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its estimate, the Group considers information from a variety of sources, including:

a) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

b) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

c) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The Directors remain ultimately responsible for ensuring that the valuers are adequately qualified, competent and base their results on reasonable and realistic assumptions. The Directors have appointed JLL as the real estate valuation experts who determine the fair value of investment properties using recognised valuation techniques and the principles of IFRS 13. Further information on the valuation process can be found in note 17.

ii) Judgment in relation to the recognition of assets held for sale

Management has made an assumption in respect of the likelihood of investment properties - held for sale, being sold within 12 months, in accordance with the requirement of IFRS 5. Management considers that based on historical and current experience that the properties can be reasonably expected to sell within 12 months.

5. Segmental information

In prior periods, information reported to the Board of Directors, the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance was focussed on the different revenue streams that existed within the Group. In these periods the Group's principal reportable segments under IFRS 8 were as follows:

- Residential; and
- Commercial

The Group is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet the following specified criteria:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, or
- the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, or
- its assets are 10 per cent or more of the combined assets of all operating segments.

Management have applied the above criteria to the commercial segment and the commercial segment is not more than 10% of any of the above criteria. The Group does not own any wholly commercial buildings nor does management report directly on the commercial results. The Board considers that the non-residential element of the portfolio is incidental to the Group's activities. Therefore, the Group has not included any further segmental analysis within these consolidated audited financial statements.

6. Revenue

	31 December 2020 ^'000	31 December 2019 ^'000
Rental income	19,055	17,941
Service charge income	4,844	4,659
	<u>23,899</u>	<u>22,600</u>

The total future annual minimum rentals receivable under non-cancellable operating leases are as follows:

	31 December 2020 ^'000	31 December 2019 ^'000
Within 1 year	1,267	1,462
1 - 2 years	1,217	1,119
2 - 3 years	925	857
3 - 4 years	703	773

4 - 5 years	627	736
Later than 5 years	437	593
	<u>5,176</u>	<u>5,540</u>

Revenue comprises rental income earned from residential and commercial property in Germany. There are no individual tenants that account for greater than 10% of revenue during any of the reporting periods.

The leasing arrangements for residential property are with individual tenants, with one month notice from tenants to cancel the lease in most cases.

The commercial leases are non-cancellable, with an average lease period of 3 years.

7. Property expenses

	31 December 2020 ^'000	31 December 2019 ^'000
Property management expenses	1,143	1,066
Repairs and maintenance	1,553	1,665
Impairment charge - trade receivables	160	61
Service charges paid on behalf of tenants	7,137	5,306
Property advisors' fees and expenses	6,444	6,098
	<u>16,437</u>	<u>14,196</u>

8. Administrative expenses

	31 December 2020 ^'000	31 December 2019 ^'000
Secretarial and administration fees	589	896
Legal and professional fees	1,734	1,329
Directors' fees	248	246
Audit and accountancy fees	630	761
Bank charges	32	19
Loss on foreign exchange	69	49
Depreciation	8	16
Other income	(47)	(213)
	<u>3,263</u>	<u>3,103</u>

Key management compensation - the functions of management are undertaken by external providers of professional services, as set out in note 34.

Further details of the Directors' fees are set out in the Directors' Remuneration Report on page 85.

9. Auditor's remuneration

An analysis of the fees charged by the auditor and its associates is as follows:

	31 December 2020 ^'000	31 December 2019 ^'000
Fees payable to the Group's auditor and its associates for the audit of the consolidated financial statements:	197	195
Fees payable to the Group's auditor and its associates for other services:		
- Agreed upon procedures - half year report	28	29
- Agreed upon procedures - other	11	17
	<u>236</u>	<u>241</u>

10. Gain on disposal of investment property (including investment property held for sale)

	31 December 2020 ^'000	31 December 2019 ^'000
Disposal proceeds	9,998	13,616
Book value of disposals	(7,479)	(12,668)
Disposal costs	(341)	(90)
	<u>2,178</u>	<u>858</u>

Where there has been a partial disposal of a property, the net book value of the asset sold is calculated on a per square metre rate, based on the prior period or interim valuation.

**11.
Investment
property fair
value gain**

	31 December 2020 ^'000	31 December 2019 ^'000
Investment property fair value gain	41,458	41,491

Further information on investment properties is shown in note 17.

**12.
Separately
disclosed
items**

These relate to legal and professional fees incurred in 2019 during a significant transaction which was considered by the Board but not pursued totalling ^278,000. No further costs were incurred in relation to this transaction in 2020.

