PHOENIX SPREE

Better Futures

Phoenix Spree Annual Report and Accounts 2022

QSIX

Formerly PMM Group

Phoenix Spree Deutschland Limited (PSD) is an Investment Company founded in 2007 and listed on the London Stock Exchange. It is a long-term investor in Berlin rental property, committed to improving the quality of accommodation for its customers.

QSix has acted as the Property Advisor since the Company's inception. It has an experienced team of property professionals with long-standing experience of the German residential property market.

Highlights of the Year

Gross rental income (million)

€25.9

Like-for-like rent per sqm growth

3.9%

Invested in modernisation (million)

€16.4

Condominium sales notarised (million)

€4.7

Highlights of the Year

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Chairman's Statement

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www.phoenixspree.com

Highlights of the Year continued

Further increase in rental levels, resilient re-letting premium

- Like-for-like rental income per sqm increased by 3.9% versus prior year.
- New leases in Berlin signed at an average 32.3% premium to passing rents.
- 320 new leases signed during the year, with the average rent of all new lettings increasing to €13.0 per sqm, a 6.6% increase on the prior year.
- European Public Real Estate Association (EPRA) vacancy of 2.4% as at 31 December 2022 remains at historically low level, reflecting ongoing structural undersupply of available rental property.

Portfolio valuation impacted by interest rate rises and yield expansion

- Like-for-like Portfolio value, adjusted for acquisitions and disposals, decreased by 3.1% versus 2021, reflecting an increase in market yields.
- Including investment properties under construction valued at €5.3 million, the Portfolio was valued at €775.9 million as at 31 December 2022, compared with €801.5 million as at 31 December 2021.
- EPRA Net Tangible Assets (NTA) per share down 9.7% versus 2022 to €5.10.
- EPRA NTA per share total return of (8.4%).

Condominium sales at a premium to carrying value, reduced volumes

- Condominiums notarised for sale during 2022 of €4.7 million, (2021: €15.2 million), reflecting deterioration in buyer sentiment and the difficulty in selling tenanted units.
- Average achieved value per sqm of €5,502 for residential units, a 22.4% premium to trailing carrying value of each property.
- Since the financial year end, a further three condominiums have been notarised for sale, for a total consideration of €0.8 million, at an average 62% premium to carrying value as at 31 December 2022.
- Reservations for three additional units, with a combined value of €0.6million, and an average 80.0% premium to carrying value, have recently been received and are pending notarisation.
- 77% of Portfolio assets legally split into condominiums, up from 75% as at 31 December 2021.
- A number of new condominium projects are being brought to market, resulting in a significant increase in vacant apartments offered for sale.

Portfolio management

- Sales agreed on three non-core properties during the financial year for an aggregate consideration of €12.1 million and at an average 6% discount to December 2021 carrying value.
- Although the Company has been actively marketing both individual assets and portfolios, and continues to do so, liquidity in Berlin has been, and remains, limited.
- The majority of offers received during the last six months have been significantly below carrying value, at levels where the Property Advisor considers that sale is not in shareholders' interests.
- Approximately €16.4 million of capital investment was made into the Portfolio during the financial year for refurbishment of apartments and bringing new residential condominium projects to market.
- This investment is expected to be recouped from 2023 onwards through significant rental uplifts.
- It is expected that total capital investment will be materially lower in 2023.

Dividend suspended, investment in Portfolio prioritised

- Under PSD's business model, cash to pay dividends is substantially dependent on condominium and/or other asset sales.
- Priority for use of available cash is to continue to invest in the Portfolio, underpinning our core reversionary rental business which continues to thrive.
- In light of this, and the persistent very low level of liquidity in the Berlin market, and in line with its peer group, the Company has suspended dividend payments to preserve cash and support its core business.
- Net Loan to Value (LTV) remains conservative at 39.1% (31 December 2021: 34.7%).
- €42.4 million of Berliner Sparkasse debt successfully refinanced during the financial year.

Outlook

- Supply-demand imbalances within Berlin PRS provide support for rental values:
  - Rental growth remains strongly underpinned, with new letting rental values expected to continue to be at significant premia to average in-place rents across the Portfolio.
  - Rising cost of home ownership forcing potential buyers to remain within the rental system for longer.
  - Urban housing shortage further exacerbated by anticipated net inward migration of almost one million from Ukraine to Germany.
  - Rising cost of construction further limiting new-build development.
- Transaction activity and asset values:
  - Ongoing impact of 2022's interest rate rises continues to weigh on buyer sentiment.
  - Further declines in property values driven by macro factors such as higher medium-term interest rates are likely in H1 2023.
  - The Company continues to market actively both individual properties and portfolios for sale. The Portfolio remains under continuous review and additional properties will be put up for sale. Disposals at a discount to carrying value will be considered, but only at levels that the Board considers to be in shareholders' interests.
  - Plans to bring additional condominium properties to market have been accelerated and bulk condominium sales are under active consideration.
- Balance sheet and dividend:
  - The Board considers the current level of gearing and cash balances to be appropriate at this stage in the real estate cycle.
  - The Company remains conservatively financed with its first loan maturity not due until September 2026.
  - The Company intends to reinstate dividends as soon as practical to do so.
  - Any surplus cash generated over amounts required to reinvest in core Portfolio and reinstate dividends on a sustainable basis will, so long as share price discount to Net Asset Value (NAV) persists, be used for share buybacks and not to acquire further properties.

Highlights for the financial year ended 31 December 2022

	Year to 31 December 2022	Year to 31 December 2021	2022 v 2021 % change
Income Statement			
Gross rental income (€ million)	**25.9**	25.8	0.6
(Loss)/Profit before tax (€ million)	**(17.5)**	45.3	(138.8)
Dividend per share in respect of the period (€ c (£ p))	**2.35 (2.09)**	7.50 (6.38)	–
Balance Sheet			
Portfolio valuation (€ million)[1]	**775.9**	801.5	(3.2)
Like-for-like valuation (decrease)/increase (%)	**(3.1)**	6.3	–
IFRS NAV per share (€)	**4.50**	4.74	(5.1)
IFRS NAV per share (£)[2]	**3.99**	3.98	0.3
EPRA NTA per share (€)	**5.10**	5.65	(9.7)
EPRA NTA per share (£)[2]	**4.52**	4.74	(4.6)
EPRA NTA per share total return (€%)	**(8.4)**	8.4	–
Net LTV[3] (%)	**39.1**	34.7	–
Operational Statistics			
Portfolio valuation per sqm (€)	**4,082**	4,225	(3.4)
Annual like-for-like rent per sqm growth (%)	**3.9**	3.9	–
EPRA vacancy (%)	**2.4**	3.1	–
Condominium sales notarised (€ million)	**4.7**	15.2	(69.1)

1 Portfolio valuation includes investment properties under construction.
2 Calculated at FX rate £/€1:1.128 as at 31 December 2022 (2021: £/€1:1.191).
3 Net LTV uses nominal loan balances (note 22) rather than the loan balances on the Consolidated Statement of Financial Position which include Capitalised Finance Arrangement Fees.

Phoenix Spree Deutschland is a Berlin focused German residential property fund that has been operating in Germany since 2007.

The Portfolio of properties owned by Phoenix mainly consists of classic 'Altbau' properties (older buildings) which were built before 1914. Typically, these five-storey buildings contain between 20 and 40 units, consisting of one to three bedroom apartments, often with shops on the ground floor.

Since listing on the Main Market of the London Stock Exchange in June 2015, the Company has increased the Berlin focus of the Portfolio through a combination of carefully selected acquisitions and disposals, effectively creating a pure-play Berlin fund.

As at 31 December 2022, the Portfolio of properties owned by Phoenix Spree consists of 96 properties, 2,553 residential apartments and 135 commercial units with 189 thousand square metres of usable space.

QSix Residential Limited (Formerly PMM Partners (UK) Limited) has acted as Property Advisor and has an experienced team of property and investment professionals with an established record in the German residential property market.

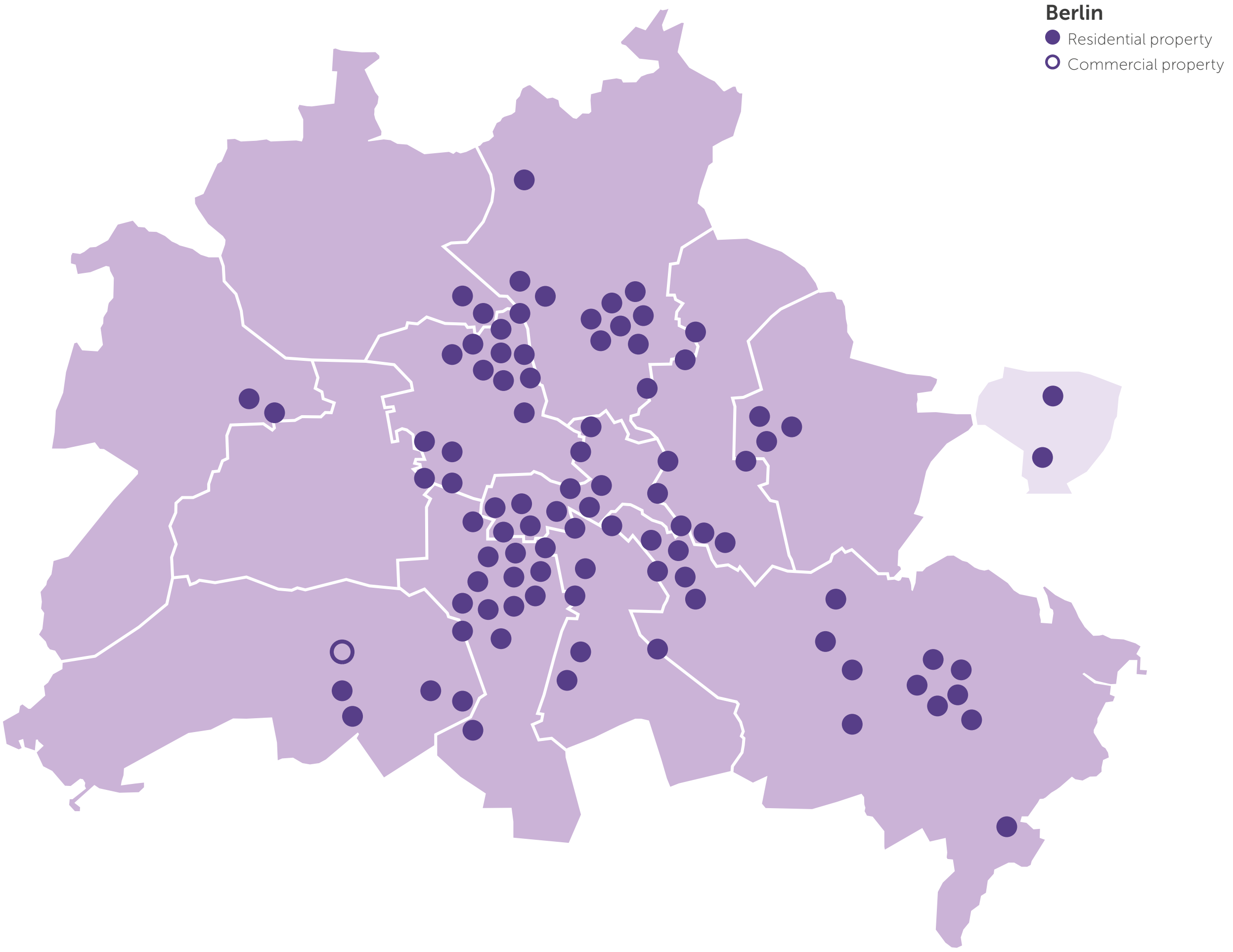
Reported property Portfolio valuation (€ million)

€775.9

Like-for-like Portfolio valuation decrease 2021-2022

-3.1%

Pure-play Berlin Portfolio – total properties



Reported Portfolio valuation 2011-2022 (€ million)

2022	**775.9**
2021	801.5
2020	768.3
2019	730.2
2018	645.7
2017	609.3
2016	423.8
2015	282.8
2014	245.3
2013	233.1
2012	219.0
2011	190.3

Usable space (sqm thousands)

188.8

Residential units

2,553

Commercial units

135

Chairman's Statement

Since the onset of the war in Ukraine, the European real estate industry has faced a number of headwinds which have impacted investor confidence, transaction volumes and real estate pricing across much of Europe. In particular, the industry has had to adjust to the combined effects of global inflationary pressures and higher interest rates. PSD has not been immune from these broader trends and so has reported the first decline in the value of its Portfolio.

Financial performance and dividend
As at 31 December 2022, the Portfolio was valued at €775.9 million, a like-for-like annual decline of 3.1%. Reflecting this decline, the Euro EPRA NTA total return per share was (8.4)% over the year and the Sterling return was (3.2%).

Although our core rental business continues to thrive, condominium sales volumes have been impacted by a significant deterioration in buyer sentiment in the light of more challenging economic circumstances. With cash to pay dividends substantially dependent on revenues generated from condominium and other sales, the Board has taken the difficult decision to suspend the dividend.

Further details relating to the Company's financial and operating performance can be found in the Report of the Property Advisor.

Our tenants and their homes
We recognise that the current cost of living crisis presents challenges for a number of our tenants, and, at all times, their health and wellbeing remain foremost in our minds. We are committed to providing good-quality affordable homes with a reliable, friendly rental service and continue to work constructively with those in greatest need, wherever we can. Where necessary, the Company endeavours to support its tenants who are experiencing financial hardship.

The Company has continued with its programme of investment to improve the overall standard of our tenanted accommodation and provide a platform for rental growth. To this end, over 80% of the Company's net rental income was reinvested into the Portfolio during the financial year.

"The Board and Property Advisor remain fully focused on delivering the best possible outcome for the Company's stakeholders."

'Better Futures'
The Board acknowledges the significance of conducting business with integrity, transparency, and accountability towards shareholders, tenants, and other key stakeholders. We recognise that being a responsible company, balancing the needs of our stakeholders, and addressing our environmental and social impacts, is critical to the success and longevity of our business.

To achieve this, our 'Better Futures' Corporate Responsibility (CR) Plan provides a framework to monitor and improve our current activities. The plan has five key pillars that are integrated throughout our business operations: Protecting the Environment; Respecting People; Valuing our Tenants; Investing in our Communities; and Governance.

Protecting our environment
The Board recognises 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. As a member of EPRA, we want to contribute to greater transparency in reporting. We have strengthened our commitment to delivering against our environmental and social impacts by introducing EPRA's Sustainability Best Practices Recommendations and capturing our ESG measurements within their framework.

I am therefore delighted to report that this commitment has been recognised in the EPRA Sustainability Awards 2022, with PSD receiving a Gold Award in recognition of the Company's commitment to best practice in its reporting. This recognition further encourages us to continue to approach the future in a consistent, ethical, safe and environmentally friendly way.

Our charities
The Company continues to provide financial support to two charities in Berlin: The Intercultural Initiative, a refuge that helps women and children affected by domestic violence; and Laughing Hearts, which provides assistance to children living in children's homes and under social care. QSix, our Property Advisor, continues to provide support to two charities in London: SPEAR and SHP. Both organisations work with homeless people. SPEAR receives funding to run an outreach service that provides accommodation to rough sleepers and addresses their health and social care needs. SHP supports an employability programme that helps homeless people or those at high risk of homelessness to find jobs and secure sustainable income. During 2022, QSix additionally agreed funding for Home-Start, a UK community network of trained volunteers and expert support helping families with young children.

Ukrainian crisis
The tragic humanitarian toll caused by Russia's invasion of Ukraine remains foremost in our minds. The war in Ukraine has caused unimaginable hardship and displaced millions from their homes and, in recognition of this, PSD made available a number of apartments on a rent-free basis for Ukrainian refugees. I am pleased to report that these tenants have transitioned into long-term tenancies with the costs covered by the Berlin district of Teltow Fläming.

Our Board
The Board acknowledges the significance of a robust corporate governance culture and adheres to the principles of good corporate governance as outlined in the Association of Investment Companies Code of Corporate Governance ("AIC Code"). More information on how the Company has implemented the provisions of and adhered to the AIC Code can be found in the Directors' Report.

The death of Greg Branch in August has deeply saddened us, and we express our gratitude for his exceptional service during his tenure on the Board. Greg brought a wealth of knowledge from over 30 years in financial services and real estate. He is greatly missed as a colleague and friend by current and former Directors of the Company, QSix investment professionals, and those in the broader business community who had the opportunity to work with him.

As previously announced, Isabel Robins was appointed as a Non-executive Director, effective 14 March 2022. Isabel brings over 23 years of expertise in offshore real estate structures, including property funds, investments, and developments. Her extensive real estate background and knowledge will provide valuable insight and complement the skillset of the Board. She takes the place of Monique O'Keefe, who resigned as Senior Independent Director to accept a senior executive role at another company.

The Board was pleased to announce the appointment of Steven Wilderspin as a Non-executive Director in January 2023. A resident of Jersey, Steven has had extensive experience as an Independent Director for multiple public and private investment funds and commercial companies since 2007.

Outlook
European real estate markets continue to adjust to more challenging economic conditions, particularly higher inflation and interest rates, with consequential impacts on transaction volumes and real asset pricing.

Whilst it is still too early to predict when the current real estate cycle will bottom out, PSD remains well positioned, with a strong balance sheet and conservative debt financing. Moreover, our core rental business continues to thrive, with rental values well supported by the positive demographic trends that continue to exist within the Berlin residential property market. This, combined with the ongoing programme of investment into our buildings, underpins the future reversionary potential that exists within the Portfolio. The Board and Property Advisor remain fully focused on delivering the best possible outcome for the Company's stakeholders. We recognise the importance of dividends to our shareholders, and the resumption of dividend payments is a priority, once market conditions and the outlook for future condominium sales become clearer.

Robert Hingley
Chairman
28 March 2023

Listening to our stakeholders

We believe that, to maximise value and secure our long-term success, we must take account of what is important to all our key stakeholders. These encompass our tenants, shareholders, regulators, partners and local communities. This is best achieved through proactive and effective engagement.

Section 172 of the Companies Act 2006
Although it is not a legal requirement for a non-UK company to comply with section 172 of the UK Companies Act 2006, there are related corporate governance provisions in the AIC Code which apply to the Company on a "comply-or-explain" basis.

The Board of Directors considers, both individually and collectively, that they have acted in the way they consider in good faith will be most likely to promote the success of the Company for the benefit of its members as whole (having regard to the stakeholders and matters set out in section 172 of the UK Companies Act 2006) in the decisions taken during the year.

The Board values the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Company operates. While the Board will engage directly with stakeholders on certain issues, stakeholder engagement will often take place at an operational level, with the Board receiving regular updates on stakeholder views from the Property Advisor.

The table below aims to highlight how we engage with our key stakeholders, why they are important to us and the impact they have on our business, which we believe helps to demonstrate the fulfilment of the Board's duties under section 172. Additionally, there is more detail about how PSD and its Property Advisor engage in the corporate responsibility section of this report.

Key stakeholder issues

Tenants

Taking good care of our tenants ultimately results in taking good care of all stakeholders. By gaining insight into the requirements of our tenants, the Property Advisor is able to ensure a high retention rate and stable income stream from our assets.

A significant increase in the cost of living, particularly heating costs, has reduced net disposable income and placed more pressure on vulnerable tenants.

Shareholders

The engagement of our shareholders is important to the future success of our business. The Property Advisor has a productive dialogue with both large investors and retail shareholders.

Partners

PSD and its Property Advisor respect and value our partners, treating them fairly at all times, so they in turn can deliver the best service to our tenants and investors.

How the Company engages

Tenants

- The Property Advisor partners with, and monitors the activities of, Core Immobilien ("Core"), who have the responsibility of interacting with and managing the tenants.
- By interacting in the day-to-day business with tenants, Core builds up a picture of relevant issues and concerns that tenants wish us to consider. These are reported to the PSD Board via the Property Tenant Survey issued by Core to invite constructive feedback.
- Health and Safety is central to all our business activities. It is our responsibility to ensure that we provide and promote a healthy, safe and secure environment for our tenants.
- The Property Advisor has introduced and monitors a vulnerable tenant policy to provide procedures to assist tenants who may require additional protection.

Shareholders

The Company engages directly with shareholders in the following manner:

- Through our investor relations programme with regular written updates, meetings and roadshows.
- Through our Annual General Meeting ('AGM'), to which all investors are invited; investors are updated on the Company and encouraged to share their views.
- The Company provides relevant, timely communications on its Company website.
- The Property Advisor's Investor Relations department is always on hand to deal with investor queries.

The Property Advisor organises bespoke investor trips to Berlin to view PSD's portfolio of assets, meet regulators and valuers and other industry practitioners.

Partners

- The Property Advisor has a close working relationship with all of the Company's business partners and advisers, and regularly engages with all parties.
- The PSD Board regularly monitors the performance and reviews the terms of each service contract.
- The Property Advisor ensures suppliers meet the Company's high level of conduct. All suppliers are required to confirm on an annual basis, in the form of a questionnaire, that they have adequate policies and procedures in place to align their values with those of the Company.
- Affirmation letters requesting confirmation of alignment with PSD's key policies and standards signed by key partners of PSD and by the Property Advisor are obtained by the Board.

Highlights

Tenants

- The Property Advisor has conducted tenant surveys for incoming tenants to gain better insight on the issues that they regard as important to them.
- For 2023, in addition to incoming tenants, the Property Advisor intends to extend its survey to sitting tenants.
- The Company incurred capital expenditure of €16.4 million during 2022 to enhance properties within its Portfolio.
- The Company has supported its tenants, both residential and commercial, during a period of significant inflation. Where necessary, it has agreed, on a case-by-case basis, the payment of monthly rents or deferring rental payments.

Shareholders

- In addition to Numis, the Company Broker, Edison have been engaged to produce regular, in-depth research on the Company. The intention is to raise the visibility of the Company and enable investors to develop an improved understanding of the business.
- The Property Advisor conducts regular conference calls with key investors, both current and potential.
- The Property Advisor regularly attends industry conferences and participates in industry webcasts.
- The Property Advisor publishes market insights to help educate existing and potential investors on the German residential asset class.

Partners

- The Board, at its meeting held on 7 March 2023, reviewed the performance, and considered the continued appointment, of the Company's service providers.
- The continued appointment of all service providers was approved by the Board.

Stakeholder Engagement continued

Key stakeholder issues

People

PSD pays particular attention to the employment practices of the Property Advisor, its principal partner.

Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of the Property Advisor's business. It is crucial that the Property Advisor, and PSD, understand their values and what motivates them – and reflect this in the way the Property Advisor operates.

Local communities

Through responsible investing, the Company can ensure the long-term success of not only itself, but also that of the environment within which it operates.

Regulators

PSD is committed to operating within the relevant regulatory and planning frameworks.

We observe all Berlin tenant laws, building and other relevant regulations.

How the Company engages

People

- Our Company Values (Responsible, Fair, Excellent, Respectful) underpin our commitment to acting responsibly. They set guidelines for the way we conduct our business. The Property Advisor has also committed to PSD's values.
- The Property Advisor is committed to having an inclusive working environment. Employees are offered a variety of training programmes to develop personally and professionally.
- The Property Advisor is committed to rewarding performance, offering competitive base salaries and benefit packages. Its reward philosophy is based on team performance and its incentive schemes aim to focus everyone on the achievement of its strategic objectives.
- The Property Advisor provides leading health and welfare benefits including access to medical advice.

Local communities

- Our 'Better Futures' Corporate Responsibility plan has structured our charitable giving through our Community Policy.
- PSD provides financial support to two Berlin-focused charities, The Intercultural Initiative and Laughing Hearts.
- The Intercultural Initiative is a Berlin refuge that helps women and children affected by domestic violence. Laughing Hearts supports children living in children's homes and social care.
- The Property Advisor supports two homeless charities in London, SPEAR and SHP.
- Funding is given to SPEAR to run an outreach service, helping rough sleepers in the Wandsworth area into accommodation and helping them to address health and wider social care problems.
- Funding provided to SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income.
- During 2022, the Property Advisor additionally agreed funding for Home-Start, a UK community network of trained volunteers and expert support helping families with young children.

Regulators

- The Property Advisor liaises with Non-Governmental Organisations (NGOs) and industry bodies to enhance the positive impact we have on the communities in which we operate.
- The Property Advisor takes a constructive, positive approach to working with local authorities to ensure high quality planning applications are submitted.
- On an ongoing basis, the Property Advisor reviews all relevant tenant and property laws to ensure PSD continues to operate within the regulatory framework.

Highlights

People

- The Property Advisor runs weekly online employee town hall meetings to update on the business and share its culture and values.
- Results from the Property Advisor's 2022 employee survey suggest that employees are treated with respect and are provided with equal opportunities. Ninety-five% of employees rate QSix as an excellent/ good employer.
- The Property Advisor has adapted its working from home policies. Subject to line manager approval, employees are now entitled to work from home two days per week. The Property Advisor ensures systems are set up to accommodate employees working from home.

Local communities

- In 2022, PSD's support to the Intercultural Initiative helped with the operational costs of a support apartment which provides accommodation for families who no longer need to live in a refuge, but still require protection and support to build an independent life. We also helped fund education therapy sessions for children and family counselling support.
- PSD's donation to Laughing Hearts in 2022 facilitated the purchase of a garden swing, well received new-experiences trips for the children to Hamburg and Hungary, residential items for the charity's facilities, as well as the opportunity to attend workshops and camp to learn English.
- The Property Advisor's work with SPEAR provided assistance to 644 homeless people in Southwest London during 2022.
- The Property Advisor's involvement with SHP during 2022 allowed 180 additional people to benefit from SHP's employability programme.

Regulators

- The Company remains fully committed to complying with all relevant property legislation and regulation and acting in line with best practice.
- The Property Advisor is in constant dialogue with the Company's property manager (Core Immobilien) to ensure that all tenants are notified on a timely basis of any changes to tenancy laws and rental levels.

Board Decision Making

Examples of topics where the Board considered the interests of its key stakeholders when making decisions include rent collection during the cost of living crisis, our charitable initiatives, the provision of support for Ukrainian refugees and our commitment to enhanced environmental reporting.

Board decision-making and stakeholder considerations

Key decision/item	Stakeholder	How stakeholders' views were taken into account	Actions taken as a result of this engagement	Long-term effects of decision
Rent collection during the cost of living crisis	Tenants	The Board has received regular updates from the Property Advisor on rent arrears and tenants in difficulty as a result of a rise in inflation and potential reduction in disposal income.	Where necessary, the Company provided support to its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.	The Board better understands adverse circumstances as they impact on tenants and potential remedies.
Ukraine crisis	All stakeholders	All stakeholders have been painfully aware that the ongoing conflict in Ukraine has caused severe hardship and displaced millions from their homes.	The Company made available a number of furnished apartments on a rent-free basis for Ukrainian refugees. These tenants have transitioned into long-term tenancies.	The Board is aware of the Company's social responsibilities and its obligation to all stakeholders to ensure it acts as a responsible corporate citizen during a period of extreme hardship.
Charitable giving	All stakeholders	Through its Community Investment Policy, the Board is committed to supporting charities where there is a connection with either 'homelessness' or 'families'.	The Company continues to support two Berlin Charities, The Intercultural Initiative, a women and children's refuge that helps women and children affected by domestic violence, and Laughing Hearts, which helps children living in children's homes and social care.	Breaking the cycle of disadvantage by providing support to women and children affected by domestic violence, and broadening children's experiences to give them a more positive outlook for the future.
Environmental reporting	All stakeholders	The Board recognises that the German property sector needs to play a major role in Germany achieving its environmental targets. The Board has listened to the Company's stakeholders and recognises that the nature of the Company's business has environmental and social impacts and that the Company has a responsibility to consider and minimise these impacts where possible.	The Company has strengthened its Environmental, Social and Governance ('ESG') monitoring and reporting by introducing EPRA's Sustainability Best Practice Recommendations and capturing our ESG measurements within their framework. In 2022, the Company attained an EPRA Gold Award for its commitment to environmental reporting. The Company has additionally committed to making its first Global Real Estate Sustainability Benchmark (GRESB) submission with a view to obtaining full accreditation. The Company has mandated external consultants to begin the process of establishing the carbon footprint of the Portfolio.	Improved monitoring of the Portfolio's environmental impact and future reduction in the Company's environmental footprint. Creating more attractive homes for tenants, that benefit the environment and society as a whole. Reducing the carbon footprint of the portfolio of buildings owned by the Company.

Board Decision Making continued

Key decision/item	Stakeholder	How stakeholders' views were taken into account	Actions taken as a result of this engagement	Long-term effects of decision
Shareholder engagement	Shareholders	The Board considered feedback from shareholders, the Property Advisor, and the Company's corporate broker in relation to the level of shareholder contact and research coverage.	In addition to Numis, the Company's corporate broker, Edison, a respected equity research company, produces regular, "free to read" in-depth research on PSD. The Company has a productive dialogue with a number of other investment houses on an informal basis, with a view to increasing investor awareness. The Property Advisor attends a number of Investor conferences, with a view to raising the profile of the Company.	Raising the visibility of the Company to enable investors to develop an improved understanding of the business.
Corporate strategy and asset management	Shareholders	The Board recognises that its shares are currently valued at a significant discount to published net asset value and has listened to shareholder views on measures that can be taken to address this.	A number of new properties have been identified as non-core and have been placed on the market for sale. The Company will consider disposing of assets at a discount to carrying value in instances where disposal proceeds can, once dividend payments can be sustainably restored, be deployed accretively to share buybacks. No further acquisitions are planned, pending improvement in market conditions and narrowing of share price discount to EPRA NAV.	Balanced capital management in the light of prevailing economic and industry backdrop. Ensuring that the Company delivers the best possible outcome for its shareholders through the real estate cycle.

Our Strategy

An active approach to portfolio management

Our strategy is to manage and invest in our Portfolio of properties to improve the overall standard of accommodation to our tenants and deliver superior risk-adjusted returns to our investors. To deliver on our strategic objectives, it is imperative that we work closely with all of our key stakeholders. These encompass tenants, shareholders, regulators, our partners and local communities.

Combined value of agreed property (asset) sales

€12.1m

2022 gross rental income invested in property enhancements

69.3%

Our key stakeholders

Tenants
We aim to create for our tenants modern, well-maintained homes at affordable rents.

Shareholders
The engagement of our shareholders is important to the future success of our business. The Board and The Property Advisor seek to maintain a productive dialogue with both large investors and retail shareholders.

Partners
We respect and value our partners, treating them fairly, so they in turn can deliver the best service to our tenants and investors.

People
PSD pays particular attention to the employment practices of the Property Advisor, its principal partner. Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of our business.

Local communities
We aim to make a positive contribution to the local environment in which our properties are located, through improving the external facades of the buildings and supporting local charities.

Regulators
We always observe all Berlin tenant laws, building and other relevant regulations.

Read more page 8

Underpinning our strategy is a business model that involves our Property Advisor's active management of the portfolio of assets.

The key stages of this process are: Originate, Invest, Optimise, and Monetise.

Originate

The Portfolio has been assembled by acquiring apartment buildings which offer the potential for medium-term value creation. For example, properties may be rented at rates well below current market levels, have development capacity, or have the potential to be resold profitably as condominiums.

Read more on pages 16-22

Invest

A business plan is formulated for each property which analyses medium-term investment requirements and the potential return on investment. Vacant apartments are considered for modernisation and vacant attic space is reviewed for conversion to residential space. At all times, strive to reduce our environmental impact during the property refurbishment process.

Read more on pages 16-22

Optimise

For properties considered to be core rental buildings, vacant units are re-let after refurbishment at the prevailing market rent. Tenant lists are reviewed carefully and, where appropriate, rent increases are applied for, either where tenants are paying less than the statutory rent level (Mietspiegel), where modernisation has been undertaken (and these costs are allowed to be recouped), or where the lease contains provisions for indexation.

Read more on pages 16-22

Monetise

The Company evaluates options for the disposal of buildings deemed to be non-core. Typically, these buildings will have a mature tenant structure with limited scope for further capital expenditure and subsequent reversionary re-letting. Condominium properties are sold on a unit-by-unit basis at a premium to rental property values.

Read more on pages 16-22

Report of the Property Advisor

Financial highlights for the 12-month period to 31 December 2022

€ million (unless otherwise stated)	Year to 31 December 2022	Year to 31 December 2021
Gross rental income	**25.9**	25.8
Investment property fair value (loss)/gain	**(42.2)**	38.0
(Loss)/gain before tax (PBT)	**(17.5)**	45.3
Reported EPS (€)	**(0.17)**	0.39
Investment property value	**775.9**	801.5
Net debt (Nominal balances)[1]	**303.3**	278.0
Net LTV (%)	**39.1**	34.7
IFRS NAV per share (€)	**4.50**	4.74
IFRS NAV per share (£)[2]	**3.99**	3.98
EPRA NTA per share (€)[3]	**5.10**	5.65
EPRA NTA per share (£)[2]	**4.52**	4.74
Dividend per share in respect of the period (€)	**2.35**	7.50
Dividend per share in respect of the period (£)	**2.09**	6.38
€ EPRA NTA per share total return for period (%)	**(8.4)**	8.4
£ EPRA NTA per share total return for period (%)[2]	**(3.2)**	1.0

1 Nominal loan balances as per note 22 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 £/€1:1.128 (2021: £/€1: 1.191).
3 Further EPRA Net Asset Measures can be found in note 29.

Financial results

Revenue for the financial year to 31 December 2022 was €25.9 million (31 December 2021: €25.8 million). The Company recorded a loss before tax of €17.5 million (31 December 2021: profit before tax €45.3 million), reflecting the non-cash impact of a revaluation loss of €42.2 million (31 December 2021: revaluation gain of €38.0 million).

Property expenses rose by 6.4% over the year, due primarily to service charge increases and related energy/utility price movements. Administration costs and legal and professional fees were marginally down over the year, with slightly higher legal costs from transactional activity offset by a drop in other professional costs. Reported earnings per share for the period were (€0.17) (31 December 2021: €0.39).

Reported EPRA NTA per share declined by 9.7% in the period to €5.10 (£4.52) (31 December 2021: €5.65 (£4.74)). After accounting for dividends paid during 2022 of €7.5 (£6.45), which were paid in June and October 2022, the Euro EPRA NTA total return for the period was (8.4)% (2021: 8.4%). The Sterling EPRA NAV per share total return was (3.2)% (31 December 2021: 1.0%), reflecting the decline in the value of Sterling versus the Euro during the financial year.

Dividend and share buybacks

The Company has taken the difficult decision to suspend dividend payments. Although the performance of the Company's core rental business remains strong and its balance sheet and financing remain conservative, this is considered the appropriate course of action in the light of ongoing weakness in buyer confidence, asset pricing and condominium and other sales.

The dividend has always been paid from operating cash flows, including the disposal proceeds from condominium projects and other properties. Subject to the cash requirements of the business, and after full consideration of the impact that the economic and operating environment may have on the portfolio of assets owned by the Company, it is the intention to resume dividends once the outlook is clearer.

In the light of the decision not to pay a final dividend and taking into account the interim dividend paid in October 2022, the total dividend for the financial year to 31 December 2022 is €2.35 per share (£2.09 per share) (31 December 2021: €7.5, £6.38).

During the financial year ended 31 December 2022, the Company bought back a further 974,754 ordinary shares, representing 1.0% of the ordinary share

Portfolio valuation and breakdown

	Year to 31 December 2022	Year to 31 December 2021
Total sqm ('000)	**188.8**	189.7
Valuation (€ million)	**775.9**	801.5
Like-for-like valuation (decline)/growth (%)	**(3.1)**	6.3
Value per sqm (€)[1]	**4,082**	4,225
Fully occupied gross yield (%)	**3.0**	2.8
Number of buildings	**96**	97
Residential units	**2,553**	2,569
Commercial units	**135**	138
Total units	**2,688**	2,707

1 Value per sqm provided by JLL based on portfolio valuation excluding assets under construction of €5.3 million.

capital, for a total consideration of £3.5 million. The average price paid represents a 20.9% discount to EPRA NTA per share as at 31 December 2022.

Although the Company recognises that PSD's share price remains at a material discount to EPRA NTA, it did not buyback shares in the second half of the financial year. This reflected a decline in the proceeds from condominium sales and uncertainty on the transaction market for other asset disposals.

The Company will continue to keep its cash commitments under close review and will prioritise continued investment in the core Portfolio. Any surplus cash generated over the amounts required to reinvest in the core Portfolio and reinstate dividends on a sustainable basis will, so long as share price discount to NAV persists, be used for share buybacks and not to acquire additional properties.

Like-for-like decline in Portfolio valuation of 3.1%

Pricing in the Berlin residential property market weakened in the second half of the financial year, with higher inflation and interest rates adversely affecting buyer sentiment and, consequently, transaction volumes. Market sales volumes in 2022 were at a ten-year low, reflecting a widening gap between buyer and seller price expectations. These weaker market conditions have impacted the valuation of the Portfolio.

JLL has conducted a full RICS (Royal Institution of Chartered Surveyors) Red Book property-by-property analysis, tied back to comparable transactions in the Berlin market, and provided a portfolio valuation on this basis. As at 31 December 2022, the Portfolio, including investment properties under construction, was valued at €775.9 million (31 December 2021: €801.5 million). Investment properties under construction totalling €5.3 million were valued by the Board on a discounted cost basis (see note 16 of the Financial Statements for further detail). Across the Portfolio, this represents a 3.2% decline over the year, reflecting an increase in market yields and the subsequent impact on real estate asset valuations.

Rental income and vacancy rate

	Year to 31 December 2022	Year to 31 December 2021
Total sqm ('000)	**188.8**	189.7
Annualised Rental Income (€ million)	**21.4**	20.3
Gross in-place rent per sqm (€)	**10.0**	9.6
Like-for-like rent per sqm growth (%)	**3.9**	3.9
Vacancy (%)	**6.2**	8.4
EPRA Vacancy (%)	**2.4**	3.1

On a like-for-like basis, after adjusting for the impact of acquisitions net of disposals, the Portfolio valuation declined by 3.1% in the year to 31 December 2022, and by 5.2% in the second half of the financial year.

The valuation as at 31 December 2022 represents an average value per sqm of €4,082 (31 December 2021: €4,225) and a gross fully occupied yield of 3.0% (31 December 2021: 2.8%). Included within the Portfolio are six multi-family properties valued as condominiums, with an aggregate value of €30.1 million (31 December 2021: eight properties; €38.8 million).

Report of the Property Advisor continued

Like-for-like rental income per sqm growth of 3.9%
After considering the impact of acquisitions and disposals, like-for-like rental income per sqm grew 3.9% compared with 31 December 2021. Like-for-like rental income grew 6.0% over the same period. Net cold rent was €10.00 per sqm as at 31 December 2022, an increase from €9.64 per sqm as at 31 December 2021.

The Company recognises the challenges that tenants are facing as a direct consequence of inflation, particularly higher fuel prices. Notwithstanding current cost of living pressures, rent collection levels have remained stable. The Company has always managed rent-to-income multiples for new tenants conservatively. Given this customer demographic, combined with German Federal support initiatives to help mitigate the financial impact of rising fuel costs, the Company expects rent collection levels to remain resilient.

EPRA vacancy remains low
Reported vacancy at 31 December 2022 was 6.2% (31 December 2021: 8.4%). On an EPRA basis, which adjusts for units undergoing development, the vacancy rate was 2.4% (31 December 2021: 3.1%).

Reversionary re-letting premium rises to 29%
During the year to 31 December 2022, 320 new leases were signed (2021: 240 new leases), representing a letting rate of approximately 12.9% of occupied units.

The average rent achieved on all new lettings was €13.0 per sqm, a 6.6% increase on the prior year, and an average premium of 29.1% to passing rents, excluding condominium assets. This compares with a 26.8% premium in the period to 31 December 2021.

The reversionary premium for the Portfolio is affected by the inclusion of re-lettings from the acquisition in Brandenburg in 2022, where rents are lower than those achieved in central Berlin. Looking solely at the Berlin portfolio assets held for rental, which represents 90.3% of total lettable space, the reversionary premium achieved was 32.3%, comparable to the prior year (33.8%).

EPRA Net Initial Yield (NIY)

All figures in € million unless otherwise stated	Year to 31 December 2022	Year to 31 December 2021
Investment property	**775.9**	801.5
Reduction for non-controlling interest (NCI) share and property under development	(12.3)	(12.8)
Completed property portfolio	**763.6**	**788.7**
Estimated purchasers' costs	63.2	65.1
Gross up completed property portfolio valuation	**826.8**	**853.8**
Annualised cash passing collected rental income	21.4	20.3
Property outgoings	(3.6)	(3.4)
Annualised collected net rents	**17.8**	**16.8**
EPRA NIY (%)	**2.1**	**2.0**

Portfolio investment
During the year to 31 December 2022, €16.4 million was invested across the Portfolio (31 December 2021: €9.5 million). These items are recorded as capital expenditure in the Financial Statements. A further €1.5 million (31 December 2021: €1.7 million) was spent on maintaining the assets and is expensed through profit or loss.

The year-on-year increase in capital expenditure reflects the intensification in renovation and modernisation activity resulting from the repeal of the Mietendeckel rent cap in April 2021 (which made it economically viable for the Company to resume its programme of vacant apartment improvements), alongside increased renovation expenditure on the asset in Brandenburg and further work on bringing assets into a position to be sold as condominiums. This investment is expected to be recouped in 2023 and beyond through condominium sales and rental uplifts.

In the light of current weaker market conditions and reflecting that future expenditure on the Brandenburg asset will be lower, it is anticipated that total discretionary capital investment will be materially lower in 2023.

EPRA Capital Expenditure

All figures in € million unless otherwise stated	Year to 31 December 2022	Year to 31 December 2021
Acquisitions	**11.6**	–
Like-for-like portfolio	**7.4**	4.7
Development	**8.5**	4.4
Other	**0.5**	0.4
Total Capital Expenditure	**28.0**	9.5

Disposals
In September 2022, the Company announced that it had exchanged contracts to sell two non-core properties for an aggregate consideration of €8.6million. These buildings were acquired in 2008 and 2017 respectively, for an aggregate purchase price of €3.9 million and had a carrying value of €9.0 million as at December 2021.

The Company exchanged contracts to sell a further property deemed to be non-core in December 2022 for €3.5 million. This building was acquired in 2008 for €1.0 million and had a carrying value of €3.9 million as at 31 December 2021.

Since the financial year end, a number of additional properties have been placed on the market. However, the market for asset disposals has been challenging in 2023 to date, with offers significantly below carrying value, and at prices that would release limited cash after repayment of associated debt. Although the Company has and will consider asset disposals at a discount to carrying value, it will only do so in instances where disposal is clearly in shareholders' interests.