**13. Net
finance charge**

	31 December 2020 ^'000	31 December 2019 ^'000
Interest income	6	(62)
Interest from related party loans	(57)	(54)
Fair value loss on interest rate swap	2,218	9,988
Finance expense on bank borrowings	7,659	6,325
Change in put option liability arising on settlement	591	(184)
	<u>10,417</u>	<u>16,013</u>

Finance expense on bank borrowings includes a total of ^382,699 in respect of loan breakage fees incurred due to the loan refinancing carried out during the year (2019: ^507,699)

**14. Income
tax expense**

	31 December 2020 ^'000	31 December 2019 ^'000
The tax charge for the period is as follows:		
Current tax charge	453	31
Deferred tax charge - origination and reversal of temporary differences	7,097	5,786
	<u>7,550</u>	<u>5,817</u>

The tax charge for the year can be reconciled to the theoretical tax charge on the profit in the Consolidated Statement of Comprehensive Income as follows:

	31 December 2020 ^'000	31 December 2019 ^'000
Profit before tax on continuing operations	37,857	28,561
Tax at German income tax rate of 15.8% (2019: 15.8%)	5,981	4,513
Income not taxable	(344)	(136)
Losses carried forward not recognised	1,913	1,440
Total tax charge for the year	<u>7,550</u>	<u>5,817</u>

Reconciliation of current tax liabilities

	31 December 2020 ^'000	31 December 2019 ^'000
Balance at beginning of year	1,413	1,387
Tax paid during the year	(1,316)	(5)
Current tax charge	453	31
Balance at end of year	<u>550</u>	<u>1,413</u>

**Reconciliation
of deferred
tax**

**Capital
gains on
Interest rate**

	properties '000	swaps '000	Total '000
	(Liabilities)	Asset	(Net liabilities)
Balance at 1 January 2019	(53,458)	948	(52,510)
Charged to the statement of comprehensive income	(7,367)	1,581	(5,786)
Deferred tax (liability) / asset at 31 December 2019	(60,825)	2,529	(58,296)
Charged to the statement of comprehensive income	(7,448)	351	(7,097)
Deferred tax (liability) / asset at 31 December 2020	(68,273)	2,880	(65,393)

Jersey income tax

The Group is liable to Jersey income tax at 0%.

Guernsey income tax

The Group is liable to Guernsey income tax at 0%.

German tax

As a result of the Group's operations in Germany, the Group is subject to German Corporate Income Tax ('CIT') - the effective rate for Phoenix Spree Deutschland Limited for 2020 was 15.8% (2019: 15.8%).

Factors affecting future tax charges

The Group has accumulated tax losses of approximately £30.0 million (2019: £17.6 million) in Germany, which will be available to set against suitable future profits should they arise, subject to the criteria for relief. These losses are offset against the deferred taxable gain to give the deferred tax liability set out above.

15. Dividends

	31 December 2020 '000	31 December 2019 '000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2020 of £2.35 cents (2.1p) declared 15 September 2020, paid 16 October 2020 (2019: £2.35 cents (2.1p) per share.	2,284	2,420
Proposed dividend for the year ended 31 December 2020 of £5.15 cents (4.65p) (2019: £5.15 cents (4.4p) per share.	5,010	5,034

The proposed dividend has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 14 May 2021. The total estimated dividend to be paid is 4.65p per share. The payment of this dividend will not have any tax consequences for the Group. The translated amount shown as paid may differ from that disclosed here due to foreign exchange movements between the date of the dividend being proposed and it being paid.

16. Subsidiaries

The Group consists of a Parent Company, Phoenix Spree Deutschland Limited, incorporated in Jersey, Channel Islands and a number of subsidiaries held directly by Phoenix Spree Deutschland Limited, which are incorporated in and operated out of Jersey, Guernsey and Germany.

Further details are given below:

	Country of incorporation	% holding	Nature of business
Phoenix Spree Deutschland I Limited	Jersey	100	Investment property
Phoenix Spree Deutschland II Limited	Jersey	100	Investment property
Phoenix Spree Deutschland III Limited	Jersey	100	Investment property
Phoenix Spree Deutschland IV Limited	Jersey	100	Investment property
Phoenix Spree Deutschland V Limited	Jersey	100	Investment property
Phoenix Spree Deutschland VII Limited	Jersey	100	Investment property
Phoenix Spree Deutschland IX Limited	Jersey	100	Investment property
Phoenix Spree Deutschland X Limited	Jersey	100	Finance vehicle
Phoenix Spree Deutschland XI Limited	Jersey	100	Investment property
Phoenix Spree Deutschland XII Limited	Jersey	100	Investment property
Phoenix Property Holding GmbH & Co.KG	Germany	100	Holding Company
Phoenix Spree Mueller GmbH	Germany	94.9	Investment property
Phoenix Spree Gottlieb GmbH	Germany	94.9	Investment property
PSPF Holdings GmbH	Germany	100	Holding Company
Jühnsdorfer Weg Immobilien GmbH (Formerly Accentro 5. WE GmbH)	Germany	94.9	Investment property
Phoenix Spree Property Fund Ltd & Co. KG	Germany	100	Investment property
PSPF General Partner (Jersey) Limited (formerly PSPF General Partner (Guernsey) Limited)	Jersey	100	Management of PSPF

During the year the Group redomiciled PSPF General Partner (Guernsey) Limited to Jersey from Guernsey. The entity was renamed PSPF General Partner (Jersey) Limited. The nature of business of the new entity remains as the management of PSPF.

On 1 July 2020 the minority interest in Phoenix Spree Property Fund Ltd & Co. KG exercised a put option to sell the remaining 5.2% share of the partnership to Phoenix Spree Deutschland Limited. The option was settled net in cash inclusive of the offsetting loans as disclosed in Note 26.

17.