Acquisitions
On 21 March 2022, the Company announced that it has exchanged contracts to acquire a portfolio of 17 new-build, semi-detached, residential properties (34 units) for a total agreed purchase price of €18.5 million. This new-build has been forward-funded, with construction expected to complete in the second half of 2024. The projected fully occupied rental income generated by the property is €0.7 million per annum, equivalent to 3.1% of the Portfolio gross in-place rent as at 31 December 2022. Based on the price paid of €4,323 per sqm, this represents an estimated prospective gross yield of 3.5%.

On 5 May 2022, the Company exchanged contracts to acquire four multi-family houses consisting of 24 residential units for a purchase price of €6.3 million. These properties are located in Hoppegarten and Neuenhagen, Berlin. Built in 1995 and 1998, they are in good technical condition and offer significant reversionary potential, having benefited from recent positive demographic changes.

On 22 September 2022, the Company exchanged contracts to acquire a multi-family house with 22 residential units and three commercial units for €4.9million. This property is located in Berlin-Neukölln, is well maintained, and offers significant reversionary and attic potential. The property was acquired for a price of €2,312 per sqm, a level which the Property Advisor believes is below market value. The purchase is due to complete in Q2 2023.

Acquisitions are financed using the NATIXIS loan facility. No further acquisitions are planned for 2023, pending an improvement in market conditions, the resumption of dividend payments and a significant narrowing of the Company's discount to EPRA Net Tangible Assets.

Condominium sales
Condominium sales during 2022 were heavily impacted by concerns over increases in the cost of living, higher borrowing costs and uncertainty surrounding the macro-economic environment caused by the crisis in Ukraine. These factors led to a significant deterioration in buyer sentiment and reduced volumes.

During the financial year, 13 condominium units were notarised for sale for an aggregate value of €4.7 million (2021: €15.2 million). The average achieved notarised value per sqm for the residential units was €5,502, representing a gross premium of 22.4% to carrying value and a 34.8% premium to PSD's average Berlin residential portfolio value as at 31 December 2022.

Since the financial year end, a further three condominiums have been notarised for a total consideration of €0.8 million, at an average 62% premium to carrying value. Reservations for a further three units, with a combined value of €0.6million, and an average 80% premium to carrying value have recently been received and are pending notarisation. These condominiums were smaller than the average across the portfolio of condominium assets, and the premium achieved should not be viewed as representative of future condominium valuations.

Report of the Property Advisor continued

Buyer confidence in the condominium market remains very fragile, particularly for occupied units. The Company is therefore focussing on plans to bring additional unoccupied condominium properties to market and bulk condominium sales are under active consideration.

German Federal Government legislation enacted in 2022 has placed significant restrictions on the ability of landlords to split their properties into condominiums. This legislation is, however, not retrospective and does not impact assets that have already been split into condominiums. These measures will inevitably increase the scarcity of condominiums available for sale in the future, further exacerbating the supply-demand imbalance which currently exists. With 76.6% of its Portfolio already legally split in the land registry, the Company is well placed to benefit from this trend over the longer term.

Condominium construction

As previously reported, a condominium construction project has commenced in an existing asset bought in 2007, involving the building-out of the attic and renovating existing commercial units to create seven new residential units. Construction on this project started in the second half of 2021, and the first unit has been notarised for sale, with more units being made available throughout 2023. The total construction budget for this project is €4.5 million, a 15% increase from initial budget due to an industry-wide cost increase in building costs.

The Company also has building permits for another 20 existing assets to create a further 49 attic units for sale as condominiums or as rental stock. This investment will be considered as and when market conditions permit.

Debt and gearing

PSD has loan facilities with two principal bankers, NATIXIS Pfandbriefbank AG and Berliner Sparkasse, with an average remaining duration of the loan book exceeding three years and none of the Company's debt reaching maturity until September 2026. Despite interest rate rises during 2022, the Company's interest rate hedging policy has largely negated the impact on our cash borrowing costs. The Board considers the current level of gearing and cash balances to be appropriate at this stage in the real estate cycle and will not look to materially increase debt levels until such time as the market outlook becomes more stable.

As at 31 December 2022, PSD had gross borrowings of €315.8 million (31 December 2021: €288.4 million) and cash balances of €12.5 million (31 December 2021: €10.4 million), resulting in net debt of €303.3 million (31 December 2021: €278.0 million) and a net loan-to-value (LTV) ratio on the Portfolio of 39.1% (31 December 2021: 34.7%).

The change in gross debt in the period results from an additional drawdown from the NATIXIS facility, which includes borrowings for further capital expenditure, previously announced acquisitions and a tranche of debt related to the new-build project in Erkner. Partly offsetting the drawdowns are repayments of debt on the sale of whole assets and condominiums, alongside amortisation of debt held with Berliner Sparkasse.

The majority of PSD's debt effectively has a fixed interest rate through hedging. As at 31 December 2022, the blended interest rate of PSD's loan book was 2.2% (31 December 2021: 2.0%).

Sustainability

The European Union has set a target of achieving carbon neutrality by 2050 and the real estate sector will play a crucial role in meeting this goal. The broad thrust of government policy is to reduce carbon emissions and incentivise investments in low-carbon and environmentally sustainable solutions.

Most climate-related regulation as it affects the Berlin residential sector has the objective of reducing and de-carbonising the heat consumption of buildings. PSD regularly receives updates from third-party experts on environmental legislative developments in Europe, Germany, and Berlin to ensure compliance and plan for future capital expenditure.

One example is green leases. Whilst currently predominantly used in commercial real estate, they are likely to become increasingly popular in the residential sector. Currently, residential landlords in Germany do not have sight of the utility consumption in tenants' homes, as the information is controlled by the tenant. Green leases may eventually be helpful in encouraging landlords and tenants to work together to understand where there can potentially be reciprocal value in working towards shared environmental goals.

Under a green lease, the landlord and tenant may agree to undertake measures such as improving the building's energy efficiency, using renewable energy sources, reducing water consumption and implementing waste management practices. Tenants are encouraged to make changes to their own operations and behaviour, such as using energy-efficient equipment, reducing waste, and conserving resources.

The Property Advisor is monitoring the feasibility of smart metering. Although it is expected that there will soon be an obligatory rollout of smart metering infrastructure in Germany for electricity, it is understood that the responsibility for the implementation of this may reside with the respective meter operators.

The Company has additionally mandated external consultants to begin the process of establishing the carbon footprint of the Portfolio. This work will initially commence on a representative sample of five buildings within the Portfolio. It is anticipated that the outputs of this exercise will help further clarify the processes and any associated capital expenditure required to comply with medium to long-term German residential emissions targets. Any associated carbon emissions that occur as a result of remedial works would also be considered.

The Company remains committed to best practice in ESG reporting and will publish a separate EPRA Sustainability report in the second half of 2023. The Company has additionally committed to making its first GRESB submission with a view to obtaining full accreditation in 2023.

EPRA Best Practice Financial Reporting Metrics

PSD fully supports the EPRA best practice recommendations (BPR) for financial disclosures by public real estate companies which are designed to improve the quality and comparability of information for investors.

The following table sets out PSD's EPRA key performance indicators (KPIs) from the released BPR dated February 2022 and references where more detailed calculations supporting the KPIs can be found in the report.

EPRA metrics

Metric	Balance	Note reference
EPRA Earnings (€m)	(2.8)	28
EPRA Net Tangible Assets/share (NTA) (€)	5.10	29
EPRA Net Reinvestment Value/share (NRV) (€)	5.79	29
EPRA Net Disposal Value/share (NDV) (€)	4.53	29
EPRA Capital Expenditure (€m)	28.0	N/A
EPRA Net Initial Yield (%)	2.1	N/A
EPRA Vacancy (%)	2.4	N/A
EPRA Like-for-Like rent per sqm growth (%)	3.9	N/A

Outlook

With the publication of the 2022 interim results, the Property Advisor cautioned that there had been a deterioration in buyer sentiment leading to reduced transaction volumes and that the outlook for the German property market in the second half was uncertain. Ultimately, the steep upward movement in interest rates has triggered a price correction in real estate markets. Uncertainty about the extent and duration of the correction led to many investors withdrawing from the market. In instances where portfolios of properties were placed on the market, pricing did not match vendor expectations. Effectively, the bid-offer spread widened to an extent that most potential transactions did not complete, and transaction activity fell to a ten-year low.

This process of adjustment has yet to complete and the outlook for property values in the first half of 2023 is likely to remain challenging. Further declines in property values driven by higher medium-term interest rates cannot be discounted. This risk is already being reflected in the share prices of listed German residential companies, all of which currently trade at a significant discount to net asset value.

The Property Advisor retains a wide network of industry practitioners, including potential buyers of assets. Since the beginning of 2023, a significant number of larger participants, that had temporarily withdrawn from the market, have now begun to indicate an appetite for acquiring German residential property again. Although this is an important first step in narrowing the bid-offer spread, it remains uncertain as to when or whether renewed interest is priced at a level that matches vendor expectations.

Whilst there remains uncertainty about real asset values, supply-demand imbalances within the Berlin residential market remain supportive of rental values, underpinning our core rental business. Demand for rental properties continues to rise as higher home ownership costs force potential buyers to remain within the rental system for longer. Demand has been further increased by inward migration in excess of one million refugees into Germany from Ukraine during 2022, placing further pressure on residential vacancy levels, which are already at historically low levels.

At the same time, higher funding, and labour and construction costs represent significant headwinds to new-build construction, limiting the future supply of rental accommodation. Set against an annual target set by the German Federal Government of 400,000 new completions per year, less than 250,000 are estimated to have completed in 2022, with forecasts for 2023 and 2024 lower still. Future rental growth should therefore continue to be underpinned, and there remains significant reversionary re-letting potential across PSD's Portfolio.

It remains too early to predict the timing of any industry upswing in sales volumes in the condominium market. Buyer confidence remains fragile, particularly for occupied units. Longer term, Federal Government legislation enacted in 2022 has placed significant restrictions on the ability of landlords to split their properties into condominiums and these measures will inevitably increase the scarcity of stock available for sale in the future, further exacerbating the supply-demand imbalance which currently exists. With 76.6% of its Portfolio already legally split in the land registry, the Company should be well placed to benefit from this trend in the longer term.

Report of the Property Advisor continued

With a net LTV of 39.1% and no loans maturing until September 2026, the Company remains conservatively financed. The current level of gearing and cash balances is considered to be appropriate at this stage in the real estate cycle and the Company will not seek to undertake further acquisitions or increase debt levels until such time as the market outlook becomes more stable. Historically, excessive leverage at this stage in a real estate cycle has not been well rewarded by equity and debt capital markets and the Company will therefore continue to seek opportunities to dispose of further assets where appropriate.

Cash balances (million)

€12.5

Net LTV on the Portfolio

39.1%

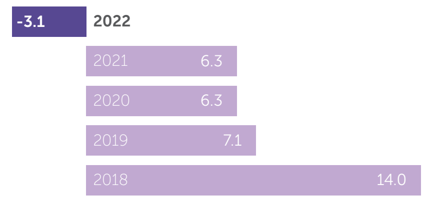
Key Performance Indicators

PSD has chosen a number of KPIs, which the Board believes will help investors understand the performance of PSD and the underlying portfolio:

- The value of the Portfolio declined by 3.1% on a like-for-like basis during the year to 31 December 2022 (31 December 2021: 6.3% increase).
- The EPRA vacancy of the Portfolio stood at 2.4% (31 December 2021: 3.1%).
- The Group continued with its targeted condominium programme, notarising sales of €4.7 million in the year to 31 December 2022 (2021: €15.2 million).
- EPRA NTA per share decreased by 9.7% to €5.10 as at 31 December 2022 (31 December 2021: €5.65).
- In the light of the decision not to pay a final dividend and taking into account the interim dividend paid in October 2022, the total dividend for the financial year to 31 December 2022 is €2.35 per share (£2.09 per share) (31 December 2021: €7.5, £6.38).
- Like-for-like Portfolio rent per sqm increased by 3.9% as at 31 December 2022 (31 December 2021: 3.9%).

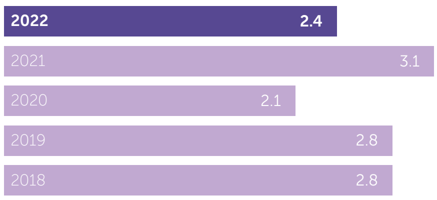
Like-for-like portfolio annual value growth

-3.1%



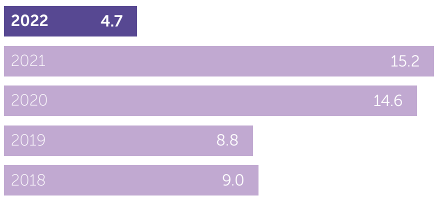
EPRA vacancy

2.4%



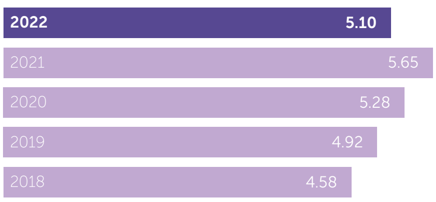
Condominium sales – notarised (€ million)

€4.7



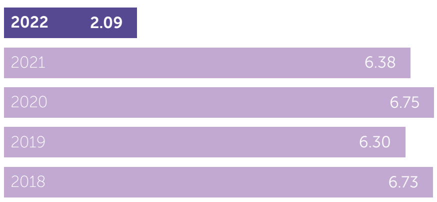
EPRA NTA per share (€)

€5.10



Dividend per share (p)

2.09p



Like-for-like portfolio rent per sqm (€)

+3.9% y-o-y

Committed to acting responsibly

The Company believes that an environmentally and socially responsible approach to managing our business is fundamental for long-term risk-adjusted success, to the benefit of all our stakeholders.

Our approach to corporate responsibility
The Board recognises the importance of a clear and relevant framework for conducting business with environmental responsibility and operating with integrity and transparency, and engaging with its tenants, shareholders and other key stakeholders.

We are committed to understanding what is important to all of our key stakeholders, balancing these different interests and addressing our environmental and social impacts. This commitment is captured within our Company Values, business model and 'Better Futures' CR Plan.

A major reason for joining EPRA was to enable us to report more transparently. We have introduced EPRA's SBPR (Sustainability Best Practice Recommendations) and have included our ESG measurements within that framework. In 2022, the Company's EPRA SBPR Report received a Gold Award, in recognition of the Company's commitment to best practice in its reporting. This was an improvement on the prior-year Silver award, our first EPRA SBPR Report. PSD additionally won the Best ESG Fund: Real Estate category of the Private Equity Wire ESG AAA European Awards 2022.

Stakeholder engagement
We regularly engage with our stakeholders to ensure we appreciate their differing viewpoints and take these into consideration when making business decisions. We strive to strike a meaningful balance between providing a return to our investors whilst addressing our social and environmental impacts.

The cost of living crisis triggered by global inflationary pressures that have built since the onset of the war in Ukraine has inevitably impacted many of our stakeholders' lives. During this period of economic stress, the Company's overriding priority continues to be the health and wellbeing of our tenants, work colleagues and wider stakeholders. Where required, we endeavour to support our tenants (both residential and commercial), on a case-by-case basis, agreeing with them the payment of monthly rents, deferring rental payments and agreeing workable repayment schedules.

Our Company Values
Our Company Values mirror our CR Plan and underpin our commitment to acting responsibly. They set guidelines for our behaviours to make good commercial and ethical decisions. We share these with our key business partners who undertake many of the day-to-day business operations for PSD, to ensure that their own values and behaviours are consistent with ours.

OUR COMPANY VALUES

Responsible

We act responsibly at all times and expect a high level of integrity from all our partners and their employees. That means we conduct ourselves with the highest ethical standards when partnering with our tenants, suppliers and investors.

Fair

We are fair to all our stakeholders, whether employees, partners, investors or tenants and endeavour to balance their different needs. Where financially viable, we seek to improve the overall standard of our accommodation whilst investing responsibly for our investors and addressing environmental and social impacts.

Excellence

We strive for excellence and continuous improvement. We carefully select our business partners based on their strong industry experience and take a rigorous approach to managing our business and executing our strategy to deliver outstanding results.

Respectful

We respect and value our partners and the people who work for them as they are at the heart of our business success and the face of our Company with tenants and investors. We believe this will ultimately deliver a better service to our tenants and results for our investors.

Our 'Better Futures' Corporate Responsibility Plan

Our 'Better Futures' Plan provides a framework to guide our activities and improve our overall sustainability by being integrated throughout our business operations. Our CR pillars align with EPRA's ESG reporting.

ENVIRONMENTAL (E)

Protecting our environment

We strive to reduce our environmental impact by introducing renewable forms of energy, improving the energy performance of buildings within the Portfolio and encouraging tenants to minimise their utility use.

Read more page 28

SOCIAL (S)

Respecting people

Our partners and their employees are at the heart of our business's success and are the face of our Company with tenants and investors. Our key partner, QSix, is committed to hiring, developing and retaining highly experienced people.

Read more page 29

Valuing our customers

Working together with our partners, we provide good-quality affordable homes with a reliable friendly rental service for our tenants and a highly professional service for our investors.

Read more page 30

Investing in our communities

By investing in the housing stock and supporting local charities, we help contribute to thriving and sustainable communities.

Read more page 31

GOVERNANCE (G)

Governing responsibly

By ensuring we have a strong corporate governance culture and the appropriate policies and structures in place, we aim to deliver sustainable benefits to all of our key stakeholders.

Read more page 32

ENVIRONMENT

Protecting our environment

We aim to understand our carbon footprint, encourage our tenants to minimise their utility use and continue to improve our measurement and reporting.

Germany has set a target of climate neutrality by 2045, five years earlier than the overall EU target, and we recognise that, for this ambition to be achieved, the German property sector will need to play a major role. The nature of our business has environmental and social impacts, and we have a responsibility to consider and minimise these impacts where possible.

Our Environment Policy sets out guidance as to how PSD, our Property Advisor (QSix) and other key suppliers should operate to reduce this impact. Measuring our impact on the environment, and transparent reporting thereon, are important elements in our journey to reduce our environmental footprint. Therefore, in 2022, we continued to evolve our measurement and reporting of our building portfolio, in line with EPRA's SBPR framework. For more details on our ESG performance, see our EPRA SBPR Reports published in 2021 and 2022.

Additionally, we receive regular regulatory-focused reports from expert third-party providers to ensure PSD is in the best position to understand current and potential future developments around the ESG regulatory framework in Europe, Germany and Berlin.

Our environmental measures

Refurbishment	Improving the sustainability of good housing stock through renovation is fundamental to our business model and ethos. Bringing valuable housing stock back into good repair extends the life of the building and facilitates its positive environmental contribution. Throughout the property refurbishment process, we work with our contractors to minimise the amount of waste by re-using materials, where feasible, and ensure that all construction works are carried out in line with local health and safety regulations.
Procurement	Consistent with our Sustainable Procurement Policy, we aim to use products and materials that have a low environmental impact, so long as their technical performance meets the required standards, and they are economically viable for refurbished properties.
Development	Although the core of our business consists of upgrading older buildings, where we do develop new buildings, we operate to the highest environmental standards. We have recently purchased a site in Erkner, in the outskirts of Berlin, where we are developing 34 single family houses. Each unit will have an electric car charging point and triple glazing as standard, and heating will use a combination of hybrid solar collectors and brine/water heat pumps. These energy-saving measures have earned the asset a pro forma KfW 55 energy efficiency rating, one of the highest ratings that new-builds can receive. The energy-efficient nature of this development underpins the Company's commitment to ensuring compliance with the highest efficiency standards for new-build acquisitions.
Utility usage	The greatest environmental impact from our property portfolio is from the utilities used by our tenants in their homes. As a landlord, we do not have direct control over most of the utility usage, as tenants are in control of the utility-consumption information within their own homes. However, where we can, we encourage our tenants to reduce their utility usage by providing them with helpful hints and advice, and we endeavour to ensure that a greater proportion of the electricity supplied to our buildings is from renewable sources.
Waste	To better manage tenants' waste, we ensure that tenants are kept well informed about how to properly recycle their waste and we work with our waste providers on the disposal routes. Many of our properties have been awarded recycling awards.
Our Business Partners	Given the bulk of the day-to-day running of PSD's operations is undertaken by our Property Advisor and PSD itself does not have offices, we encourage QSix to minimise its environmental impact. QSix's Berlin and London offices are fitted with energy-saving products, and they have an Environment Champion for each office to encourage employees to reduce their utility usage, improve recycling and reduce the amount of paper used. Employees at the London and Berlin offices receive ESG training every two years.
Measurement	To the extent that the majority of our tenants have direct contact themselves with the electricity providers, we do not have direct control over the majority of the utility usage in our properties. Although our visibility and oversight are therefore limited, we have continued to strengthen our ESG monitoring and reporting in 2022 in line with EPRA's SBPR framework. In addition to measuring the buildings that use oil and district heating energy, in 2022, we have added to this more of our buildings using gas heating. This has increased the percentage of our Portfolio that is measurable from 25% in 2020 to over 90% currently. Given QSix is a separate legal entity, its office impact is not included within our EPRA ESG reporting. For more details on our ESG performance, see our EPRA SBPR Reports published in 2021 and 2022.

SOCIAL

Respecting people

Our Property Advisor, QSix, is our key partner and has an experienced team of property professionals with long-standing experience of the German residential property market.

QSix is de facto the face of PSD. We therefore believe it is important that QSix's and PSD's Company Values are aligned and how QSix treats their employees is consistent with our People Policy.

Although PSD does not have its own full-time employees, it does invest in the development of its Non-executive Board, with each Board Member being required to undertake professional training throughout the year. This training is often provided by external third parties with relevant experience, the Property Advisor or other service providers. Each member of the Board also undertakes an annual appraisal.