Investment properties

	2020	2019
Fair Value	£'000	£'000
At 1 January	730,160	645,680
Capital expenditure	4,171	6,459
Property additions	-	49,198
Disposals	(7,479)	(12,668)
Fair value gain	41,458	41,491
Investment properties at fair value - as set out in the report by JLL	768,310	730,160
Assets considered as "Held for Sale" (Note 18)	(19,302)	(10,639)
At 31 December	749,008	719,521

The property Portfolio was valued at 31 December 2020 by the Group's independent valuers, Jones Lang LaSalle GmbH ('JLL'), in accordance with the methodology described below. The valuations were performed in accordance with the current Appraisal and Valuation Standards, 8th edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS).

The valuation is performed on a building-by-building basis from source information on the properties including current rent levels, void rates, capital expenditure, maintenance costs and non-recoverable costs provided to JLL by the Property Advisors QSix LLP. JLL use their own assumptions with respect to rental growth, and adjustments to non-recoverable costs. JLL also uses data from comparable market transactions where these are available alongside their own assumptions.

The valuation by JLL uses the discounted cash flow methodology. Such valuation estimates using this methodology, however, are inherently subjective and values that would have been achieved in an actual sales transaction involving the individual property at the reporting date are likely to differ from the estimated valuation.

All properties are valued as Level 3 measurements under the fair value hierarchy (see note 32) as the inputs to the discounted cash flow methodology which have a significant effect on the recorded fair value are not observable. Additionally, JLL perform reference checks back to comparable market transactions to confirm the valuation model.

The unrealised fair value gain in respect of investment property is disclosed in the consolidated statement of comprehensive income as 'Investment property fair value gain'.

Valuations are undertaken using the discounted cash flow valuation technique as described below and with the inputs set out below.

Discounted cash flow methodology (DCF)

The fair value of investment properties is determined using the DCF methodology.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF valuation by JLL used ten-year projections of a series of cash flows of each property interest. The cash flows used in the valuation reflect the known conditions existing at the reporting date, including the Mietendeckel rules for the period to June 2024.

To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the cash flows associated with each property. The discount rate of the individual properties is adjusted to provide an individual property value that is consistent with comparable market transactions. For properties without a comparable market transaction JLL use the data from market transactions to adjust the discount rate to reflect differences in the location of the property, its condition, its tenants and rent.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment.

Periodic cash flow includes cash flows relating to gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating cash flows, along with an estimate of the terminal value anticipated at the end of the ten-year projection period, is then discounted.

Where an individual property has the legal and practical ability to be converted into individual apartments (condominiums) for sale as a condominium, dependent upon the stage of the legal permissions, the additional value created by the conversion is reflected via a lower discount rate applied.

The principal inputs to the valuation are as follows:

	Year ended 31 December 2020 Range	Year ended 31 December 2019 Range
Residential Properties		
Market Rent		
Rental Value (£ per sq. p.m.)	10 - 15	9 - 15
Stabilised residency vacancy (% per year)	1 - 4	2
Tenancy vacancy fluctuation (% per year)	5 - 8	8
Commercial		

Properties		
Market Rent		
Rental Value (£ per sq. p.m.)	2 - 33	2 - 32
Stabilised commercial vacancy (% per year)	1 - 3	0 - 25
Tenancy vacancy fluctuation (% per year)	8	8

Estimated Rental Value (ERV)

ERV per year per property (£'000)	64 - 2,278	62 - 2,322
ERV (£ per sq.)	9 - 15	8 - 15

Financial Rates - blended average

Discount rate (%)	3.1	4
Portfolio yield (%)	2.2	2.9

Having reviewed the JLL report, the Directors are of the opinion that this represents a fair and reasonable valuation of the properties and have consequently adopted this valuation in the preparation of the consolidated financial statements.

The valuations have been prepared by JLL on a consistent basis at each reporting date and the methodology is consistent and in accordance with IFRS which requires that the 'highest and best use' value is taken into account where that use is physically possible, legally permissible and financially feasible for the property concerned, and irrespective of the current or intended use.

All properties are valued as Level 3 measurements under the fair value hierarchy (see note 32) as the inputs to the DCF methodology which have a significant effect on the recorded fair value are not observable.

Any unrealised fair value gain or loss in respect of investment property is disclosed in the consolidated statement of comprehensive income as 'Investment property fair value gain or loss'.

Sensitivity

Changes in the key assumptions and inputs to the valuation models used would impact the valuations as follows:

Vacancy: A change in vacancy by 1% would not materially affect the investment property fair value assessment.

Discount rate: An increase of 0.25% in the discount rate and cap rate would reduce the investment property fair value by £63.9 million, and a decrease in the discount rate and cap rate of 0.25% would increase the investment property fair value by £58.5 million.

There are, however, inter-relationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input could amplify the impact on the valuation. Conversely, changes on unobservable inputs moving in opposite directions could cancel each other out, or lessen the overall effect.

The valuation takes account of the following three scenarios

Rental Scenario

Where properties have been valued under the "Discounted Cashflow Methodology" and are intended to be held by the Group for the foreseeable future, they are valued under the "Rental Scenario".

Condominium scenario

Where properties have the potential or the benefit of all relevant permissions required to sell apartments individually (condominiums) and the decision to sell the property has been taken then we refer to this as a 'condominium scenario'. Expected sales in the coming year from these assets are considered held for sale under IFRS 5 and can be seen in note 18. The additional value is reflected by using a lower discount rate under the DCF Methodology. Properties which do not have the benefit of all relevant permissions are described as valued using a standard 'rental scenario'. Included in properties valued under the condominium scenario are properties not yet released to held for sale as only a portion of the properties are forecast to be sold in the coming 12 months.