Valuing our people

Work environment	QSix is committed to having an inclusive working environment that encourages all employees to develop both personally and professionally through having access to a variety of training programmes, receiving on-the-job support and coaching, and having annual Development Reviews.
Work-life balance	The culture is to have a positive work-life balance, with both the Company and QSix committed to the health and wellbeing of all employees. Leading health and welfare benefits are provided, including access to medical and legal advice.
Home working	Post many of the COVID-19 restrictions and challenges, QSix has implemented a hybrid working from home/working from the office model. The most recent (2022) employee survey was helpful in engaging with employees to understand their views on topics such as home working to ensure productivity remained high whilst balancing employees' needs.
People policies	Neither PSD nor QSix meets the criteria requiring publication of a Modern Slavery Statement. Nevertheless, both companies fully support the intentions of the Act and are committed to implementing systems and controls aimed at minimising the risk of modern slavery taking place anywhere within our organisations or in our supply chains. We have an Anti-Slavery and Human Trafficking Policy which is shared with key business partners, who are asked to verify that they have acted in accordance with the Policy.

"I started as an IT Support Engineer in January 2022. QSix management and colleagues have provided valuable support as I have learned so much about overseeing the company's day-to-day IT operations, and as I continue to build on my professional qualifications.

Since my arrival, I have successfully implemented a major IT transformation, moving the offices from an on-prem/hybrid environment to a cloud solution. This was fully supported by QSix. Additionally, QSix funded my ITIL 4 – IT Service Management Certification, enabling me to continue to evolve in delivering best IT practices for the business. My focus next is to obtain more cloud computing certifications and to continue to apply this knowledge within the company."

James Remmer, IT Support Engineer

SOCIAL

Valuing our customers

We are committed to providing good-quality affordable homes with a reliable, friendly rental service to our tenants and a professional service to our investors.

Our tenants are at the centre of our business activity. PSD focuses on providing homes for people that are both comfortable and affordable. We aim to make a positive contribution to our tenants' personal and social wellbeing, as we focus on living standards and on ensuring that their apartment is a place in which they enjoy living. In 2022, we have continued to make improvements in our buildings for the enjoyment of our tenants, renovating common areas such as staircases and elevators, and providing bike storage and playgrounds where possible. The topic of affordable housing has dominated public debate in recent years and PSD seeks to help with this challenge via providing more conveniently located renovated apartments at pricing that is transparent and fair.

Customer service	Providing a reliable friendly rental service and responding to any concerns in a timely manner are important to building our tenant satisfaction and long-term tenant loyalty, which ultimately safeguards our long-term commercial success. Through the engagement our management agent, Core Immobilien, has with our tenants, and via tenant surveys, we are able to build a clear picture of what is important to our tenants so that we can deliver a high standard of responsible service.
Health and safety	We seek to provide a healthy, safe and secure environment for our tenants and improve the standard of accommodation through renovation and regular inspections to ensure that we are aware of and avoid any hazards. In 2022, we have again had no major health and safety incidents reported across our Portfolio.
Protecting vulnerable tenants	We recognise that some tenants may be more vulnerable than others and our Vulnerable Tenant Policy provides guidance on procedures that should be followed when dealing with tenants who are particularly vulnerable to provide them with additional support and protection.
Informing our shareholders	We are committed to providing a highly professional service to our investors through strong corporate governance and providing timely, frequent and clear engagement with business updates. We have a dedicated investor resource available to address investor questions and to arrange investor visits to Berlin to allow investors to view the Portfolio, meet members of the Berlin team and discuss industry trends with external experts.
Our business partners	Working with the right partners is key to ensuring we deliver the best results for our tenants and investors. We require our partners to share our commitment to high standards of responsibility and treating customers fairly, as outlined in our Suppliers Code of Conduct. Our key policies and Company Values are shared with our business partners annually and they are asked to affirm that they are operating in a manner consistent with our Company Values and standards of responsibility.

SOCIAL

Investing in our communities

We help to make a social contribution to communities by investing in homes and surroundings for people and via support for local charities.

In addition to investing in communities by providing affordable homes in which people want to live, we look to improve the external façade of the buildings and other outdoor areas, recognising the social benefit that can also have on the wider community. For our tenants, the look and feel of a neighbourhood plays an important role in how they feel about their home and the community in which they live. In 2022, €16.4 million (2021: €9.5 million) was reinvested in building improvement programmes across the Portfolio.

PSD is committed to being a good corporate citizen. We take a strategic approach to our charitable giving which is guided by our Community Investment Policy and focuses on supporting charities where there is a connection with either 'homelessness' or 'families'.

"Thank you to Laughing Hearts for making this extraordinary Hamburg trip possible. The kids enjoyed themselves and the break from everyday life was appreciated. We returned with many new memories and great experiences.

Many thanks for your support and for making such trips possible. The kids rarely experience something like this and are infinitely grateful."

A message from the families of the children on that trip

Our charitable initiatives

The Intercultural Initiative

For the fourth year, we have continued to support a women's refuge that helps women affected by domestic violence by providing emergency shelter and advice and counselling to the women and their children.

In 2022, PSD's donation helped to cover management costs that were not covered by the charity's received grants, provided funding for some of the immediate purchases that the women, children and young people need when beginning their transition into their new lives, having left violent households and situations. PSD's donation in general helped the charity provide more intensive support to women and children in crisis in supporting the refuge's purpose in serving these clients to transition to an independent life.

Laughing Hearts

PSD supports The Laughing Hearts charity, which supports children living in children's homes and social care. The charity aims to provide the children with cultural, sport and art activities and social events to which they would otherwise not have access. The aim is to break the cycle of disadvantage and broaden the children's experiences, and give them a more positive outlook for the future.

PSD's donation to Laughing Hearts in 2022 facilitated the purchase of a garden swing, well-received new-experiences trips for the children to Hamburg and Hungary, residential items for the charity's facilities, as well as the opportunity to attend workshops and camp to learn English.

Ukrainian refugees

In early 2022, PSD made available a number of apartments on a rent-free basis for Ukrainian refugees. These tenants have transitioned into long-term tenancies with the costs covered by the Berlin district of Teltow Fläming. Several of the tenants have already found employment and children have been provided with school places.

Single Homeless Project (SHP)

QSix, our key partner and Property Advisor, continued to support SHP for a fourth year. Their funding with SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income that enables them to afford housing. In 2022, 180 people took part in the Achieving Potential employability programme that is funded by QSix.

This year, QSix also donated towards our Big Give Christmas match-funding campaign which saw their £10,000 turned into £30,000. This helped to support approximately 263 people with micro-grants for emergency funding to help them pay for things such as energy bills, food, identification, mobile phones, or qualifications to progress with their career goals. QSix also funded recovery sessions as part of our Opportunities Programme, which include therapy, art, sports, gardening and music.

Funds donated by QSix were also used for 'move-on packs' for people that are about to move back into their own accommodation. This helps to give them basic furnishings for their home such as a kettle, towels, bedding etc. in order to live independently. In total this year, support from QSix helped support 443 people in some way.

SPEAR

QSix provides funding to SPEAR to run an outreach service, helping rough sleepers in Southwest London to secure accommodation and to support them to address vital health and social care needs. In 2022, this helped 644 people experiencing homelessness.

Home-Start

QSix has in 2022 started to provide funding to a third charity, Home-Start. With its distinctive offer of volunteer-led home visiting support, Home-Start stands alongside families in communities across the UK, in its aim to ensure that no parent or family feels alone in the critical task of raising children, in its belief that "childhood can't wait."

SOCIAL

Governing responsibly

Having a strong corporate governance culture and effective policies and structures in place will deliver sustainable benefits across all of our key stakeholders.

The Board recognises the importance of a strong corporate governance structure and operating with integrity, accountability and transparency across the business.

To ensure the successful delivery of our 'Better Futures' CR Plan, we have policies for each of the pillars, a measurement framework to monitor progress and a structure to ensure robust oversight.

We share the relevant policies with QSix, which in turn has its own policies that are aligned with ours. We request that QSix periodically verifies that it has acted in accordance with the policies. Where QSix outsources any key functions to other business partners, it has likewise shared the policies with them and requested that they periodically verify that they have acted within the spirit of the relevant policies.

Structurally, QSix has an ESG Task Force that oversees the implementation of the plan across the business. This Task Force reports the progress on the CR Plan, at a minimum of twice a year, to PSD's ESG Sub-Committee, which in turn reports into the Company's Board.

Additional information on our governance is contained within our EPRA SBPR reporting.

"Our tenants are at the centre of our business activity."

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
Economic and political risk	The global economic and political environment remains uncertain, heightened by the ongoing conflict in Ukraine. Economic, political, fiscal and legal issues can have a negative effect on property valuations. A decline in the Company's property valuations could negatively impact the ability of the Company to sell properties within the Portfolio at valuations which satisfy the Company's investment objective. The ongoing war in Ukraine has negatively impacted gas, energy and raw material supplies to Germany and the rest of Europe. This has led to, and could lead to, further rises in overall costs both for the Company and its tenants. Rising inflation has directly impacted the cost of building materials and the construction workforce, which could negatively impact the Company's development, renovation and modernisation projects. The Federal Government has introduced new laws which would allow States to block the partitioning of apartment blocks into condominiums. The Berlin Government has adopted these proposals.	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 Company reviews and monitors emerging policy and legislation to ensure that appropriate steps are taken to ensure compliance. The Company monitors costs and cash balances closely at all times and plans budgets for capital expenditure that take into consideration the potential for cost inflation. The Company has suspended dividend payments to preserve cash. The Company rigorously checks the credit worthiness of new tenants and has always set strict income to rent criteria for incoming tenants. The Company engages with external advisers to advise on potential policy and regulatory implications of political events. Blocking the ability of landlords to split assets at the land registry would likely be a net positive for the Company since the supply of condominiums would be materially reduced, increasing the value of the existing stock. With 76.6% of the Company's Portfolio already split in the land registry as condominiums, the Company is likely to benefit from this.	Increased
Financial and interest rate risk	Inadequate management of financing risks could lead to insufficient funds for sustaining business operations and timely repayment of existing debt facilities. These risks encompass reduced availability of financing, rising financing costs, higher than planned leverage and breaches of borrowing facility covenants. A fall in revenue or asset values could also lead to the Company being unable to restart and maintain dividend payments to investors.	The Company seeks to manage its LTV ratio through the property cycle to ensure that, in the event of a significant decline in property values, its financial position remains robust. Interest rate risk is managed through the use of derivative instruments with matching maturity or fixed-rate debt. At least 80% of drawn loan facilities are hedged. The Company continues to model expected revenues, property values and covenant levels, and these are reported to the Board as part of its annual Viability Assessment. The Company took on new covenants when signing its facility with NATIXIS in January 2022: Interest coverage ratio (ICR), debt yield and LTV covenants. Only the debt yield and ICR covenants are "hard" covenants, resulting in an event of default in case of breach. The LTV covenant is a "cash trap" covenant (the requirement to hold all related rental income in NATIXIS accounts until sufficient debt is repaid to return within the covenant level), with no event of default. The Company carried out extensive sensitivity analysis prior to signing this facility and, even in the most stressed rent scenarios, no covenants were breached. The Company is in regular contact with its financing partners and regularly reviews its financing covenants. They are subject to bi-annual valuations which were last carried out at the end of 2022. At that time, the Company retained substantial headroom on all covenants. Acquisition and disposal activity within the Portfolio is closely monitored in the light of underlying property market conditions to ensure that the Company's LTV ratio and debt refinancing schedules remain appropriate. In the light of weak current market demand, the Company has suspended dividend payments to preserve cash. Berlin residential rental values have historically been relatively resilient during times of economic stress, and this is not expected to change due to supply constraints.	Increased

Risk	Impact	Mitigation	Movement
Inability to sell properties including condominiums	During the 2022 financial year, there has been a significant deterioration in investor and consumer confidence in reaction to inflationary pressures and consequential interest rate rises. A higher cost of financing has seen investor appetite for German residential assets weaken, and, during the second half of the financial year, pricing has weakened. In parallel with this, a number of larger market participants are now net sellers of assets as they seek to reduce leverage. As pricing expectations between buyers and sellers have differed, transaction volumes have dropped. Higher mortgage rates combined with economic and geopolitical uncertainty has negatively impacted buyer sentiment for condominiums. Under PSD's business model, cash to pay dividends is substantially dependent on condominium and/or other asset sales.	The Company continually monitors the portfolio of assets to ascertain the potential for disposals of buildings. The Company regularly reviews whether any current or future changes in the property market outlook present risks which should be reflected in the execution of its asset management and capital position. The Company maintains a strong relationship with its independent valuers who provide regular assessments of the property market outlook. The Property Advisor maintains a strong network of investors active in the market and actively monitors valuation and liquidity trends in the Berlin residential market. In the light of weak current market demand, the Company has suspended dividend payments to preserve cash.	Increased
Tenant and tenancy law risk	Property laws remain under constant review by both the Federal Government and the coalition government in Berlin. Further tightening of the Mietpreisbremse laws, which limit the amount that landlords can increase rent in apartments in certain zoned areas, could negatively impact the Company's reversionary re-letting strategy. During the 2022 financial year, there has been increasing use of online platforms by tenants in order to ascertain if rents prescribed by landlords are compliant with all tenancy laws and regulations. A significant increase in the cost of living has reduced net disposable income and placed more pressure on vulnerable tenants, which could lead to defaults on rents. This, in turn, could place financial pressure on the Company.	The Company has historically been able to adapt its business model to accommodate new rent regulations. 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 maintains regular contact with a broad network of professional advisers and industry participants to ensure that it is kept up to date on property tenancy laws and regulations, both current and future. The Property Advisor is in constant dialogue with the Company's property manager (Core Immobilien) to ensure that tenants are notified on a timely basis of any changes to tenancy laws and rental levels. The Company, through its Property Advisor and Property Manager, maintains close contact with tenants. To date, few concerns have been raised, either through online platforms or elsewhere in relation to non-compliance with tenancy laws and regulations. The Company rigorously checks the credit worthiness of new tenants and has always set strict income to rent criteria for incoming tenants. The Company has in place a Vulnerable Tenant Policy which it will continue to monitor and apply to relevant tenants. The Property Advisor closely monitors vulnerable tenants and those unable to afford their rents. A vulnerable tenants list is reviewed by the Company Board. In instances of hardship the Company seeks to support its tenants, both residential and commercial, by agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.	Increased

Principal Risks and Uncertainties continued

Risk	Impact	Mitigation	Movement
IT and cyber security risk	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 the risk of cyber-crimes and loss of data. As cyber-crime remains prevalent, this is considered a significant risk by the Company. 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. The Russian state has been linked to cyber-attacks on government and international infrastructure and the risk of an increase in these attacks is highly likely now that the Russian state is subject to international sanctions due to its invasion of Ukraine.	There is a constant review of IT systems and infrastructure in place for the Company to ensure these are robust. Service providers are required to report to the Board on request, and at least annually, on their IT controls and procedures. A detailed review has been undertaken of the cyber security of the Company and its outsourced processes. As part of this review, the Company has required all its key service providers to confirm to the Company their procedures and protocols around cyber security on an annual basis. Additionally, the Company has requested that all service providers carry out cyber penetration testing and report back to the Board with any significant observations. No material concerns have arisen from these reviews. Service providers are also required to hold detailed risk and control registers regarding their IT systems. The Property Advisor and the Board review service organisations' IT reports as part of Board meetings each year. No material concerns have arisen from these reviews. The Board believes that, while the risk of cyber-attacks has increased due to the sanctions imposed on Russia, the risk to its service providers directly remains relatively low. The secondary risk from cyber-attacks on digital infrastructure, such as payment systems, remains high and the Board, and the Property Advisor, will continue to monitor the situation.	Increased
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. Decreased financial liquidity has resulted in reduced acquisition opportunities available to the Company.	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. The Company's shares are currently valued at a significant discount to NAV. Given this, the Company has undertaken to not commit to further acquisitions until such time as this discount narrows. Any future acquisitions will be subject to rigorous checks to ensure that they meet financial and environmental targets. Acquisitions are benchmarked against the alternative of share buybacks.	Unchanged
Outsourcing risk	The Company'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 (International Financial Reporting Standards) and German GAAP accountants and its administrative functions. The departure of one or more key third-party providers may have an adverse effect on the performance of the Company.	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 their families retain a significant stake in the Company, aligning their interests with other key stakeholders. The key third parties responsible for property management, accounting and administration are continually monitored by the Property Advisor and must provide responses annually to a Board assessment questionnaire regarding their internal controls and performance. These questionnaires are reviewed annually by the Board.	Unchanged

Risk	Impact	Mitigation	Movement
ESG risk	A failure to anticipate and respond to environmental risks and take proactive measures could damage the Company's reputation and disrupt its operations. Unplanned capital expenditure from the cost of complying with energy performance and climate legislation with specific energy performance and/or building requirements could negatively impact on operational cashflow. Future investor expectations for ESG compliance could result in diminished asset values and/or illiquidity in the resale market if assets are not deemed suitably ESG compliant.	All investment in the modernisation of assets is undertaken with a view to the energy efficiency impact and is performed on an asset-by-asset basis. The Company maintains its own dedicated ESG consultant to advise and assist in the implementation of ESG-related activity. The Company has instructed a leading law firm to provide a watching brief on current and future climate and energy performance-related legislation as they affect German residential properties. The Company has recently secured the services of a carbon mapping consultancy to advise on the carbon footprint of five buildings that are representative of the Portfolio. ESG considerations are reviewed by the Company Board on a quarterly basis. The Company seeks to ensure accurate reporting of its ESG related activities and, in 2022, was awarded a gold medal for its sustainability reporting by the EPRA.	Increased

Robert Hingley
Chairman
28 March 2023

Our Board

We are all deeply saddened by the death of Greg Branch during 2022, and I would like to reiterate our sincere thanks for his exemplary service during his time in office.

Greg had served on the Company Board since 2020, bringing a wealth of experience from a distinguished career spanning over 30 years in the financial services and real estate sectors. He is sorely missed as a colleague and friend to the current and previous Directors of the Company, investment professionals at QSix, and by those in the wider business community who were privileged to work with him.

Isabel Robins joined the Board of PSD as a Non-executive Director with effect from 14 March 2022. Isabel has over 23 years' experience of complex offshore real estate structures, encompassing a broad range of property funds, investments, and developments. Her real estate experience and insight will add a valuable perspective to complement and enhance the skill set of the Board. Isabel replaces Monique O'Keefe, who stepped down as a Senior Independent Director, effective 31 March 2022, to take up a senior executive position at another company.

Steven Wilderspin joined the Board of PSD as a Non-executive Director with effect from 10 January 2023. A Jersey resident, he is a fellow of the Institute of Chartered Accountants of England and Wales. He has acted as an independent director of a number of public and private investment funds and commercial companies since 2007.

The Company has an experienced Non-executive Board, chaired by Robert Hingley. The Directors have a wealth of experience in real estate, corporate finance, investment funds and capital markets.

Robert Hingley

Independent Non-executive Director, Chairman and Chair of the Nomination Committee

Robert, a UK resident, acts as an Independent Non-executive Director and Chairman of the Company. He is Chairman of Euroclear UK & International Limited and The Law Debenture Corporation PLC and a Director of Marathon Asset Management Limited. He had over 30 years' experience as a corporate finance advisor, retiring as a Partner at Ondra Partners LLP in 2017. He joined the Association of British Insurers as Director, Investment Affairs in September 2012 and, following the merger of ABI's Investment Affairs with the Investment Management Association, acted as a consultant to the enlarged IMA until the end of 2014. From 2010 until 2015, he was a Managing Director, and later Senior Advisor, at Lazard. He was previously Director General of The Takeover Panel from 2007, on secondment from Lexicon Partners, where he was Vice Chairman. Prior to joining Lexicon Partners in 2005, he was Co-Head of the Global Financial Institutions Group and Head of German Investment Banking at Citigroup Global Capital Markets, which acquired the investment banking business of Schroders in 2000. He joined Schroders in 1985 after having qualified as a solicitor with Clifford Chance in 1984. Robert was appointed to the Board on 15 June 2015.

Jonathan Thompson

Independent Non-executive Director and Chair of the Audit Committee

Jonathan is the Non-executive Chairman of the Argent group of real estate regeneration, development and investment businesses. He is also a Non-executive Director and Chair of the Audit Committee at Schroders European Real Estate Investment Trust PLC, a Non-executive Director and Chair of the Audit and Risk Committee at The Government Property Agency and an independent member of the investment advisory board to a family wealth fund. He is a past Chair of the Investment Property Forum and a past member of the Board of the British Property Federation. An accountant by background, he spent 32 years at KPMG, including 12 as Chair of its International Real Estate and Construction practice. He is a member of the Institute of Chartered Accountants of England and Wales, and an Honorary Fellow of the Royal Institute of Chartered Surveyors. Jonathan was appointed to the Board on 24 January 2018.

Antonia Burgess

Independent Non-executive Director, Senior Independent Director and Chair of the Risk Committee and the Remuneration Committee

Antonia has nearly 30 years' experience working in the legal and financial services sectors. She is a Jersey resident Independent Non-executive Director with considerable experience working with leading institutional real estate fund managers and investment companies, and has an in-depth understanding of real estate investment transactions and structuring. Antonia qualified as a solicitor in England and Wales in 1995, and prior to relocating to Jersey, where she led Mourant's European real estate fund administration business (subsequently acquired by State Street), she was a real estate lawyer at Hogan Lovells in London. She holds a number of non-executive roles, including with Oxford Properties and also in fund entities managed by Signal Capital Partners. She is regulated by the Jersey Financial Services Commission and is a member of the Institute of Directors. Antonia was appointed to the Board on 12 August 2020 and was elected Senior Independent Director and Chair of the Remuneration Committee with effect from 1 April 2022 and 1 December 2022 respectively.