Disposal Scenario

Where properties have been notarised for sale prior to the reporting date but have not completed; they are held at their notarised disposal value. These assets are considered held for sale under IFRS 5 and can be seen in note 18.

The table below sets out the assets valued using these 3 scenarios:

	31 December 2020 £'000	31 December 2019 £'000
Rental scenario	715,870	703,650
Condominium scenario	45,264	23,956
Disposal scenario		2,554
Total	768,310	730,160

The movement in the fair value of investment properties is included in the consolidated statement of comprehensive income as 'investment property fair value gain' and comprises:

	31 December 2020 £'000	31 December 2019 £'000
Investment properties	40,633	41,429

Properties held for sale (see note 18)

825	62
41,458	41,491

**18.
Investment
properties -
held for sale**

2020 **2019**
^'000 **^'000**

Fair value - held for sale investment properties

At 1 January	10,639	12,747
Transferred from investment properties	15,004	10,064
Capital expenditure	313	434
Properties sold	(7,479)	(12,668)
Valuation gain on apartments held for sale	825	62
At 31 December	19,302	10,639

Investment properties are re-classified as current assets and described as 'held for sale' in three different situations: Properties notated for sale at the reporting date, Properties where at the reporting date the group has obtained and implemented all relevant permissions required to sell individual apartment units, and efforts are being made to dispose of the assets (condominium); and Properties which are being marketed for sale but have currently not been notated.

Properties which no longer satisfy the criteria for recognition as held for sale are transferred back to investment properties at fair value.

Properties notated for sale by the reporting date are valued at their disposal price (disposal scenario), and other properties are valued using the condominium or rental scenarios (see note 17) as appropriate. The table below sets out the respective categories:

	2020	2019
	^'000	^'000
Condominium scenario	12,126	8,085
Disposal scenario	7,176	2,554
	19,302	10,639

Investment properties held for sale are all expected to be sold within 12 months of the reporting date based on Management knowledge of current and historic market conditions. While whole properties have been valued under a condominium scenario in note 17, only the expected sales have been transferred to assets held for sale.

There were liabilities secured on the investment properties held for sale of ^2.7m (2019: ^0.6m).

**19. Property,
plant and
equipment**

Equipment
^'000

**Cost or
valuation**

As at 1 January 2019	145
Disposals	(18)
As at 31 December 2019	127
Disposals	(4)
As at 31 December 2020	123

Accumulated depreciation and impairment

As at 1 January 2019	57
Charge for the year	16
As at 31 December 2019	73
Charge for the year	8
As at 31 December 2020	81

**Carrying
amount**

As at 31 December 2019	54
As at 31 December 2020	42

**20. Other
financial
assets at
amortised
cost**

31 December **31 December**
2020 **2019**
^'000 **^'000**

Current

At 1 January	1,590	-
Transfer from non-current other financial assets at amortised cost	-	1,554
Accrued interest	32	54
Interest adjustment related to prior period	-	(18)
Loan repayment	(1,622)	-
At 31 December	-	1,590

The Group entered into loan agreements with Mike Hilton and Paul Ruddle in connection with the acquisition of PSPF. The loans were due to be settled upon settlement of the put option for the minority interest in PSPF. The put option liability for the minority and these offsetting loans were settled in cash on the 1 July 2020.

	31 December 2020	31 December 2019
	^'000	^'000
Non-current		
At 1 January	876	2,406
Transfer to current other financial assets at amortised cost	-	(1,554)
Accrued interest	25	24
At 31 December	901	876

The Group entered into a loan agreement with the minority interest of Accentro Real Estate AG (formerly Blitz B16 - 210 GmbH) in relation to the acquisition of the assets as share deals. This loan bears interest at 3% per annum.

These assets are considered to have low credit risk and any loss allowance would be immaterial.

21. Trade and other receivables

	31 December 2020	31 December 2019
	^'000	^'000
Current		
Trade receivables	707	1,219
Less: impairment provision	(222)	(223)
Net receivables	485	996
Prepayments and accrued income	16	508
Investment property disposal proceeds receivable	2,444	375
Service charges receivable	4,895	5,271
Prepaid Treasury Shares	104	182
Other receivables	470	605
	8,414	7,937

Prepaid Treasury Shares consist of a transaction for the Company's own shares which had yet to settle at 31 December 2020.

Aging analysis of trade receivables

	31 December 2020	31 December 2019
	^'000	^'000
Up to 12 months	482	977
Between 1 year and 2 years	3	19
Over 3 years	-	-
	485	996

Impairment of trade and service charge receivables

The Company calculates lifetime expected credit losses for trade and service charge receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of lease. The probability of default is determined at the year-end based on the aging of the receivables, and historical data about default rates. That data is adjusted if the Company determines that historical data is not reflective of expected future conditions due changes in the nature of its tenants and how they are affected by external factors such as economic and market conditions.

On this basis, the loss allowance as at 31 December 2020, and on 31 December 2019 was determined as set out below.

The Company applies the following loss rates to trade receivables.

As noted below, a loss allowance of 50% (2019: 50%) has been recognised for trade receivables that are more than 60 days past due. Any receivables where the tenant is no longer resident in the property are provided for in full.