Isabel Robins

Independent Non-executive Director and Chair of the Environmental, Social and Governance Committee and the Property Valuation Committee

Isabel has been a member of The Royal Institution of Chartered Surveyors since 1993 and received a BSc (Hons) Valuation and Estate Management degree from the University of the West of England (1991). She holds several non-executive roles, including with EcoWorld. Isabel has over 23 years' experience running complex offshore real estate structures, encompassing a broad range of property funds, investments, and developments, including working with Schroders and abrdn. She is a Jersey resident Independent Non-executive Director and is regulated by the Jersey Financial Services Commission and is a member of the Institute of Directors. Isabel was appointed to the Board on 14 March 2022 and was appointed Chair of the Environmental, Social & Governance Committee and the Property Valuation Committee with effect from 1 April 2022 and 28 September 2022 respectively.

Steven Wilderspin

Independent Non-executive Director

Steven Wilderspin, a Jersey resident, is a fellow of the Institute of Chartered Accountants of England and Wales. He has acted as an Independent Director of a number of public and private investment funds and commercial companies since 2007 and is regulated by the Jersey Financial Services Commission.

He is currently a Non-executive Director and Chair of the Risk Committee of Blackstone Loan Financing Limited, a Non-executive Director and Chair of the Audit and Risk Committee of HarbourVest Global Private Equity Limited and a Non-executive Director and Chair of the Audit and Risk Committee of GCP Infrastructure Investments Limited, all listed on the LSE.

Prior to 2007, Steven was a Director at Maples Finance Jersey, with responsibility for their fund administration and fiduciary business, which mainly administered property structures. Steven began his career at PwC in London in 1990. Steven was appointed to the Board on 10 January 2023.

Directors' Report

The Directors are pleased to present their Annual Report and the Audited Consolidated Financial Statements for the year ended 31 December 2022.

Corporate Governance

The Corporate Governance Statement on pages 44 to 52 forms part of this Directors' Report, which, together with the Strategic Report set out on pages 1 to 37, form the management report for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

The Corporate Governance Statement details how the Association of Investment Companies Code of Corporate Governance ('AIC Code') has been applied.

General information

The Company is a public and closed-ended investment company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law 1991. The Company has a premium listing on the Official List of the Financial Conduct Authority and was admitted to the premium segment of the Main Market of the London Stock Exchange on 15 June 2015.

The Group's objective is to generate an attractive return for shareholders through the acquisition and active management of high-quality pre-let properties in Berlin, Germany. The Group is primarily invested in the residential market in Berlin, supplemented with selective investments in commercial property. The majority of commercial property within the portfolio is located within residential and mixed-use properties.

Dividends

In the light of ongoing weakness in buyer confidence, asset pricing and condominium sales, the Board has suspended future dividend payments until further notice. It is the intention to resume dividends as soon as there is sufficient clarity of outlook. This approach has also been adopted by many of our peers across the sector.

In the light of the decision not to pay a final dividend and taking into account the interim dividend paid in October 2022, the total dividend for the financial year to 31 December 2022 is €2.35 per share (£2.09 per share) (31 December 2021: €7.5, £6.38).

Directors

The Directors in office at the date of this report and their biographical details are shown on pages 38 to 39.

The Company has made third-party indemnity provisions for the benefit of its Directors which were in place throughout the year and remain in force at the date of this report. The Company maintains directors' and officers' liability insurance for its Directors and officers.

The terms and conditions of appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

During the year, none of the Directors or any persons closely associated to them had a material interest in the Company's transactions or agreements.

The Board, through the Company Secretary, maintains a register of conflicts, which is reviewed quarterly at Board meetings, to ensure that any conflicts remain appropriate and to confirm whether there have been any changes.

It is the Directors' duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Any Directors who have a material interest in the matter being considered will not be able to participate in the Board approval process.

The Board believes that its procedures regarding conflicts of interest have operated effectively. At 31 December 2022, the interests of the Directors in the ordinary shares of the Company were as follows:

	31 December 2022 Number of shares	31 December 2021 Number of shares
Robert Hingley	**5,150**	5,150
Jonathan Thompson	**7,337**	7,337

There has been no change to the interests of each Director between 31 December 2022 and the date of this report.

The Board has adopted the policy of maintaining a gifts and hospitality register to record all gifts and hospitality in excess of £250 accepted by the Directors from the Company's service providers or other third parties. All gifts and hospitality in excess of £500 require pre-approval from the Board.

Share capital
No shares were issued by the Company during the year.

At the year end, the issued share capital of the Company comprised 100,751,410 ordinary shares, of which 8,924,047 were held in treasury. At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held. At 31 December 2022, the total voting rights of the Company were 91,827,363 and, as at the date of this report, remain at 91,827,363, being the issued share capital minus shares held in treasury.

On 15 June 2022, the Company obtained shareholder approval permitting it to issue up to 10,075,141 ordinary shares for cash on a non-pre-emptive basis, representing 10% of the ordinary shares then in issue. The Directors are proposing that this shareholder approval be renewed at the forthcoming 2023 AGM.

Share repurchases
In accordance with the Company's Articles of Association and the Companies (Jersey) Law 1991, the Company may hold any ordinary shares that it repurchases in treasury or cancel them. Authority for the Company to make market purchases of, and to cancel or hold in treasury, up to 13,834,122 of its ordinary shares (representing approximately 13.73% of the ordinary shares in issue) is sought from shareholders at each AGM, with the latest authority granted on 15 June 2022.

At 31 December 2022, 8,924,047 shares, representing 8.9% of shares in issue, have been repurchased at an average price of £4.04 per share. The average discount to December 2022 EPRA NTA per share was 17.9%. At 31 December 2022, all the repurchased shares were held in treasury.

Substantial shareholdings
At 31 December 2022, the Company had been informed of the following holdings representing more than five% of the voting rights of the Company:

Name of holder	Percentage of voting rights	No. of ordinary shares
Columbia Threadneedle Investments	18.63%	17,108,637
Bracebridge Capital	15.54%	14,267,477

The Company has not been notified of any changes to holdings representing more than five per cent of the voting rights of the Company between 31 December 2022 and the date of this report.

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out.

The Directors confirm that there are no disclosures required under Listing Rule 9.8.4.

Financial risk management
Details of the financial risk management objectives and policies adopted by the Directors, and the exposure of the Company to price, credit, liquidity and cashflow risk, can be found in note 3 to the Consolidated Financial Statements.

Events after the reporting date
In September 2022, the Company exchanged contracts to acquire a multi-family house with 22 residential units and three commercial units in Berlin-Neukölln for €4.9 million. The completion is expected in Q2 2023.

In H2 2022, the Company exchanged contracts to dispose of two non-core assets for the total consideration of €7.3 million. The two sales completed in Q1 2023.

The Company has exchanged contracts for the sale of one residential, one commercial and one attic unit in Berlin with aggregated consideration of €1.6 million prior to the reporting date. The sale of these is expected to complete in 2023.

In Q1 2023, the Company exchanged contracts for the sale of three condominiums in Berlin for aggregated consideration of €0.8 million. All of them are awaiting completion.

Directors' Report continued

Auditor
Each of the Directors at the date of approval of this Annual Report has taken all the steps that he or she ought to have taken as a Director in order to make him or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. The Directors are not aware of any relevant audit information which has not been disclosed to the auditor.

RSM has been the Company's auditor since 2014, given the length of tenure the Audit Committee has recommended to the Board to commence with an audit tender process following the publication of the 2022 Annual Financial Statements. Following the consideration of the performance of the Auditor, the services provided during the year and the review of its independence and objectivity, the Audit Committee has concluded that RSM should be included as part of the audit tender process along with two other potential audit firms. The successful audit firm's appointment following the completion of the audit tender process will be put to shareholder vote at the Company's upcoming AGM on 28 June 2023.

Going concern
The Directors have reviewed projections for the period up to March 2024, 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, 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 12 months from the date of approval of the Financial Statements. 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.

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 these Financial Statements.

Viability Statement
The Directors have assessed the viability of the Group over a three-year period to 31 December 2025. The Directors have chosen three years because that is the period that fits within the strategic planning 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 principal risks in this document on pages 34 to 37. 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 2025:

a) the potential operating cash flow requirements of the Group;
b) the method of payment of the performance fee due to the Property Advisor;
c) seasonal fluctuations in working capital requirements;
d) property vacancy rates;
e) rent arrears and bad debts;
f) capital and corporate expenditure;
g) proceeds from the sale of condominiums and other assets;
h) dividends and share buybacks; and
i) asset acquisitions.

This model assumes stresses to each of a) through to i) in the above list.

Financial modelling and stress testing were carried out on the Group's cashflows, taking into account the following assumptions, which the Directors believe to reflect the conditions present in a reasonable 'worst case' scenario over the forecast period:
- increased regulation of rent levels of tenancies in the Berlin and Brandenburg markets leads to a fall in rental income of 20%;
- projected condominium sales are reduced by 20% as a result of continuing weak market conditions and/or response to the Berlin and/or Federal authorities attempting to slow down condominium sales;
- whole asset sales are not economically viable and therefore reduced by 100%;
- changes in climate-related and energy-performance legislation lead to a mandated 20% increase in capital expenditure to reach the required regulatory level. This includes a 20% increase in the costs of the forward funding development acquisition in Erkner; and
- a 20% reduction in the debt available for future capital expenditure projects.

After applying the assumptions above, individually and collectively, there was no scenario in which the viability of the Company over the next 12 months was brought into doubt from a cashflow perspective. Under the stresses set out above, cashflow mitigation may be required in 2024 and headroom could be obtained in the following ways:
- cancellation of larger capital expenditure projects;
- continuing the suspension of the dividend.

Under these stressed assumptions, the Group remains able to manage all banking covenant obligations during the period using the available liquidity to reduce debt levels, as appropriate.

The projected cash flows include the impact of already contracted property acquisitions. On the basis of this assessment, 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 and meet its liabilities as they fall due over the three-year period of their assessment.

Directors' confirmations

In accordance with the FCA's DTRs, each of the Directors in office at the date of this report, whose names are set out on pages 38 to 39, confirms that to the best of his or her knowledge:

- the Annual Report and Financial Statements have been prepared in accordance with IFRS and UK-adopted IAS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report, including the Directors' and Strategic Report, includes a fair and balanced review of the development and performance of the business, and the financial position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements. The Annual Report and Financial Statements, taken as a whole, are considered by the Board to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Directors' Report was approved by the Board of Directors and authorised for issue and signed as follows:

On behalf of the Board

Robert Hingley
Chairman
28 March 2023

Corporate Governance Statement
Board Leadership and Purpose

This Corporate Governance Statement comprises pages 44 to 52 and forms part of the Directors' Report.

Introduction from Chairman

I am pleased to introduce this year's Corporate Governance Statement. In this statement, the Company reports on its compliance with the AIC Code, sets out how the Board and its committees have operated during the past year and describes how the Board exercises effective oversight of the Group's activities in the interests of shareholders.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company and the Group as a whole.

The AIC Code

As a member of the AIC, the Company reports against the Principles and Provisions of the AIC Code. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the 'UK Code') as well as setting out additional provisions on issues that are of specific relevance to investment companies. The AIC Code can be found on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available on the Financial Reporting Council (FRC) website (www.frc.org.uk).

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC and supported by the Jersey Financial Services Commission, provides more relevant information to shareholders.

The Board has made the appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment company, most of the Company's day-to-day responsibilities are delegated to third-party service providers. The Company has no executive employees, and the Directors are all Non-executive Directors. Therefore, not all of the Provisions of the UK Code are directly applicable to the Company.

The Board considers that the Company has complied with the recommendations of the AIC Code.

Board Leadership, Purpose and Culture

At the date of this report, the Board comprised five Directors. Their biographical details are shown on pages 38 to 39. The Board considers all Directors to be independent and that there are no relationships or circumstances that are likely to affect their independence. Further details can be found in the Nomination Committee report on pages 50 to 51. The interests that some of the Directors hold in the Company, as set out on page 57 of this report, are not considered significant so as to bring their independence into question.

The Board has overall responsibility for maximising the Group's long-term success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Group and ensuring protection of investors.

Within the Annual Report and Financial Statements, the Directors have set out the Group's investment objective and policy which, as per the 2015 listing prospectus, is to deliver both stable income returns as well as capital growth through investment in German real estate, centred on Berlin residential real estate. Its investment objective and policy are set out on pages 16 to 22 of the Annual Report. The Directors have reported how the Board and its delegated committees operate and how the Directors consider and address the opportunities and risks to the future success of the Company, along with the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy.

The Board has approved a formal schedule of matters reserved for its approval, which is available on the Company's website and upon request from the Company Secretary. The principal matters considered by the Board during the year included:
- the interim and annual Financial Statements;
- declaration of dividends;
- share buybacks;
- ordinary winding up of one special purpose vehicle;
- renewal of Master Power of Attorney delegating a number of administrative matters to the Property Advisor;
- sale of non-core assets;
- consideration of intercompany loans;
- standard and non-standard capital expenditure projects;
- consideration of new investment proposals received from its Property Advisor;
- refinancing proposals;
- recommendations from the Company's respective committees;
- annual review of service providers; and
- appointment of new Non-executive Directors.

Post year-end, in March 2023, the Board reviewed the overall performance of the Property Advisor and the terms of the Property Advisory Agreement, as amended, as set out in note 32. Based on the results, the continued appointment of the Property Advisor is considered to be in the best interests of shareholders as a whole. Accordingly, it was approved by the Board that QSix Residential Limited be retained as Property Advisor under the terms of the agreement.

The Company has no direct employees and therefore is not required to monitor culture in this respect. However, the Board recognises its wider responsibility to demonstrate to shareholders that it is operating responsibly and managing its social and environmental impacts for the benefit of all stakeholders. Following a thorough review of how sustainability is managed within the Company, a 'Better Futures' CR Plan has been developed. This provides a framework to measure existing activities better, while adding new initiatives to improve overall sustainability.

Additionally, the Board continuously monitors its policies, practices and behaviours and undertakes a rigorous evaluation of its own performance and that of its key service providers on an annual basis to ensure their culture is aligned with the Company's purpose, values, and strategy. Details on the Board evaluation and the annual service provider review can be found on pages 51 and 52, respectively. Where the Board is not satisfied, it will seek assurance from key service providers that management have taken corrective action.

Stakeholder engagement

Details of how the Directors have engaged with the Company's key stakeholders are set out in the Stakeholder Engagement section and Corporate Responsibility report within the Strategic Report on pages 8 to 33 respectively.

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Group. The Board receives feedback on the views of shareholders from its corporate broker and the Property Advisor. Through this process, the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Board seeks to utilise stakeholder communication to inform them of the decisions that the Company takes, whether about the services it provides, or about its strategic direction, its long-term health, and the society in which it operates. The Board agrees that stakeholder engagement strengthens the business and promotes its long-term success to the benefit of stakeholders and shareholders alike.

The Chair is open to discussions on governance and strategy with major shareholders and the other Directors are provided with the opportunity to attend these meetings.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board and encourages participation.

The Company regularly reviews its shareholder profile through reports prepared by its corporate broker. Shareholders may contact the Company directly through the investor section of the Company's website www.phoenixspree.com.

2022 Annual General Meeting

The 2022 AGM of the Company was held on 15 June 2022. Resolutions 1 to 9 related to ordinary business and resolutions 10 and 11 related to the following special business:

- to authorise the Company to make market purchases of, and to cancel or hold in treasury, up to 13,834,122 of its shares (representing approximately 13.73% of its issued shares capital at the date of the AGM notice); and
- to authorise the Directors to issue up to 10,075,141 shares (representing approximately 10% of the Company's issued share capital at the date of the AGM notice) for cash as if the pre-emption rights contained in the Articles of Association did not apply.

All resolutions put to shareholders were passed with in excess of 99% of votes cast in favour.

2023 Annual General Meeting

The 2023 AGM will be held on 28 June 2023 at IFC 5, St Helier JE1 1ST, Jersey.

A separate notice convening the AGM will be distributed to shareholders with the Annual Report and Financial Statements on or around 1 June 2023, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Corporate Governance Statement continued

Division of Responsibilities

Board and Committee composition as at the date of this report:

Board

- Robert Hingley (Chairman)
- Antonia Burgess (appointed as Senior Independent Director on 1 April 2022)
- Jonathan Thompson
- Isabel Robins (appointed 14 March 2022)
- Steven Wilderspin (appointed 10 January 2023)

Committees

Nomination

- Robert Hingley (Chair)
- Isabel Robins (appointed 1 April 2022)
- Antonia Burgess

Remuneration

- Antonia Burgess (Chair) (appointed 1 December 2022)
- Jonathan Thompson
- Steven Wilderspin (appointed 10 January 2023)

Audit

- Jonathan Thompson (Chair)
- Isabel Robins (appointed 1 April 2022)
- Steven Wilderspin (appointed 10 January 2023)

Risk

- Antonia Burgess (Chair)
- Jonathan Thompson
- Isabel Robins (appointed 1 April 2022
- Steven Wilderspin (appointed 10 January 2023)

ESG

- Isabel Robins (Chair) (appointed 1 April 2022)
- Antonia Burgess
- Steven Wilderspin (appointed 10 January 2023)

Market Abuse Regulation

- Any two Independent Non-executive Directors

Property Valuation

- Isabel Robins (Chair) (appointed 28 September 2022)
- Jonathan Thompson
- Antonia Burgess

As at the date of the report, the Board comprised five Non-executive Directors. Their biographical details are on pages 38 to 39.

Changes to the composition of the committees during the year are described in the Nomination Committee Report on page 50.

Chairman and Senior Independent Director

The Chairman, Robert Hingley, is responsible for the leadership of the Board's business and setting its agenda, together with the promotion of a culture of openness and debate, and for ensuring that the Directors receive accurate, timely, and clear information and that there is adequate time available for the discussion of agenda items at each Board meeting. The Chairman is deemed by his fellow Board members to be independent in character and judgement, and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. He has no significant commitments other than those disclosed in his biography on page 38.

Antonia Burgess was appointed Senior Independent Director on 1 April 2022 following Monique O'Keefe's retirement from the Board on 31 March 2022. The Senior Independent Director works closely with the Chairman, acting as a sounding board when necessary and serves as an intermediary for the other Directors and shareholders, and takes the lead in the annual evaluation of the Chairman by the Directors.

A schedule of responsibilities of the Chairman and the Senior Independent Director is available on the Company's website.

Committees of the Board

At year end, the structure included an Audit Committee, a Risk Committee, a Property Valuation Committee, a Remuneration Committee, a Nomination Committee, an Environmental, Social and Governance Committee, and a Market Abuse Regulation Committee.

The terms of reference for the Board Committees, including their duties, are available on the Company website at www.phoenixspree.com. The terms of reference are reviewed annually by the respective Committees, with any changes recommended to the Board for approval.

Management Engagement Committee

It was agreed and disclosed in the Company's 2020 Annual Report that the role of the Management Engagement Committee to consider the performance of the Property Advisor and other third-party service providers, the terms of their engagement, including the fees payable to them, and their continued appointment was subsumed into the Board agenda. The Board felt that all Directors would have a crucial view on the Property Advisor, and other key service providers, that should be captured. Therefore, it was agreed to avoid duplication and subsume the role of the Management Engagement Committee into the Board agenda rather than appoint all Directors as members of the Committee.

Property Valuation Committee

The Property Valuation Committee is responsible for reviewing the property valuations prepared by the Valuation Agent and any further matters relating to the valuation of the Portfolio. The Property Valuation Committee met twice during the year with the Valuation Agent and the Property Advisor in attendance, to review the outcomes of the valuation process throughout the year and discuss:

- the valuation methodology;
- the sociodemographic and residential market overview; and
- the detail of each semi-annual valuation.

The Committee reported to the Board its findings on the property valuation and the Committee was satisfied with the independent valuation report and values associated with all properties of the Group.

Environmental, Social and Governance Committee

The ESG Committee meets no less than twice a year. It is responsible for approving a strategy for discharging the Company's ESG Strategy, overseeing the creation of appropriate policies and supporting measures along with monitoring compliance with such policies. The Committee also ensures that the policies are regularly reviewed and updated in line with national and international regulations.

The ESG Committee has responsibility for deciding upon which environmental guidelines to follow and report against, with the Audit Committee overseeing how this is reported upon in the Annual Report and Financial Statements.

The Board has appointed an independent ESG consultant to support the Company in implementing its ESG policy and strategy. Further details on the Company's ESG policy and strategy can be found in the corporate responsibility report on page 24 to 33.

Risk Committee

The Risk Committee is comprised of Independent Non-executive Directors and meets no less than twice a year and, if required, meetings can also be attended by the Property Advisor. The Risk Committee is responsible for advising the Board on the Company's overall risk appetite, tolerance, and strategy. The Risk Committee oversees and advises the Board on the current risk assessment processes, ensuring that both qualitative and quantitative metrics are used.

The Committee, in conjunction with the Property Advisor, who also carry out their own service provider evaluation, reviews the adequacy and effectiveness of the Group's (and its service providers') internal financial controls and internal control and risk management systems and reviews and approves the statements to be included in the Annual Report concerning internal controls and risk management. During the year, the Committee reviewed reports from the Company's service providers in respect of their policies on the prevention of market abuse, cyber-crime, anti-bribery, General Data Protection Regulation (GDPR), whistleblowing and their compliance with the UK Criminal Finances Act 2017.