	Aging		Non-current tenant	Total 2020
	0-60 days	Over 60 days	100%	
Trade receivables:				
Expected loss rate (%)	0%	50%		
Gross carrying amount (^'000)	352	267	88	707
Loss allowance provision (^'000)	-	(134)	(88)	(222)

Aging

Trade receivables:	0-60 days	Over 60 days	Non-current tenant	Total 2019
Expected loss rate (%)	0%	50%	100%	
Gross carrying amount ('000)	889	214	116	1,219
Loss allowance provision ('000)	-	(107)	(116)	(223)

Movements in the impairment provision against trade receivables are as follows:

	31 December 2020 ^'000	31 December 2019 ^'000
Balance at the beginning of the year	223	313
Impairment losses recognised	160	61
Amounts written off as uncollectable	(161)	(151)
Balance at the end of the year	222	223

All impairment losses relate to the receivables arising from tenants.

22. Cash and cash equivalents

	31 December 2020 ^'000	31 December 2019 ^'000
Cash at bank	35,971	40,737
Cash at agents	1,025	1,677
Cash and cash equivalents	36,996	42,414

23. Borrowings

	31 December 2020		31 December 2019	
	Nominal value ^'000	Book value ^'000	Nominal value ^'000	Book value ^'000
Current liabilities				
Accrued interest - NATIXIS Pfandbriefbank AG	901	217	784	192
Bank loans - Mittelbrandenburgische Sparkasse	-	-	16,418	16,418
Bank loans - Berliner Sparkasse	801	801	1,142	1,142
	1,702	1,018	18,344	17,752
Non-current liabilities				
Bank loans - NATIXIS Pfandbriefbank AG	240,000	236,789	190,000	186,636
Bank loans - Berliner Sparkasse	49,742	49,742	71,866	71,866
	289,742	286,531	261,866	258,502
	291,444	287,549	280,210	276,254

The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

All borrowings are secured against the investment properties of the Group. As at 31 December 2020, the Company had no undrawn debt facilities (2019: ^50 million). A summary of the loans as at the year end is as follows:

24. Trade and other payables

	31 December 2020 ^'000	31 December 2019 ^'000
Trade payables	1,410	1,597
Accrued liabilities	2,463	1,319
Service charges payable	5,145	4,320
	9,018	7,236

25. Derivative financial instruments

	31 December 2020 ^'000	31 December 2019 ^'000
Interest rate swaps - carried at fair value through profit or loss		
Balance at 1 January	15,979	5,991

Fair value movement through profit or loss	2,218	9,988
Balance at 31 December	18,197	15,979

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2020 were £204,269,000 (2019: £202,932,000). At 31 December 2020 the fixed interest rates vary from 0.24% to 1.07% (2019: 0.775% to 1.07%) above the main factoring Euribor rate, and mature between September 2026 and November 2027.

Maturity analysis of interest rate swaps

	31 December 2020 £'000	31 December 2019 £'000
Less than 1 year	-	-
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
More than 5 years	18,197	15,979
	18,197	15,979

26. Other financial liabilities

	31 December 2020 £'000	31 December 2019 £'000
Current		
Balance at beginning of year	6,951	-
Transferred from non-current liabilities	-	6,951
Change in put option liability on settlement	591	-
Exercise put option	(7,542)	-
Balance at end of year	-	6,951
Non-current		
Balance at 1 January	-	7,135
Change in put option liability arising in the year	-	(184)
Transferred to current liabilities	-	(6,951)
Balance at 31 December	-	-

In March 2015 the Group entered into a five year put option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund Ltd. & Co.KG (PSPF) from the limited partners M Hilton and P Ruddle both then Directors of PMM Partners (UK) Limited. The options were exercised three months after on the fifth anniversary of the majority interest acquisition, on 1 July 2020. The option was settled for £7,542,000, and was settled in cash for £5,920,000 net of initial loans to the limited partners of £1,622,000. £7,542,000 being 5.2% of the net asset value of PSPF at the time of settlement, as set out in the original 2015 agreement.

27. Share based payment reserve

	Performance fee £'000
Balance at 1 January 2019	4,010
Fee charge for the period	2,798
Balance at 31 December 2019	6,808
Fee charge / (credit) for the year	(439)
Balance at 31 December 2020	6,369

Property Advisor performance fee

The Property Advisor is entitled to an asset and estate management performance fee, measured over consecutive three year periods, equal to 15% of the excess (or in the case of the initial period or any performance period ending prior to 31 December 2020, 16%) by which the annual EPRA NAV total return of the Group exceeds 8% per annum, compounding (the 'Performance Fee'). As the EPRA NAV measurement has been superseded by EPRA NTA (See note 31), future performance fees will be calculated with respect to movements in EPRA NTA. The Performance Fee is subject to a high watermark, being the higher of:

- (i) EPRA NAV per share at 1 July 2018; and
- (ii) the EPRA NAV per share at the end of a Performance Period in relation to which a performance fee was earned in accordance with the provisions contained with the Property Advisor and Investor Relations Agreement.

The fee will be settled shortly after the release of this 2020 annual report in shares of the Company and, being determined by reference to an equity based formula, meets the definition of a share based payment arrangement.