The Committee is also responsible for oversight and advice to the Board on the current risk exposures and future risk strategy of the Company. The Company has in place a risk register to manage and track identified risks and uncertainties and potential emerging risks that the Committee believes the Company is exposed to. For each risk, the Committee considers, inter alia, the impact on the Company achieving its investment strategy along with the nature and extent of the risk, mitigants and any driving factors which may increase the risk. The level of residual risk determined as part of this analysis assists the Board (on the Risk Committee's recommendation) to determine whether it is within the Company's appetite and any actions needed to be taken. The register is reviewed at least twice a year by the Committee.

During the year, the Committee carried out a robust assessment of the principal risks, emerging risks and principal uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The result of this review, the potential impact of each type of risk identified and the mitigants put in place are set out in the 'Principal Risks and Uncertainties' section of the Annual Report on pages 34 to 37.

The Committee also reviewed the appropriateness of the disclosure of risk-related matters in the Annual Report and Financial Statements.

Audit Committee

The membership and activities of the Audit Committee are described in its report on pages 53 to 55.

Nomination Committee

The membership and activities of the Nomination Committee are described in this report on pages 50 to 51.

Remuneration Committee

The Remuneration Committee deals with matters of Directors' remuneration. In particular, the Committee reviews and makes recommendations to the Board regarding the ongoing appropriateness and relevance of the Remuneration Policy and Directors' fee levels and considers the need to appoint external remuneration consultants.

An overview of the Remuneration Committee's responsibilities is set out in the Directors' Remuneration Report and policy on pages 56 to 58.

Division of Responsibilities

Market Abuse Regulation Committee

The Market Abuse Regulation Committee comprises any two Directors and its responsibilities are to identify inside information when it arises, understand and ensure compliance with the Company's disclosure obligations in respect of such inside information, understand and ensure compliance with the record-keeping and notification obligations of the Company in respect of inside information, and take reasonable steps to ensure that individuals on the insider list are aware of their legal obligations in respect of insider dealing, unlawful disclosure and market manipulation.

Board and Committee meetings

The Company holds a minimum of four Board meetings per year to discuss strategy, general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts, performance and ESG matters. The reports provided by the Company's service providers are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls, which are supplemented by communication and discussions throughout the year. Representatives of the service providers, including the Property Advisor, attend each quarterly Board meeting to present their reports to the Directors.

The table below sets out the number of scheduled meetings of the Board and Committees held during the year ended 31 December 2022 and the attendance of individual Directors.

	Quarterly Board		Audit		Risk	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	4	4	–	–	–	–
I Robins*	4	4	4	4	1	1
J Thompson	4	4	5	5	2	2
M O'Keefe**	1	1	2	2	1	1
A Burgess	4	4	2	2	2	2
G Branch***	2	2	3	3	1	1

	Property Valuation		Nomination		ESG	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	–	–	3	3	–	–
I Robins*	2	2	1	1	1	1
J Thompson	4	4	–	–	–	–
M O'Keefe**	–	–	2	2	1	1
A Burgess	4	4	3	3	2	2
G Branch***	4	3	–	–	1	1

	Remuneration		Market Abuse Regulation (any two Non-executive Directors)	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	–	–	2	2
I Robins*	–	–	3	3
J Thompson	–	–	3	3
M O'Keefe**	1	1	1	1
A Burgess	1	1	3	3
G Branch***	1	1	2	2

* Isabel Robins was appointed to the Board on 14 March 2022.
** Monique O'Keefe retired from the Board on 31 March 2022.
*** Greg Branch died on 22 August 2022.

During the year, five additional Board meetings were held. These meetings were in respect of the Erkner development; the bi-annual review and final approval of property valuations; the approval of the Annual Report and Financial Statements; and the appointment of an interim Audit Committee member.

Information and support for Directors

The Chairman, in conjunction with the Company Secretary, ensures that all new Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Group's activities and structure.

Upon appointment, new Directors are briefed about their responsibilities and duties and provided with an induction pack containing relevant information about the Company, its constitutional documents, terms of reference, policies, processes and procedures.

New Directors are also provided with an opportunity to meet representatives of the Property Advisor and administrator of the Company.

The Board has a continued professional development programme to assist the Directors in complying with mandatory requirements set by the Jersey Financial Services Commission. This programme entails the Company's service providers and/or appropriate third parties presenting to the Directors on key topics such as:
- Directors' continuing obligations under the Listing Rules;
- Jersey economic substance;
- The UK Criminal Finances Act;
- GDPR and cyber security;
- Jersey anti-money laundering, combating the financing of terrorism, and countering of proliferation financing legislation; and
- German residential law and regulations.

The Directors are also encouraged to attend industry and other seminars covering issues and developments relevant to investment companies, and Board meetings regularly include agenda items on recent developments in governance and industry issues.

All Directors can take independent professional advice at the Group's expense in the furtherance of their duties, if necessary.

Company Secretary

All Directors have direct access to the advice of the Company Secretary. The Company Secretary is responsible for supporting the Board to ensure it has the policies, processes, information, time and resources it needs to function effectively and efficiently and for ensuring that such policies and procedures are followed. Under the guidance of the Chairman, the Company Secretary ensures that appropriate and timely information flows between the Board, the Committees and the Directors. It facilitates inductions to new Directors and the provision of additional information where required and appropriate.

Corporate Governance Statement continued
Composition, succession, and evaluation

Nomination Committee report
The Nomination Committee is responsible for a number of matters pertaining to the structure, size and composition of the Board, succession planning in respect of Board members and performance evaluation of the Board, its committees and Board members.

Composition
The Nomination Committee is chaired by Robert Hingley with Antonia Burgess and Isabel Robins as members, all of whom are considered independent. Monique O'Keefe was a member until she retired on 31 March 2022. The Board is satisfied that the Chair of the Committee has relevant experience and understanding of the Company. Robert Hingley does not chair the Committee when it is dealing with his succession.

Diversity
Diversity is an important consideration in ensuring that the Board and its Committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful Company.

Board diversity, including, but not limited to, gender, ethnicity, professional and industry specific knowledge and expertise, understanding of geographic markets and different cultures, is taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. Board appointments are made based on merit and calibre with the most appropriate candidate, who is the best fit for the Company, being nominated for appointment and as a result no measurable targets in relation to Board diversity have been set. At the date of this report, the Board consists of three men and two women. The Committee believes the Directors provide, individually and collectively, the breadth of skill and experience to successfully manage the Company.

The Committee notes the new recommendations of the FTSE Women Leaders Review and the Parker Review on gender and diversity, as well as the Financial Conduct Authority (FCA) rules on diversity and inclusion on company boards. Namely, that from accounting periods starting on or after 1 April 2022:

a) at least 40% of individuals on the Board to be women;
b) at least one senior Board position to be held by a woman; and
c) at least one individual on the Board to be from a minority ethnic background.

The Committee continues to develop its succession plan in line with these recommendations, noting that both (a) and (b) are currently satisfied. There are two female Directors on the Board and one of these, Antonia Burgess, holds the role of Senior Independent Director.

As a Jersey resident Company, the Board must comprise at least two Jersey resident directors and each Board meeting should be held with a majority of directors present in Jersey. This affects the Company's ability to source ethnically diverse directors. The 2021 census of the population of Jersey showed that, of a population of 103,297, only 4.1% were from a minority ethnic background. This should be compared with England and Wales which had a population of 66.8 million in 2019 (2019 being the latest ethnic data to be released for England and Wales), of which 15.2% were from a minority ethnic background.

In accordance with Listing Rule 9 Annex 2.1, the below tables, in the prescribed format, show the gender and ethnic background of the Directors as at 31 December 2022:

Gender identity	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	3	60%	1
Women	2	40%	1
Not specified/prefer not to say	–	–	–

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other white (including minority white groups)	5	100%	2
Mixed/multiple ethnic groups	–	–	–
Mixed/multiple ethnic	–	–	–
Black/African/Caribbean/British	–	–	–
Other ethnic group including Arab	–	–	–
Not specified/prefer not to say	–	–	–

The data in the above tables were collected through self-reporting by the Directors.

Tenure and succession planning

The Board's policy regarding tenure of service, including in respect of the Chair, is that any decisions regarding tenure will balance the need to provide and maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to maintain an appropriate mix of the required skills, experience, age and length of service.

The Board does not consider that lengthy service in itself necessarily undermines a Director's independence, nor that each Director, including the Chair, should serve for a finite fixed period. In particular, given the long-term nature of the Company's assets, the Board may regard a longer tenure of service as being necessary and desirable. However, a succession plan is in place to allow, subject to re-election, for a staged rotation of Directors to ensure the continuity and stability of experience remains.

In line with corporate governance best practice as set out in the AIC Code, all Directors seek annual re-election at the Company's Annual General Meetings.

On an annual basis, the Nomination Committee reviews the composition of the Board and its Committees, taking into account the above-mentioned needs and each Director's performance and ability to meet the ongoing commitments of the Company. This review is balanced against the succession plan of the Company to enable the Board to make the appropriate recommendation for each Director's re-election to the Board and its Committees.

Prior to appointment to the Board, a Director must disclose existing significant commitments and confirm that they are able to allocate sufficient time to the business of the Company. In addition, a Director must consult with the Chairman or Senior Independent Director from time to time prior to taking on any new listed, conflicted, time-consuming or otherwise material board appointments and promptly notify the Company Secretary of any new Board appointments that they take on. On an annual basis, through the Board's internal evaluation, as described below, each Director's continuing ability to meet the time requirements of the role is assessed by considering, amongst other things, their attendance at Board, Committee and other ad-hoc meetings and events of the Company held during the year, as well as the nature and complexity of other, both public and private, roles held.

Directors' attendance at all Board and Committee meetings held during the year is detailed on pages 48 to 49. None of the Directors holds an executive position of a public company or chairs a public operating company.

The Committee believes all the Directors have sufficient time to meet their Board responsibilities.

Board evaluation

In accordance with the AIC Code, the Company undertakes an annual evaluation of the Board, its committees, the Chairman, and its Directors.

An external evaluation is undertaken every three years, with the next due in 2024. In the intervening years, the Board conducts an internal evaluation by means of a questionnaire. The aim of the evaluation is to recognise strengths, address any weaknesses, and consider improvements to the Board process. The evaluation is designed to ensure that the Board meets its objectives and effectiveness is maximised.

The evaluation focuses on:
- the frequency of meetings and the business transacted;
- workload;
- diversity, and how effectively Board members work together;
- the timing, level of detail and appropriateness of information;
- delegation and the reporting process from Committees to the Board;
- the levels of expertise available; and
- the effectiveness of internal controls.

Each Director engages with the process and takes appropriate action where development needs have been identified.

The Board undertook its 2022 internal performance evaluation, which was led by the Nomination Committee and designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman, and individual Directors.

The evaluation of the Chairman was carried out by the Directors of the Company and led by the Senior Independent Director. The results of the 2022 Board evaluation process were reviewed and discussed by the Nomination Committee and subsequently by the Board.

Based on the results and the recommendations of the Nomination Committee, the following areas will be of focus in the next financial year:
- Managing the discount to NAV;
- Identifying relevant Director training topics; and
- Streamlining the timing of the delivery of packs for quarterly Board and committee meetings.

Corporate Governance Statement continued
Composition, succession, and evaluation

Re-election
All newly appointed Directors stand for election by the shareholders at the next AGM following their appointment. There are provisions in the Company's Articles of Association which require Directors to seek re-election at the AGM held in the third calendar year following the year in which they were elected or last re-elected. Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGM, in accordance with the AIC Code. The AGM circular issued to shareholders will set out sufficient biographical details and specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success in order to enable shareholders to make an informed decision.

Following the sudden death of Mr. Greg Branch, the Company engaged Thomas & Dessain Limited, an independent external executive recruitment company based in Jersey, to assist with identifying a suitable replacement for Greg. Mr. Steven Wilderspin was shortlisted and identified as a suitable candidate during the recruitment process, which included interviews with the Board and Property Advisor on separate occasions. Mr. Wilderspin was appointed to the Board on 10 January 2023.

On appointment to the Board, Mr. Wilderspin was appointed to the Audit Committee, Risk Committee, Remuneration Committee and the ESG Committee.

Mr. Wilderspin will be standing for election at the 2023 AGM.

All other Directors will be standing for re-election.

Taking into account matters considered above, the Board strongly recommends the election/re-election of each Director standing for election/re-election on the basis of their experience and expertise, their independence, capacity and continuing effectiveness and commitment to the Company.

Audit, risk and internal control
The Company's approach to compliance with the AIC Code in respect of audit is set out in the Audit Committee Report on pages 53 to 55.

The Company's approach to compliance with the AIC Code in respect of risk and internal control is described under 'Division of Responsibilities, Risk Committee' on page 47.

Remuneration
The Company's approach to compliance with the AIC Code in respect of remuneration is set out in the Directors' Remuneration Report on pages 56 to 58.

Audit Committee Report
Audit, Risk, and Internal Control

This report provides details of the role of the Audit Committee and the duties it has undertaken during the year under review.

Composition of the Audit Committee
The Audit Committee is chaired by Jonathan Thompson, with Isabel Robins and Antonia Burgess as members during the year. Jonathan was appointed Chair of the Committee upon his appointment to the Board on 24 January 2018, with Isabel replacing Monique O'Keefe with effect from 1 April 2022, following her retirement from the Board. By following good governance practices and to ensure the Committee meets its quorum requirements, the Board agreed that Antonia Burgess be appointed to the Committee, with effect from 21 September 2022 on an interim basis to replace Greg Branch following his death, and until such time as a permanent replacement could be identified. The qualifications and experience of the members of the Audit Committee during the financial year are set out in their biographical details on pages 38 to 39. The Board considers that the Committee Chair, a chartered accountant, has recent and relevant experience as required by the provisions of the AIC Code. Antonia Burgess was replaced by Steven Wilderspin who joined the Committee on 10 January 2023 following his appointment to the Board.

Meetings
The Audit Committee is scheduled to meet no less than twice a year and, if required, meetings can also be attended by the Property Advisor, the Company Secretary and the external auditor. The external auditor is not present when their performance and/or remuneration is discussed. The number of Committee meetings held, and attendance of the members is detailed on pages 48 to 49.

Summary of the role of the Audit Committee
The Audit Committee is responsible for reviewing the half-year and Annual Report and Financial Statements and recommends them to the Board for approval. The role of the Audit Committee includes:
Monitoring the integrity of the Annual Report and Financial Statements of the Group, covering:
- formal announcements relating to the Group's financial performance;
- significant financial reporting issues and judgements;
- review of the Company's going concern and viability statements;
- matters raised by the external auditors;
- the appropriateness of accounting policies and practices;
- reviewing and considering the AIC Code and FRC Guidance with respect to the Financial Statements;
- monitoring the quality and effectiveness of the independent external auditors, which includes:
  - meeting regularly to discuss the audit plan and the subsequent audit report;
  - developing a policy on the engagement of the external auditor to supply non-audit services and considering the level of fees for both audit and non-audit services;
  - reviewing independence, objectivity, expertise, resources and qualification; and
  - conducting the tender process and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the external auditors.
- reviewing the Group's procedures for prevention, detection and reporting of fraud, bribery and corruption; and
- monitoring and reviewing, in conjunction with the Risk Committee, the internal control and risk management systems of the service providers.

The ESG Committee has responsibility for deciding upon which environmental guidelines to follow and report against, and the Audit Committee oversees how this is reported upon in the Annual Report and Financial Statements.

The Audit Committee's full terms of reference can be obtained from the Company's website www.phoenixspree.com.

Financial reporting
The Audit Committee reviewed the Company's Annual Report and Financial Statements to conclude whether it is fair, balanced, understandable, comprehensive, consistent with prior years and how the Board assesses the performance of the Company's business during the financial year, as required by the AIC Code.

As part of this review, the Committee considered whether the Annual Report and Financial Statements provided the information necessary to enable shareholders to assess the Company's position and performance, strategy and business model, and reviewed the description of the Company's key performance indicators as well as updating the governance section of the Annual Report.

The Committee presented its recommendations to the Board, and the Board concluded that it considered the Annual Report and Financial Statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders.

Audit Committee Report continued
Audit, Risk, and Internal Control

Monitoring the significant issues related to the Financial Statements, Viability and Going Concern
After discussions with the Property Advisor and the external auditor, the Committee determined that the key risk of material misstatement of the Company's Financial Statements was in relation to the valuation of investment property.

Valuation of investment property	Mitigation
A significant focus for the Audit Committee is the valuation of the Group's property portfolio carried out at half year in June and at the financial year end in December each year, as this is a key determinant of the Group's IFRS NAV, EPRA NTA, its profit or loss and the Property Advisor's remuneration.	The Group has appointed Jones Lang LaSalle (JLL) to act as the Independent Property Valuer ('the valuer'). The Audit Committee is satisfied that the valuer is independent and that it conducts its work in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (RICS). The Property Valuation Committee reviews the valuer's report, the methodology adopted, and the assumptions incorporated to assess the adequacy of the valuation. They also meet the independent valuers JLL as part of the valuation review.

External audit
Assessing the effectiveness of the external audit process
The Audit Committee reviews the effectiveness of the external audit carried out by the Auditor on an annual basis, considering performance, objectivity, independence, relevant experience and materiality. To assess the effectiveness of the external auditor, the Committee considered:
- the external auditor's fulfilment of the agreed audit plan and variations from it, if any;
- the external auditor's report to the Committee highlighting any issues that arose during the audit; and
- feedback from the Property Adviser, accountants and Administrator evaluating the performance of the audit team.

Audit partners are subject to mandatory rotation every five years. As RSM UK Audit LLP were appointed in 2014, a new audit partner, Graham Ricketts, was introduced for the 2019 Financial Statement audit process.

The Chair of the Committee maintained regular contact with the Company's audit partner throughout the year and met him prior to the finalisation of the audit of the 2022 Annual Financial Statements, without the Property Advisor present, to discuss how the external audit was carried out, the findings from the audit, and whether any issues had arisen from the Auditor's interaction with the Company's various service providers.

In addition, the Auditor attended Audit Committee meetings throughout the year, which allowed the Auditor the opportunity to challenge management's judgement and discuss any matters it wished to raise. During these meetings, the Auditor demonstrated its understanding of the Company's business risks and the consequential impact on the risks included in the Financial Statements.

As part of the audit planning process, the audit partner met the Audit Committee chair and the Property Advisor to discuss the risk profile of the business. The audit plan was presented to and approved by the Audit Committee in December 2022. The audit partner met again the chair of the Audit Committee in March 2023 to discuss their draft audit report and opinion prior to the release of the accounts.

Audit and non-audit fees
The following table summarises the remuneration paid to RSM UK Audit LLP for audit and non-audit related services during the year ended 31 December 2022:

	2022 **£**	2021 £
Audit	**205,000**	199,000
Agreed upon procedures – interim report	**29,000**	26,000
Total	**234,000**	225,000

Independence and objectivity
The Audit Committee has considered the independence and objectivity of the Auditor and has conducted a review of non-audit services which the Auditor has provided during the year under review. The Audit Committee receives an annual assurance from the Auditor that its independence is not compromised by the provision of such non-audit services.

The Audit Committee is satisfied that the Auditor's objectivity and independence is not impaired by the performance of these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders.

Audit tendering

The Committee considered whether the audit appointment should be put out to tender. In doing so, it considered both the performance of the current auditor and the likely costs and potential benefits of change.

RSM UK Audit LLP has been the Company's auditor since 2014, given the length of tenure the Audit Committee has recommended to the Board to commence with an audit tender process following the publication of the 2022 annual Financial Statements. Following the consideration of the performance of the Auditor, the services provided during the year, and a review of its independence and objectivity, the Audit Committee has concluded that RSM should be included as part of the audit tender process along with two other potential audit firms. The successful audit firm's appointment following the completion of the audit tender process, will be put to shareholder vote at the Company's upcoming AGM on 28 June 2023.

Going forward, the Committee will continue to keep the audit appointment under review, having regard to requirements for audit tendering.

Group policy on the provision of non-audit services by the auditor

The Committee has an established policy for the commission of non-audit work from the Group's auditor.

The external auditor is excluded from providing non-audit services to the Group where the objectives of such assignments are inconsistent with the objectives of the audit. No work is awarded to the Auditor which would result in an element of self-review, either during the work or via the audit itself. Additionally, the external auditor is excluded from providing any services to the Property Advisor.

The Committee will continue to approve all non-audit fees prior to the work commencing and review the non-audit fees in aggregate for the year.

Risk management and internal control

Details of how the Risk Committee oversees and advises the Board on the current risk assessment processes is set out on page 47 and of its assessment of the principal and emerging risks is set out on pages 34 to 37.

Jonathan Thompson
Chair of the Audit Committee
28 March 2023

Directors' Remuneration Report
Remuneration

Statement from the Chair of the Remuneration Committee
As set out on page 46 of the Corporate Governance Statement, the Remuneration Committee comprised Antonia Burgess (Chair) and Jonathan Thompson. Monique O'Keefe was Chair of the Committee until her retirement on 31 March 2022 and Greg Branch was a member of the Committee until his death on 22 August 2022. Steven Wilderspin joined the Committee on 10 January 2023. The Committee is responsible for setting the Directors' remuneration levels, including in respect of the Chairman, with consideration of the following:
- levels of Directors' remuneration should reflect the time commitment and responsibilities of the role;
- Non-executive Directors' remuneration should not include share options or other performance-related elements;
- careful consideration should be given to what compensation commitments entail in the event of early termination of a Director's appointment;
- contract notice periods should be set at one year or less;
- no Director should be involved in deciding his or her own remuneration;
- consideration of remuneration in other companies of comparable scale and complexity; and
- independent judgement and discretion should be exercised when authorising remuneration outcomes, taking account of Company and individual performance and wider circumstances.

In the year under review, and with effect from 1 January 2022, it was agreed that the Jersey resident Non-executive Directors' annual fee be increased with £5,000.

As detailed in its Terms of Reference, a copy of which is available on the Company's website, the Committee has full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company. The Committee is also responsible for reviewing the ongoing appropriateness and relevance of the Director's Remuneration Policy.

The Directors' Remuneration Report provides details on remuneration in the year. Although it is not a requirement under Companies (Jersey) Law 1991 to have the Directors' Remuneration Report or the Directors' Remuneration Policy approved by shareholders, the Board believes that, as a company whose shares are listed on the London Stock Exchange, it is good practice for it to do so. The Directors' Remuneration Policy will be put to shareholder vote at least once every three years and, in any year if there is to be a change in the Directors' Remuneration Policy. Since the current Remuneration Policy was last approved by shareholders in 2020, it will again be put forward for shareholder approval at this year's AGM scheduled for 28 June 2023.

A resolution will also be put to shareholders at the Company's upcoming AGM to receive and approve the Directors' Remuneration Report.

This report is not subject to audit.

Voting at 2022 Annual General Meeting
The Directors' Remuneration Report for the year ended 31 December 2021 was approved by shareholders at the AGM held on 15 June 2022. The votes cast by proxy were as follows:

	Directors' Remuneration Report	
	Number of votes cast	% of votes cast
For	50,503,196	99.93%
Against	34,033	0.07%
At Chairman's discretion	–	0%
Total votes cast	50,537,229	100%
Number of votes withheld	197,039	–

Directors' remuneration for the year ended 31 December 2022

The fees paid to the Directors for the year ended 31 December 2022 (and prior year) are set out below:

	2022			2021		
Audited	**Director's fee £**	**Expenses £**	**Total £**	Director's fee £	Expenses £	Total £
R Hingley	**50,000**	**1,276**	**51,276**	50,000	–	50,000
M O'Keefe*	**11,250**	**–**	**11,250**	40,000	–	40,000
Q Spicer**	**–**	**–**	**–**	17,562	–	17,562
I Robins***	**36,000**	**755**	**36,755**	–	–	–
J Thompson	**45,000**	**1,698**	**46,698**	45,000	415	45,415
A Burgess	**45,000**	**932**	**45,932**	40,000	–	40,000
G Branch****	**33,750**	**–**	**33,750**	40,000	–	40,000
Total	**221,000**	**4,661**	**225,661**	232,562	415	232,977

* Monique O'Keefe retired from the Board with effect from 31 March 2022.
** Quentin Spicer retired from the Board at the AGM on 8 June 2021.
*** Isabel Robins was appointed to the Board with effect from 14 March 2022.
**** Greg Branch died on 22 August 2022.

Relative importance to spend on pay

The table below sets out, in respect of the year ended 31 December 2022:

a) the remuneration paid to the Directors; and
b) the distributions made to Directors by way of dividend.

	31 December 2022 £'000	31 December 2021 £'000	Change %
Directors' remuneration	**226**	233	(3.4)
Dividends paid to Directors	**1**	3	–

Directors' interests

There is no requirement under the Company's Articles of Association for the Directors to hold shares in the Company. At 31 December 2022, the interest of the Directors in the ordinary shares of the Company are set out below:

	31 December 2022	31 December 2021
Robert Hingley	**5,150**	5,150
Jonathan Thompson	**7,337**	7,337

There have been no changes to the interests of the existing Directors between 31 December 2022 and the date of this report.

Remuneration policy
A resolution to approve the Directors' Remuneration Policy was proposed and passed at the Company's AGM held on 29 May 2020. The Remuneration Policy provisions set out below will apply until they are next put to shareholders for renewal of that approval which, as explained above, will take place in any year where there is to be a change to the policy and, in any event, at least once every three years.

In accordance with the AIC Code, no Director is involved in deciding his/her own remuneration.

The Group's policy, designed to support strategy and promote long-term sustainable success of the Company, is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Group properly and to reflect its specific circumstances. With effect from 1 January 2022, the Jersey based Non-executive Directors received a £5,000 fee increase to better reflect their workload in relation to performing additional director duties to the Company's respective Jersey domiciled subsidiaries.

The aggregate of all the Directors' remuneration is subject to an annual cap of £400,000 or such higher amount as may from time to time be determined by ordinary resolution of the Company in accordance with the Company's Articles of Association and shall be reviewed annually.

Any Director who holds any office with the Company, or any subsidiary of the Company (including for this purpose the office of Chairman or deputy Chairman whether or not such office is held in an executive capacity), or who serves on any committee of the Directors, or who is involved in ad-hoc duties beyond those normally expected as part of their appointment, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine. Any additional remuneration will not be 'variable' in that it will not be linked to the performance of the Company.

The Company may pay on behalf of, or repay to, any Director all such reasonable expenses as he/she may incur in attending and returning from meetings of the Directors or of any Committee of the Directors or Shareholders' meetings or otherwise in connection with the business of the Company.

Directors' fee levels
The Board has set three levels of fees: one for the Chairman, one for the Directors, and an additional fee that is paid to the Director who chairs the Audit Committee. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed will be determined on the same basis. The basic and additional fees payable to Directors in respect of the year ended 31 December 2022 and the expected fees payable in respect of the year ending 31 December 2023 are set out in the table below:

	Expected annual fee for the year to 31 December 2023 £	Annual fees for the year to 31 December 2022 £
Chairman	**50,000**	50,000
Chair of the Audit Committee	**45,000**	45,000
Non-executive Directors	**40,000**	40,000
Additional Jersey-resident Director's fee[1]	**5,000**	5,000
Total remuneration paid to Directors	**230,000**	230,000

1 Jersey resident directors also act as directors on the Jersey subsidiaries.

Approval
The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Antonia Burgess
Chair of the Remuneration Committee
28 March 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare Group Financial Statements for a period of not more than 18 months in accordance with generally accepted accounting principles. The Directors have elected under Jersey company law to prepare the Group Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and are required under the Listing Rules of the Financial Conduct Authority to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards.

The Financial Statements of the Group are required by law to give a true and fair view of the state of the Group's affairs at the end of the financial period and of the profit or loss of the Group for that period and are required by international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group.

In preparing the Group Financial Statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted International Accounting Standards; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Group's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group Financial Statements comply with the requirements of the Companies (Jersey) Law 1991, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted International Accounting Standards. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 38 to 39 confirm that, to the best of each person's knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Phoenix Spree Deutschland Limited website.

Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Approval

The Statement of Directors' Responsibilities was approved by the Board and signed on its behalf by:

Antonia Burgess
Director
28 March 2023

Independent Auditor's Report

to the Members of Phoenix Spree Deutschland Limited

Opinion

We have audited the financial statements of Phoenix Spree Deutschland Limited and its subsidiaries (the "group") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Separate opinion in relation to UK-adopted International Accounting Standards

As explained in note 2 to the financial statements, the Group in addition to complying with its legal obligation to apply international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, has also applied UK-adopted International Accounting Standards.

In our opinion the financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with UK-adopted International Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	Valuation of investment property
Materiality	Overall materiality: €7,750,000 (2021: €8,010,000) Performance materiality: €5,810,000 (2021: €6,010,000)
Scope	Our audit procedures covered 100% of revenue, total assets and loss before taxation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties held by the group

Key audit matter description	The group owns a portfolio of residential and commercial investment properties. The total value of the portfolio reported in the financial statements at 31 December 2022 was €775.9 million (2021: €801.5 million), including properties designated as held for sale. These properties are all in Germany and predominately in Berlin. The accounting policy in respect of investment properties is to hold them at fair value in the financial statements, and to recognise the movement in the value in the accounting period in the Income Statement. The group has appointed an independent valuation expert ("the valuer") in determining the fair value of the investment properties at 31 December 2022. €770.6 million (2021: €801.5 million) are held at fair value based on external valuation reports and €5.3 million (2021: nil) at directors' valuation. The valuation of investment properties involves the use of assumptions and judgements and the group's approach to the risks associated with valuation of investment properties is detailed in the Audit Committee report on pages 53 to 55; the significant accounting judgements and estimates on page 78; significant accounting policies on pages 71 to 77 and notes 16 and 17 to the Financial Statements on pages 82 to 85. The audit risk relating to the valuation of investment properties at the year-end date is considered to be one of most significance in the audit and was therefore determined to be a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity of the valuation process.

How the matter was addressed in the audit	Our audit work included: • Assessing the valuer's qualifications, expertise and terms of engagement and assessing their independence and objectivity. • Auditing on a sample basis the inputs provided by the Property Advisor to the valuer and checking that these were consistent with the underlying accounting records. • Assessing the challenge provided by the Property Valuation Committee of the Board to the valuation. • Obtaining a confirmation and land registry documents from the Group's solicitors to confirm the existence and ownership of all properties. • Identifying the largest properties by value, and the properties where there were unusual movements in value compared to the average or the previous year and discussing and challenging the valuation of these properties with the valuer, as well as obtaining evidence to support the explanations received. • Challenging the valuer on the appropriateness of key assumptions in the valuation, including specific discussion of increases in value outside of an average range, reductions in property values, uplifts for condominiumisation and densification. • Engaging an independent auditor's expert to assist us in challenging assumptions made by the valuer and directors in respect of the Berlin property market.
Key observations	Disclosure of the impact of the key judgements and estimates applied in respect of the valuation of investment properties is given in note 16 to the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality	€7,750,000 (2021: €8,010,000)
Basis for determining overall materiality	1% of property valuation (2021: 1% of property valuation)
Rationale for benchmark applied	We determined that key users of the Group's financial statements are primarily focused on the valuation of the Group's investment properties.
Performance materiality	€5,810,000 (2021: €6,010,000)
Basis for determining performance materiality	75% of overall materiality (2021: 75% of overall materiality)
Reporting of misstatements to the Audit Committee	Misstatements in excess of €193,000 (2021: €200,000) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit scope covered 100% of group revenue, group loss before tax and total group assets and was performed to the materiality levels set out above.

All audit work was completed by the group audit team and no component auditors were used in our audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of management's going concern evaluation
- assessing the information used in the going concern assessment for consistency with management's plans and information obtained through our other audit work
- challenging the major assumptions in management's forecasts, being the level of rents receivable, expenses, capital expenditure, dividends and sales of condominiums
- checking the integrity and mathematical accuracy of the forecasts
- evaluating management's sensitivity analysis
- reviewing the appropriateness of disclosures in respect of the going concern basis, including in the viability statement.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included gaining an understanding of their assessment of the underlying risks relating to going concern, the key facts and variables within that assessment and the judgements they applied in reaching their conclusion. We concluded that the directors' assessment was appropriate in the circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent Auditor's Report continued

to the Members of Phoenix Spree Deutschland Limited

In relation to entities reporting on how they have applied the AIC Code of Corporate Governance, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have failed to receive all the information and explanations which, to the bast of our knowledge and belief, was necessary for our audit.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the AIC Code of Corporate Governance specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 42;
- Directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why this period is appropriate set out on page 42;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on pages 42 to 43;
- Directors' statement on fair, balanced and understandable set out on page 43;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 47;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 47; and,
- The section describing the work of the audit committee set out on pages 53 to 55.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on 59, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:
- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group operates in and how the group is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected, or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS and Companies (Jersey) Law 1991; AIC Code of Corporate Governance; Listing and Transparency Rules	• Review of the financial statement disclosures and testing to supporting documentation. • Completion of disclosure checklists to identify areas of non-compliance. • Review of the financial statement disclosures by a specialist in Jersey company law.
Tax compliance regulations	• Inspection of advice received by the group from its tax advisers. • Inspection of correspondence with tax authorities in the jurisdictions in which the group operates.
The Codes of Practice for Certified Funds in Jersey	• Review by a specialist in Jersey regulatory compliance of the Company's compliance with local regulatory requirements in its country of incorporation, Jersey, specifically The Codes of Practice for Certified Funds. The review covered correspondence with the Jersey Financial Services Commission (JFSC), the breaches errors and complaints registers, compliance with CPD requirements, and the quarterly reports made by the compliance officer to the Board.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	• Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates, in particular in respect of investment property valuations, are indicative of a potential bias; and • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Valuation of Investment Properties	• Audit procedures performed on valuation of investment properties are outlined in the Key Audit Matter section of this audit report.

A further description of our responsibilities for the audit of the financial statements is included in appendix 1 of this auditor's report. This description, which is located at page 65, forms part of our auditor's report.

Independent Auditor's Report continued

to the Members of Phoenix Spree Deutschland Limited

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 16 December 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods.

The period of total uninterrupted consecutive appointment is 9 years, covering the years ending 31 December 2014 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In due course, as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Graham Ricketts
For and on behalf of RSM UK Audit LLP
Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

28 March 2023

Appendix 1: Auditor's responsibilities for the audit of the financial Statements

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard as applied to listed public interest entities, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Continuing operations			
Revenue	6	**25,934**	25,790
Property expenses	7	**(17,119)**	(16,082)
Gross profit		**8,815**	9,708
Administrative expenses	8	**(3,264)**	(3,447)
(Loss)/gain on disposal of investment property (including investment property held for sale)	10	**(185)**	1,518
Investment property fair value (loss)/gain	11	**(42,241)**	37,983
Performance fee due to Property Advisor	25	**343**	(343)
Operating (loss)/profit		**(36,532)**	45,419
Net finance charge (before gain/(loss) on interest rate swaps)	12	**(7,937)**	(7,482)
Gain on interest rate swaps	12	**26,920**	7,313
(Loss)/profit before taxation		**(17,549)**	45,250
Income tax credit/(expense)	13	**1,739**	(7,882)
(Loss)/profit after taxation		**(15,810)**	**37,368**
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(15,810)**	37,368
Total comprehensive income attributable to:		**(15,435)**	37,311
Owners of the parent		**(375)**	57
Non-controlling interests		**(15,810)**	**37,368**
Earnings per share attributable to the owners of the parent:			
From continuing operations			
Basic (€)	28	**(0.17)**	0.39
Diluted (€)	28	**(0.17)**	0.39

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	As at 31 December 2022 €'000	As at 31 December 2021 €'000
ASSETS			
Non-current assets			
Investment properties	16	**761,377**	759,830
Property, plant and equipment	18	**12**	20
Other financial assets at amortised cost	19	**828**	926
Derivative financial instruments	24	**16,036**	–
Deferred tax asset	13	**–**	1,722
		778,253	762,498
Current assets			
Investment properties – held for sale	17	**14,527**	41,631
Trade and other receivables	20	**10,068**	11,699
Cash and cash equivalents	21	**12,485**	10,441
		37,080	63,771
Total assets		**815,333**	**826,269**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	22	**820**	922
Trade and other payables	23	**15,130**	11,893
Current tax	13	**808**	512
		16,758	13,327
Non-current liabilities			
Borrowings	22	**311,264**	283,233
Derivative financial instruments	24	**–**	10,884
Deferred tax liability	13	**70,920**	75,198
		382,184	369,315
Total liabilities		**398,942**	**382,642**
Equity			
Stated capital	26	**196,578**	196,578
Treasury shares	26	**(37,448)**	(33,275)
Share-based payment reserve	25	**–**	343
Retained earnings		**254,049**	276,394
Equity attributable to owners of the parent		**413,179**	440,040
Non-controlling interest	27	**3,212**	3,587
Total equity		**416,391**	**443,627**
Total equity and liabilities		**815,333**	**826,269**

The Consolidated Financial Statements on pages 66 to 95 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Robert Hingley
Chairman
28 March 2023

Jonathan Thompson
Director
28 March 2023

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to the owners of the parent						
	Stated capital €'000	Treasury shares €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2021	**196,578**	**(17,206)**	**6,369**	**244,685**	**430,426**	**3,530**	**433,956**
Comprehensive income:							
Profit for the year	–	–	–	37,311	37,311	57	**37,368**
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**37,311**	**37,311**	**57**	**37,368**
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(7,435)	**(7,435)**	–	**(7,435)**
Performance fee	–	–	343	–	**343**	–	**343**
Settlement of performance fee using treasury shares	–	4,536	(6,369)	1,833	**–**	–	**–**
Acquisition of treasury shares	–	(20,605)	–	–	**(20,605)**	–	**(20,605)**
Balance at 31 December 2021	**196,578**	**(33,275)**	**343**	**276,394**	**440,040**	**3,587**	**443,627**
Comprehensive income:							
Loss for the year	–	–	–	(15,435)	(15,435)	(375)	**(15,810)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**(15,435)**	**(15,435)**	**(375)**	**(15,810)**
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(6,910)	**(6,910)**	–	**(6,910)**
Performance fee	–	–	(343)	–	**(343)**	–	**(343)**
Acquisition of treasury shares	–	(4,173)	–	–	**(4,173)**	–	**(4,173)**
Balance at 31 December 2022	**196,578**	**(37,448)**	**–**	**254,049**	**413,179**	**3,212**	**416,391**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
(Loss)/profit before taxation	**(17,549)**	**45,250**
Adjustments for:		
Net finance charge	**(18,983)**	169
Loss/(gain) on disposal of investment property	**185**	(1,518)
Investment property revaluation loss/(gain)	**42,241**	(37,983)
Depreciation	**8**	8
Performance fee due to property adviser (share-based payment)	**(343)**	343
Operating cash flows before movements in working capital	**5,559**	**6,269**
Increase in receivables	**(2,882)**	(1,320)
(Decrease)/increase in payables	**(463)**	2,875
Cash generated from operating activities	**2,214**	**7,824**
Income tax (paid)/received	**(521)**	163
Net cash generated from operating activities	**1,693**	**7,987**
Cash flow from investing activities		
Proceeds on disposal of investment property (net of disposal costs)	**21,010**	13,758
Interest received	**474**	1
Capital expenditure on investment property	**(16,437)**	(9,477)
Property additions	**(13,229)**	–
Disposals of property, plant and equipment	**–**	14
Net cash (used in)/generated from investing activities	**(8,182)**	**4,296**
Cash flow from financing activities		
Interest paid on bank loans	**(7,296)**	(6,699)
Loan arrangement fees paid	**(499)**	(1,044)
Repayment of bank loans	**(6,354)**	(4,059)
Drawdown on bank loan facilities	**33,765**	900
Dividends paid	**(6,910)**	(7,435)
Acquisition of treasury shares	**(4,173)**	(20,501)
Net cash generated from/(used in) financing activities	**8,533**	**(38,838)**
Net increase in cash and cash equivalents	**2,044**	**(26,555)**
Cash and cash equivalents at beginning of year	**10,441**	**36,996**
Exchange (losses)/gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of year	**12,485**	**10,441**

Reconciliation of Net Cash Flow to Movement in Debt

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Cashflow from increase/(decrease) in debt financing		**27,411**	(3,159)
Loan arrangement fees paid		**(499)**	(1,044)
Non-cash changes from increase/(decrease) in debt financing		**1,017**	809
Change in net debt resulting from cash flows		**27,929**	(3,394)
Movement in debt in the year		**27,929**	**(3,394)**
Debt at the start of the year		**284,155**	287,549
Debt at the end of the year	22	**312,084**	284,155

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 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 international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted international accounting standards.

The Consolidated Financial Statements are presented to the nearest €1,000.

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union and United Kingdom, that are relevant to its operations and effective for accounting periods beginning on 1 January 2022.

The Consolidated Financial Statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment property and financial assets and liabilities at fair value through profit or loss.

The preparation of the Consolidated Financial Statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

2.2 Going concern

The Directors have prepared projections for three years 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 for managing its capital and its risks are set out in the Strategic Report and in notes 3 and 30. 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 alongside its principal risks in its going concern assessment. Further information can be found in the Viability Statement on pages 42 to 43. 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

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 25. Due to the nature of the settlement of the performance fee, any movement in the amount payable at the year-end 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, JLL at each reporting date in accordance with the methodology described in note 16 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 – 4.50% to 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

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 12 months is accrued at the end of the year and presented as a current liability within borrowings.

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 at the weighted average cost of treasury shares up to the date of repurchase. 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 retained earnings.

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 and detailed in note 12.

The interest-rate swaps are valued by an independent third-party specialist. The market value calculation is based on the present value of the counterparty payments, the fixed interest, and the present value of the payments to be received, the floating interest.

Fixed interest rates on the swaps range from 0.775% to 1.287% with the floating interest based on three-month Euribor.

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 2022, as adopted by the European Union and United Kingdom:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
Amendments to IFRS 16 Leasing – COVID-19 Related Rent Concessions	Accounting periods beginning on or after 1 April 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Accounting periods beginning on or after 1 January 2022
Annual Improvements to IFRS Standards 2018-2020	Accounting periods beginning on or after 1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	Accounting periods beginning on or after 1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	Accounting periods beginning on or after 1 January 2022

Amendments to IFRS 16 Leasing – COVID-19 Related Rent Concessions

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

An extension was issued on 31 March 2021, which permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

The amendments do not impact on the current Financial Statements as no COVID-19 related rent concessions have been recognised.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Following the withdrawal of IAS 11 Construction Contracts, companies apply the requirements in IAS 37 when determining whether a contract is onerous. These requirements specify that a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits.