28. Stated capital

	31 December 2020 ^'000	31 December 2019 ^'000
Issued and fully paid: At 1 January	196,578	196,578
At 31 December	196,578	196,578

The number of shares in issue at 31 December 2020 was 100,751,410 (31 December 2019: 100,751,410).

Treasury shares

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2020, the Group held 4,628,500 of the Company's shares (2019: 3,000,000).

29. Non-controlling interests

	Non-controlling interest %	31 December 2020 ^'000	31 December 2019 ^'000
Phoenix Spree Mueller GmbH (formerly Laxpan Mueller GmbH)	5.1%	1,329	1,197
Phoenix Spree Gottlieb GmbH (formerly Invador Grundbesitz GmbH)	5.1%	1,250	1,076
Jühnsdorfer Weg Immobilien GmbH (Formerly Accentro 5. WE GmbH)	5.1%	951	738
		3,530	3,011

30. Earnings per share and EPRA earnings per share

	31 December 2020	31 December 2019
Earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (^'000)	29,788	22,293
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	97,136,617	100,389,943
Effect of dilutive potential ordinary shares (Number)	1,806,285	1,721,657
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	98,942,902	102,111,600
Earnings per share (^)	0.31	0.22
Diluted earnings per share (^)	0.30	0.22

EPRA earnings per share

Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (^'000)	29,788	22,293
Changes in value of investment properties	(41,458)	(41,491)
Profit or loss on disposal on investment properties	(2,178)	(858)
Changes in fair value of financial instruments	1,779	12,786
Deferred tax adjustments	7,097	5,786
Change in Non-controlling interest	498	228
EPRA Earnings	(4,474)	(1,256)

Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	97,136,617	100,389,943
EPRA Earnings per Share (^)	(0.05)	(0.01)
Diluted EPRA Earnings per Share (^)	(0.05)	(0.01)

31. Net asset value per share and EPRA net asset value

	31 December 2020	31 December 2019
Net assets (^'000)	430,426	413,891
Number of participating ordinary shares	96,122,909	97,751,410
Net asset value per share (^)	4.48	4.23

According to the EPRA Best Practices Recommendations published in October 2019, three new Net Asset Value measures have been introduced for ongoing financial years from 1 January, 2020.

EPRA NRV (Net Reinstatement Value) - this includes transfer duties of the property assets.

EPRA NTA (Net Tangible Assets) - the Company buys and sells assets leading to taking account of certain liabilities.

EPRA NDV (Net Disposal Value) - the value for the shareholder in the event of a liquidation.

The net asset value calculation is based on the Group's shareholders' equity which includes the fair value of investment properties, properties held for sale as well as financial instruments.

The number of diluted shares does not include treasury shares.

	EPRA NRV ^'000	EPRA NTA ^'000	EPRA NDV ^'000
At 31 December 2020			
IFRS Equity attributable to shareholders	430,426	430,426	430,426
Hybrid instruments	(6,369)	(6,369)	(6,369)
Diluted NAV	424,057	424,057	424,057
Revaluation of Investment Property	-	-	-
Revaluation of Investment Property under Construction	-	-	-
Revaluation of other non-current investments	-	-	-
Revaluation of tenant leases held as finance leases	-	-	-
Revaluation of trading properties	-	-	-
Diluted NAV at Fair Value	424,057	424,057	424,057
Deferred tax in relation to fair value gains of Investment Property	65,393	65,393	
Fair value of financial instruments	18,197	18,197	
Goodwill as a result of deferred tax	-	-	-
Goodwill as per the IFRS balance sheet	-	-	-
Intangibles as per the IFRS balance sheet	-	-	-
Fair value of fixed interest rate debt			2,946
Revaluation of intangibles to fair value	-	-	-
Real estate transfer tax	62,721	-	
NAV	570,368	507,647	427,003
Fully diluted number of shares	96,122,909	96,122,909	96,122,909
NAV per share (^)	5.93	5.28	4.44

	EPRA NRV ^'000	EPRA NTA ^'000	EPRA NDV ^'000
At 31 December 2019			
IFRS Equity attributable to shareholders	413,891	413,891	413,891
Hybrid instruments	(6,808)	(6,808)	(6,808)
Diluted NAV	407,083	407,083	407,083
Revaluation of Investment Property	-	-	-
Revaluation of Investment Property under Construction	-	-	-
Revaluation of other non-current investments	-	-	-
Revaluation of tenant leases held as finance leases	-	-	-
Revaluation of trading properties	-	-	-
Diluted NAV at Fair Value	407,083	407,083	407,083
Deferred tax in relation to fair value gains of Investment Property	58,296	58,296	
Fair value of	15,979	15,979	

financial instruments			
Goodwill as a result of deferred tax	-	-	-
Goodwill as per the IFRS balance sheet	-	-	-
Intangibles as per the IFRS balance sheet	-	-	-
Fair value of fixed interest rate debt			3,458
Revaluation of intangibles to fair value	-		
Real estate transfer tax	57,786	-	
NAV	539,144	481,358	410,541
Fully diluted number of shares	97,751,410	97,751,410	97,751,410
NAV per share (^)	5.52	4.92	4.20

32. Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets
- Trade and other payables
- Borrowings
- Derivative financial instruments

The Group held the following financial assets at each reporting date:

	31 December 2020 ^'000	31 December 2019 ^'000
At amortised cost		
Trade and other receivables - current	8,294	7,247
Cash and cash equivalents	36,996	42,414
Other financial assets at amortised cost	901	2,466
	46,191	52,127

The Group held the following financial liabilities at each reporting date:

	31 December 2020 ^'000	31 December 2019 ^'000
Held at amortised cost		
Borrowings payable: current	1,018	17,752
Borrowings payable: non-current	286,531	258,502
Other financial liabilities	-	6,951
Trade and other payables	9,018	7,236
	296,567	290,441
Fair value through profit or loss		
Derivative financial liability - interest rate swaps	18,197	15,979
	18,197	15,979
	314,764	306,420

Fair value of financial instruments

With the exception of the variable rate borrowings, the fair values of the financial assets and liabilities are not materially different to their carrying values due to the short term nature of the current assets and liabilities or due to the commercial variable rates applied to the long term liabilities.

The interest rate swap was valued by the respective counterparty banks by comparison with the market price for the relevant date.

The interest rate swaps are expected to mature between September 2026 and December 2028.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During each of the reporting periods, there were no transfers between valuation levels.

Group Values	Fair		
		31 December 2020 ^'000	31 December 2019 ^'000
Financial assets/ (liabilities)			
Interest rate swaps - Level 2 - current		-	-
Interest rate swaps - Level 2 - non-current		(18,197)	(15,979)
		(18,197)	(15,979)

Financial risk management

The Group is exposed through its operations to the following financial risks:

- Interest rate risk
- Foreign exchange risk
- Credit risk
- Liquidity risk

The Group's policies for financial risk management are outlined below.

Interest rate risk

The Group's interest rate risk arises from certain of its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group is also exposed to interest rate risk on cash and cash equivalents.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

Sensitivity analysis has not been performed as all variable rate borrowings have been swapped to fixed interest rates, and potential movements on cash at bank balances are immaterial.

The Group gives careful consideration to interest rates when considering its borrowing requirements and where to hold its excess cash. The Directors believe that the interest rate risk is at an acceptable level.

Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency (Euros).

The Group does not enter into any currency hedging transactions and the Directors believe that the foreign exchange rate risk is at an acceptable level.

The carrying amount of the Group's foreign currency (non-Euro) denominated monetary assets and liabilities are shown below, all the amounts are for Sterling balance only:

	31 December 2020 ^'000	31 December 2019 ^'000
Financial assets		
Cash and cash equivalents	174	349
Financial liabilities		
Trade and other payables	(408)	(317)
Net position	(234)	32

At each reporting date, if the Euro had strengthened or weakened by 10% against GBP with all other variables held constant, post-tax profit for the year would have increased/(decreased) by:

Weakened by 10% Increase/(decrease) in post- tax profit and impact on equity	Strengthened by 10% Increase/(decrease) in post-tax profit and impact on equity
---	--

		^'000	^'000
31 December 2020		23	(23)
31 December 2019		(3)	3

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade and other receivables and its cash balances. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Group has an established credit policy under which each new tenant is analysed for creditworthiness and each tenant is required to pay a two month deposit.

At each reporting date the Group had no tenants with outstanding balances over 10% of the total trade receivables balance.

The Group holds cash at the following banks: Barclays Private Clients International Jersey Ltd, Deutsche Bank AG, Berliner Sparkasse and Mittelbrandenburgische Sparkasse. The split of cash held at each of the banks respectively at 31 December 2020 was 34% / 59% / 3% / 2% (31 December 2019: Barclays Private Clients International Jersey Ltd, Barclays Bank Plc Frankfurt and Deutsche Bank the split was 73%/26%/1%). Barclays and Deutsche Bank have credit ratings of A and A- respectively, Berliner Sparkasse and Mittelbrandenburgische Sparkasse have a credit rating of A+.

The Group holds no collateral as security against any financial asset. The carrying amount of financial assets recorded in the financial information, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Details of receivables from tenants in arrears at each reporting date can be found in note 21 as can details of the receivables that were impaired during each period.

An allowance for impairment is made using an expected credit loss model based on previous experience. Management considers the above measures to be sufficient to control the credit risk exposure.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

The Directors manage liquidity risk by regularly reviewing cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by management.

The Group maintains good relationships with its banks, which have high credit ratings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest payable and principal cash flows.

Maturity analysis for financial liabilities

	Less than 1 year ^'000	Between 1 - 2 years ^'000	Between 2 - 5 years ^'000	More than 5 years ^'000	Total ^'000
At 31 December 2020					
Borrowings payable: current	1,018	-	-	-	1,018
Borrowings payable: non-current	-	-	-	286,531	286,531
Trade and other payables	9,018	-	-	-	9,018
	10,036	-	-	286,531	296,567

	Less than 1 year ^'000	Between 1 - 2 years ^'000	Between 2 - 5 years ^'000	More than 5 years ^'000	Total ^'000
At 31 December 2019					
Borrowings payable: current	17,752	-	-	-	17,752
Borrowings payable: non-current	-	-	-	258,502	258,502
Other financial liabilities	6,951	-	-	-	6,951
Trade and other payables	7,236	-	-	-	7,236
	31,939	-	-	258,502	290,441

33. Capital commitments

31 December 2020 ^'000	31 December 2019 ^'000
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Contracted capital commitments at the end of the year

2,783

3,000

Capital commitments include contracted obligations in respect of the enhancement and repair of the Group's properties.

34. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

Property Advisor Fees

In November 2018 the Company signed a new contract with the Property Advisor, which superseded the previous property advisor agreement. As per the new agreement, The Property Advisor is entitled to an asset and estate management performance fee, measured over consecutive three year periods, equal to 15% of the excess (or in the case of the initial period or any performance period ending prior to 31 December 2020, 16%) by which the annual EPRA NAV total return of the Group exceeds 8% per annum, compounding (the 'Performance Fee'). The Performance Fee is subject to a high watermark, being the higher of:

- (i) EPRA NAV per share at 1 July 2018; and
- (ii) 1% of the EPRA NAV of the Group greater than £500 million.

The management fee will be reduced by the aggregate amount of any transaction fees and finance fees payable to the Property Advisor in respect of that calendar year.

The Property Advisor is entitled to a capex monitoring fee equal to 7% of any capital expenditure incurred by any Subsidiary which the Property Advisor is responsible for managing.

The Property Advisor is entitled to receive a finance fee equal to:

- (i) 0.1% of the value of any borrowing arrangement which the Property Advisor has negotiated and/or supervised; and
- (ii) a fixed fee of £1,000 in respect of any borrowing arrangement which the Property Advisor has renegotiated or varied.

The Property Advisor is entitled to receive a transaction fee fixed at £1,000 in respect of any acquisition or disposal of property by any Subsidiary.

The Property Advisor is entitled to a letting fee equal to between 1 and 3 month's net cold rent (being gross rents receivable less service costs and taxes) for each new tenancy signed by the Company where the Property Advisor has sourced the relevant tenant.

The Property Advisor shall be entitled to a fee for Investor Relations Services at the annual rate of £75,000 payable quarterly in arrears.

QSix Residential Limited (Formerly PMM Residential Limited), was the Group's appointed Property Advisor. Partners of QSix Residential Limited formerly sat on the Board of PSD and retains a shareholding in the Group. During the year ended 31 December 2020, an amount of £6,443,811 (£6,295,082 Management Fees and £148,729 Other expenses and fees) (2019: £6,097,647 (£5,943,969 Management Fees and £153,688 Other expenses and fees)) was payable QSix Residential Limited. At 31 December 2020 £336,251 (2019: £9,000) was outstanding. Fees payable to the Property Advisor in relation to overseeing capital expenditure during the year were £252,000 (2019: £511,000).

The Property Advisor is also entitled to an asset and estate management performance fee. The credit for the period in respect of the performance fee was £439,000 (2019: Charge of £2,798,000). Please refer to note 27 for more details.

The Property Advisor has a controlling stake in IWA Real Estate GmbH & Co. KG who are contracted to dispose of condominiums in Berlin on behalf of the Company. IWA does not receive a fee from the Company in providing this service.

Apex Financial Services (Alternative Funds) Limited, the Company's administrator provided administration and company secretarial services along with Directors for the PSPF General Partner (Jersey) Limited entity in 2020. During the period, fees of £592,000 were charged (2019: £129,450) with £nil (2019: £nil) outstanding.

In March 2015 the Group entered into a five year option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund Ltd. & Co. KG (PSPF) from the limited partners M Hilton and P Ruddle both then Directors of PMM Partners (UK) Limited. The options were exercised three months after on the fifth anniversary of the majority interest acquisition, on 1 July 2020. The option was settled for £7,542,000 and was settled in cash for £5,920,000 net of initial loans to the limited partners of £1,622,000. £7,542,000 being 5.2% of the net asset value of PSPF at the time of settlement, as set out in the original 2015 agreement. For their role as limited partners in Phoenix Spree Property Fund Ltd. & Co. KG up to their date of exit, they were paid £30,000.

Fees payable to key management personnel during the year amounted to £248,000 (2019: £246,000).

Dividends paid to directors in their capacity as a shareholder amounted to £3,494 (2019: £1,735).

35. Events after the reporting date

The Company had exchanged contracts for the sale of twenty condominiums in Berlin with aggregated consideration of £7.2 million prior to the reporting date. The sale of these units subsequently completed in Q1 2021.

In Q1 2021 the Company exchanged contracts for the sale of eight condominiums in Berlin for the aggregated consideration of £2.9 million. £0.6 million has since completed in Q1 2021 and £2.3 million are still awaiting completion.

The Company continued with buying back its own shares. In Q1 2021, 397,382 PSD shares have been purchased back with average price paid of £3.20, a 33% discount to December 2020 EPRA NTA per share of £4.76.

Professional Advisors

Property Advisor

QSix Residential Limited
54-56 Jermyn Street
London SW1Y 6LX

Administrator, Company Secretary and Registered Office	Apex Financial Services (Alternative Funds) Limited 12 Castle Street St Helier Jersey JE2 3RT
Registrar	Link Asset Services (Jersey) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Principal Banker	Barclays Private Clients International Limited 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	Mourant Ozannes 22 Grenville St. St. Helier Jersey JE4 8PX
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker	Numis Securities Limited The London Stock Exchange Building London EC4M 7LT
Independent Property Valuer	Jones Lang LaSalle GmbH Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

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