The amendments clarify that the 'costs of fulfilling a contract' comprise both:
- the incremental costs – e.g., direct labour and materials; and
- an allocation of other direct costs – e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments do not impact on the current Financial Statements as no onerous contracts exist during the reporting period.

Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent.

IFRS 9 Financial Instruments: This amendment clarifies that – for the purpose of performing the '10% test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16 Leases, Illustrative Example 13: The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. The amendments will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IAS 41 Agriculture: This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

The amendments to IFRS Standards 2018-2020 do not impact on the current Financial Statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:
- costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.

Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

The amendments to IAS 16 do not impact on the current Financial Statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)
In a May 2019 exposure draft, the IASB identified three possible amendments to IFRS 3 that would update IFRS 3 without significantly changing its requirements. These amendments have now been finalised:
- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments to IFRS 3 do not impact on the current Financial Statements.

New and revised IFRS Standards in issue but not yet effective and not early adopted
The following standards have been issued by the IASB and adopted by the EU:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
IFRS 17 Insurance Contracts	Accounting periods beginning on or after 1 January 2023
Amendments to IFRS 17	Accounting periods beginning on or after 1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Accounting periods beginning on or after 1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	Accounting periods beginning on or after 1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	Accounting periods beginning on or after 1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	Accounting periods beginning on or after 1 January 2023

There are no anticipated material impacts to the Group from the above new and revised IFRS Standards.

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, which is the primary currency of the environment in which the Group operates. 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 22 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 which could affect both the rental income, and the value of property. The Group seeks to mitigate any effect of the changing legislations using strategies set out in the principal risks and uncertainties on pages 34 to 37.

(e) Market risk – Ukraine
Although the Company has no direct exposure to either Russia or Ukraine, it is expected that the continuing conflict will cause an impact on the global economy. These include the possible effects of higher energy prices, the possible knock-on impact of inflation, recession and increasing cyber-attacks. Additionally, These circumstances have created a degree of uncertainty across global equity markets. The conflict in Ukraine, and the introduction of sanctions against Russia and Belarus, as well as possible secondary derivative impacts are being closely monitored by the Board and the Property Advisor. Further information regarding the risk to the Company from the crisis in Ukraine can be found in the principal risks and uncertainties on page 34.

3.3 Credit risk
The risk of financial loss due to a 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 22 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

3. Financial risk management (continued)

3.5 Capital management (continued)

The gearing ratios for the reporting periods are as follows:

	As at 31 December 2022 €'000	As at 31 December 2021 €'000
Borrowings	**(312,084)**	(284,155)
Cash and cash equivalents	**12,485**	10,441
Net debt	**(299,599)**	(273,714)
Equity	**416,391**	443,627
Net debt to equity ratio	**72%**	62%

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 (€775,904,000)

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 2022 is based on the rules, regulations and market as at that date. The fair value estimates of investments properties are detailed in note 16.

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 16.

(ii) Judgement 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

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% 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% 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% 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 2022 €'000	31 December 2021 €'000
Rental income	**20,289**	20,624
Service charge income	**5,645**	5,166
	25,934	25,790

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

	31 December 2022 €'000	31 December 2021 €'000
Within 1 year	**1,201**	1,224
1 – 2 years	**1,201**	1,177
2 – 3 years	**917**	979
3 – 4 years	**648**	875
4 – 5 years	**543**	663
Later than 5 years	**417**	562
	4,927	5,480

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 three months' notice from tenants to cancel the lease in most cases.

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

7. Property expenses

	31 December 2022 €'000	31 December 2021 €'000
Property management expenses	**1,233**	1,195
Repairs and maintenance	**1,525**	1,731
Impairment charge – trade receivables	**868**	420
Service charges paid on behalf of tenants	**6,631**	6,014
Property Advisors' fees and expenses	**6,862**	6,722
	17,119	16,082

8. Administrative expenses

	31 December 2022 €'000	31 December 2021 €'000
Secretarial and administration fees	**651**	609
Legal and professional fees	**2,261**	2,405
Directors' fees	**275**	287
Bank charges	**74**	62
Loss on foreign exchange	**5**	82
Depreciation	**8**	8
Other income	**(10)**	(6)
	3,264	3,447

Further details of the Directors' fees are set out in the Directors' Remuneration Report on page 57.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

9. Auditor's remuneration

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

	31 December 2022 €'000	31 December 2021 €'000
Fees payable to the Group's auditor and its associates for the audit of the Consolidated Financial Statements	**231**	237
Fees payable to the Group's auditor and its associates for other services		
Agreed upon procedures – half year report	**33**	31
	264	268

10. (Loss)/gain on disposal of investment property (including investment property held for sale)

	31 December 2022 €'000	31 December 2021 €'000
Disposal proceeds	**13,754**	16,667
Book value of disposals	**(12,982)**	(14,309)
Disposal costs	**(957)**	(840)
	(185)	1,518

11. Investment property fair value (loss)/gain

	31 December 2022 €'000	31 December 2021 €'000
Investment property fair value (loss)/gain	**(42,241)**	37,983

Further information on investment properties is shown in note 16.

12. Net finance charge

	31 December 2022 €'000	31 December 2021 €'000
Interest income	**(376)**	(26)
Finance expense on bank borrowings	**8,313**	7,508
Net finance charge before gain on interest rate swap	**7,937**	7,482
Gain on interest rate swaps	**(26,920)**	(7,313)
	(18,983)	169

13. Income tax expense

The tax charge for the period is as follows:	**31 December 2022 €'000**	31 December 2021 €'000
Current tax charge/(credit)	**817**	(201)
Deferred tax (credit)/charge – origination and reversal of temporary differences	**(2,556)**	8,083
	(1,739)	7,882

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

	31 December 2022 €'000	31 December 2021 €'000
(Loss)/profit before tax	**(17,549)**	**45,250**
Tax at German income tax rate of 15.8% (2021: 15.8%)	**(2,773)**	7,150
Expenses not deductible/(income not taxable)	**29**	(240)
Losses carried forward not recognised	**1,005**	972
Total tax (credit)/charge for the year	**(1,739)**	7,882

Reconciliation of current tax liabilities

	31 December 2022 €'000	31 December 2021 €'000
Balance at beginning of year	**512**	550
Tax (paid)/received during the year	**(521)**	163
Current tax charge/(credit)	**817**	(201)
Balance at end of year	**808**	512

Reconciliation of deferred tax

	Capital gains on properties €'000 (Liabilities)	Interest rate swaps €'000 (Liabilities)	Total €'000 (Net liabilities)
Balance at 1 January 2021	(68,273)	2,880	(65,393)
Charged to the Statement of Comprehensive Income	(6,925)	(1,158)	(8,083)
Deferred tax (liability)/asset at 31 December 2021	(75,198)	1,722	(73,476)
Credited/(Charged) to the Statement of Comprehensive Income	6,816	(4,260)	2,556
Deferred tax liability at 31 December 2022	(68,382)	(2,538)	(70,920)

Jersey income tax

The Group is liable to Jersey 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 2022 was 15.8% (2021: 15.8%).

Factors affecting future tax charges

The Group has accumulated tax losses of approximately €42 million (2021: €35 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.

14. Dividends

	31 December 2022 €'000	31 December 2021 €'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2022 of €2.35 (£2.09) declared 29 September 2022, paid 28 October 2022 (2021: €2.35 (£2.02)) per share.	**2,158**	2,228
Dividend for the year ended 31 December 2021 of €5.15 (£4.36) declared 30 March 2022, paid 9 June 2022 (2021: €5.15 (£4.65)) per share.	**4,752**	5,207

15. 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 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 III Limited (Liquidated on 4 October 2022)	Jersey	100	Liquidated
Phoenix Spree Deutschland VII 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	Germany	94.9	Investment property
Phoenix Spree Property Fund Ltd & Co. KG (PSPF)	Germany	100	Investment property
PSPF General Partner (Jersey) Limited	Jersey	100	Management of PSPF

16. Investment properties

Fair value	2022 €'000	2021 €'000
At 1 January	**801,461**	768,310
Capital expenditure	**16,437**	9,477
Property additions	**13,229**	–
Disposals	**(12,982)**	(14,309)
Fair value (loss)/gain	**(42,241)**	37,983
Investment properties at fair value	**775,904**	801,461
Assets classified as "Held for Sale" (Note 17)	**(14,527)**	(41,631)
At 31 December	**761,377**	**759,830**

The property Portfolio (other than the assets held at Directors' valuation as noted below) was valued at 31 December 2022 by 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 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 Residential Limited. 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 30) 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 (loss)/gain in respect of investment property is disclosed in the Consolidated Statement of Comprehensive Income as 'Investment property fair value (loss)/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.

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.

Included within investment properties is an investment property under construction which has been valued by the Directors using a methodology that the Directors deem appropriate to represent the fair value of this asset. The fair value of the investment property under construction has been calculated as the Red Book value of the completed asset minus the present value of cashflows required to achieve the finished asset. The Red Book value has been provided by JLL based on the same valuation methodology as the rest of the portfolio. The present value of cashflows required to achieve the finished asset has been derived using a discounted cashflow using the remaining contractual payments and the same discount rate as JLL have applied to cashflows post completion. The subjectivities surrounding the present value of future payments are deemed to be the finished asset value, the discount rate and the timing of payments.

The principal inputs to the valuation are as follows:

	Year ended 31 December 2022 Range	Year ended 31 December 2021 Range
Residential Properties		
Market Rent		
Rental Value (€ per sq. p.m.)	**9.75-15.50**	9.25-14.75
Stabilised residency vacancy (% per year)	**1-10**	1-3
Tenancy vacancy fluctuation (% per year)	**4-10**	4-9.5
Commercial Properties		
Market Rent		
Rental Value (€ per sq. p.m.)	**4.6-35.4**	4.6-34
Stabilised commercial vacancy (% per year)	**0.5-89.3**	0-67
Estimated Rental Value (ERV)		
ERV per year per property (€'000)	**54-2,553**	23-2,366
ERV (€ per sq.)	**9.75-15.50**	9.25-14.75
Financial Rates – blended average		
Discount rate (%)	**4.1**	3.1
Portfolio Gross yield (%)	**2.8**	2.4

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

16. Investment properties (continued)

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 would reduce the investment property fair value by €72 million, and a decrease in the discount rate of 0.25% would increase the investment property fair value by €88.8 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 Group values all investment properties in one of three ways;

Rental Scenario

Where properties have been valued under the DCF 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 have been approved for sale by the Board, then we refer to these as a 'condominium scenario'. Properties expected to be sold in the coming year from these assets are considered held for sale under IFRS 5 and can be seen in note 17. The additional value is reflected by using a lower discount rate under the DCF methodology.

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 17.

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

	31 December 2022 €'000	31 December 2021 €'000
Rental scenario	**738,554**	762,690
Condominium scenario	**28,470**	33,050
Disposal scenario	**8,880**	5,721
Total	**775,904**	801,461

The movement in the fair value of investment properties is included in the Consolidated Statement of Comprehensive Income as 'investment property fair value loss' and comprises:

	31 December 2022 €'000	31 December 2021 €'000
Investment properties	**(41,647)**	37,817
Investment properties held for sale (see note 17)	**(594)**	166
	(42,241)	37,983

17. Investment properties held for sale

	2022 €'000	2021 €'000
Fair value – held for sale investment properties		
At 1 January	**41,631**	19,302
Transferred (to)/from investment properties	**(14,566)**	35,886
Capital expenditure	**1,038**	586
Properties sold	**(12,982)**	(14,309)
Valuation (loss)/gain on properties held for sale	**(594)**	166
At 31 December	**14,527**	41,631

Investment properties are re-classified as current assets and described as 'held for sale' in three different situations: Properties notarised 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 notarised.

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

Properties notarised for sale by the reporting date are valued at their disposal price (disposal scenario), and other properties are valued using the rental and condominium scenarios (see note 16) as appropriate.

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 16, only units expected to be sold have been transferred to assets held for sale.

The investment properties held for sale have debt of €6.9m (2021: €13.0m) that is repayable upon sale of those investment properties.

18. Property, plant and equipment

	Equipment €'000
Cost or valuation	
As at 1 January 2021	123
Disposals	(14)
As at 31 December 2021	109
Disposals	–
As at 31 December 2022	**109**
Accumulated depreciation and impairment	
As at 1 January 2021	81
Charge for the year	8
As at 31 December 2021	89
Charge for the year	8
As at 31 December 2022	97
Carrying amount	
As at 31 December 2021	20
As at 31 December 2022	12

19. Other financial assets at amortised cost

Non-current	31 December 2022 €'000	31 December 2021 €'000
At 1 January	**926**	901
Repayments	**(122)**	–
Accrued interest	**24**	25
At 31 December	**828**	**926**

The Company entered into a loan agreement with the minority interest of Accentro Real Estate AG 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.

20. Trade and other receivables

Non-current	31 December 2022 €'000	31 December 2021 €'000
Current		
Trade receivables	**932**	827
Less: impairment provision	**(373)**	(315)
Net receivables	**559**	512
Prepayments and accrued income	**68**	514
Investment property disposal proceeds receivable	**–**	4,513
Service charges receivable	**6,192**	5,562
Other receivables	**3,249**	598
	10,068	**11,699**

Other receivables include €1.2m of Capex incurred prior to the completion of the contract of sale regarding Margareten str, and payable by the acquiror.

20. Trade and other receivables (continued)

Ageing analysis of trade receivables

Non-current	31 December 2022 €'000	31 December 2021 €'000
Up to 12 months	**540**	511
Between 1 year and 2 years	**19**	–
Over 3 years	**–**	1
	559	512

Impairment of trade and service charge receivables

The Group 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 ageing of the receivables, and historical data about default rates. That data is adjusted if the Group determines that historical data is not reflective of expected future conditions due to 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 2022, and on 31 December 2021, was determined as set out below.

No provision for expected credit losses is made against service charge receivables on the basis that it would be immaterial.

The Group applies the following loss rates to trade receivables.

As noted below, a loss allowance of 50% (2021: 50%) has been recognised for trade receivables that are more than 60 days past due except for any receivables relating to the Mietendeckel which are expected to be recovered in full. Any receivables where the tenant is no longer resident in the property are provided for in full.

Trade receivables:	**0-60 days**	**Over 60 days**	**Non-current tenant**	**Total 2022**
Expected loss rate (%)	**0%**	**50%**	**100%**	
Gross carrying amount (€'000)	**328**	**462**	**142**	**932**
Loss allowance provision (€'000)	**–**	**(231)**	**(142)**	**(373)**

Trade receivables:	0-60 days	Over 60 days	Non-current tenant	Total 2021
Expected loss rate (%)	0%	36%	100%	
Gross carrying amount (€'000)	274	371	182	827
Loss allowance provision (€'000)	–	(133)	(182)	(315)

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

	31 December 2022 €'000	31 December 2021 €'000
Balance at the beginning of the year	**315**	222
Impairment losses recognised	**868**	420
Amounts written off as uncollectable	**(810)**	(327)
Balance at the end of the year	**373**	315

All impairment losses relate to the receivables arising from tenants.

21. Cash and cash equivalents

	31 December 2022 €'000	31 December 2021 €'000
Cash at banks	**11,156**	9,120
Cash at agents	**1,329**	1,321
Cash and cash equivalents	**12,485**	**10,441**

22. Borrowings

	31 December 2022		31 December 2021	
	Nominal value €'000	Book value €'000	Nominal value €'000	Book value €'000
Current liabilities				
Accrued interest – NATIXIS Pfandbriefbank AG	**1,031**	**19**	1,026	121
Bank loans – Berliner Sparkasse	**801**	**801**	801	801
	1,832	**820**	1,827	922
Non-current liabilities				
Bank loans – NATIXIS Pfandbriefbank AG	**253,602**	**250,872**	237,678	234,328
Bank loans – Berliner Sparkasse	**60,392**	**60,392**	48,905	48,905
	313,994	**311,264**	286,583	283,233
	315,826	**312,084**	**288,410**	**284,155**

The difference between book values and nominal values in the table above relates to unamortised transaction cost.

The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Financial covenants relating to the NATIXIS Pfandbriefbank AG loans include a projected interest cover of at least 150%, minimum debt yield of 4.3% and a maximum LTV of 67.5%.

There are no financial covenants relating to the Berliner Sparkasse loans.

The NATIXIS Pfandbriefbank AG loans mature on 11 September 2026 and the Berliner Sparkasse loans mature between 31 December 2026 and 31 October 2027.

All borrowings are secured against the investment properties of the Group. As at 31 December 2022, the Group had undrawn debt facilities of €39.0m (2021: €59.1m).

Interest rate risk concentration

Interest rate basis	**Fixed Interest %**	**Fixed Interest %**	**Floating Interest %**	**Total loans**	**Hedged against floating rate loans**
Interest rate range	**1-2% €'000**	**2-3% €'000**	**Euribor €'000**	**€'000**	**€'000**
NATIXIS Pfandbriefbank AG	–	–	250,872	250,872	203,000
Berliner Sparkasse	40,388	3,800	17,005	61,193	11,879
Total	**40,388**	**3,800**	**267,877**	**312,065**	**214,879**

23. Trade and other payables

	31 December 2022 €'000	31 December 2021 €'000
Trade payables	**4,525**	2,758
Accrued liabilities	**1,485**	1,472
Service charges payable	**5,394**	5,203
Advanced payment received on account	**3,700**	2,437
Deferred income	**26**	23
	15,130	**11,893**

Advanced payment received on account relates to disposal proceeds received prior to the statement of financial position date for units that proceeded to change ownership in the first quarter of the following financial year.

24. Derivative financial instruments

	31 December 2022 €'000	31 December 2021 €'000
Interest rate swaps – carried at fair value through profit or loss		
Balance at 1 January	**(10,884)**	(18,197)
Fair value movement through profit or loss	**26,920**	7,313
Balance at 31 December	**16,036**	**(10,884)**

The notional principal amounts of the outstanding interest rate swap contracts as at 31 December 2022 were €214,878,750 (2021: €204,073,750). At 31 December 2022, the fixed interest rates vary from 0.775% to 1.287% (2021: 0.775% to 1.24%) and mature between September 2026 and February 2027.

The interest-rate swaps are valued by an independent third-party specialist. The market value calculation is based on the present value of the counterparty payments, the fixed interest, and the present value of the payments to be received, the floating interest.

Maturity analysis of interest rate swaps

	31 December 2022 €'000	31 December 2021 €'000
Less than 1 year	**–**	–
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**16,036**	(10,405)
More than 5 years	**–**	(479)
	16,036	**(10,884)**

Analysis of contractual cashflows under interest rate swaps as of 31 December 2022

Year	Pay Fixed €'000	Receive Floating €'000	Net €'000
2023	(2,567)	7,160	4,593
2024	(2,140)	6,947	4,807
2025	(2,071)	5,992	3,920
2026	(1,432)	4,113	2,681
2027	(12)	46	35
Total	**(8,222)**	**24,258**	**16,036**

25. Share-based payment reserve

	Performance fee €'000
Balance at 1 January 2021	6,369
Fee charge for the year	343
Settlement of performance fee	(6,369)
Balance at 31 December 2021	343
Fee charge for the year	(343)
Balance at 31 December 2022	–

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.

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 by which the annual EPRA NTA 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 NTA per share at 1 January 2021; and
(ii) the EPRA NTA 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.

Should a fee be due, the fee will be settled shortly after the release of the 2023 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. There is no fee due to be settled for the current period.

26. Stated capital

	31 December 2022 €'000	31 December 2021 €'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 2022 was 100,751,410 (31 December 2021: 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 2022, the Group held 8,924,047 of the Company's shares (2021: 7,949,293). During the year, a further 974,754 shares were purchased in the market.

27. Non-controlling interests

	Non-controlling interest %	31 December 2022 €'000	31 December 2021 €'000
Phoenix Spree Mueller GmbH	5.1%	**1,571**	1,475
Phoenix Spree Gottlieb GmbH	5.1%	**1,307**	1,342
Jühnsdorfer Weg Immobilien GmbH	5.1%	**334**	770
		3,212	**3,587**

28. Earnings per share and EPRA earnings per share

	31 December 2022 €'000	31 December 2021 €'000
Earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**(15,435)**	37,311
Weighted average number of ordinary shares for the purposes of basic earnings per share (number)	**92,139,098**	94,973,655
Effect of dilutive potential ordinary shares (number)	**–**	72,433
Weighted average number of ordinary shares for the purposes of diluted earnings per share (number)	**92,139,098**	95,046,088
Earnings per share (€)	**(0.17)**	0.39
Diluted earnings per share (€)	**(0.17)**	0.39

	31 December 2022 €'000	31 December 2021 €'000
EPRA earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**(15,435)**	37,311
Changes in value of investment properties	**42,241**	(37,983)
Profit or loss on disposal on investment properties	**185**	(1,518)
Changes in fair value of financial instruments	**(27,263)**	(6,970)
Deferred tax adjustments	**(2,556)**	8,083
Change in non-controlling interest	**(13)**	240
EPRA Earnings	**(2,841)**	(837)
Weighted average number of ordinary shares for the purposes of basic earnings per share (number)	**92,139,098**	94,973,655
EPRA earnings per share (€)	**(0.03)**	(0.01)
Diluted EPRA earnings per share (€)	**(0.03)**	(0.01)

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

	31 December 2022	31 December 2021
Net assets (€'000)	**413,179**	440,040
Number of participating ordinary shares	**91,827,363**	92,802,117
Net asset value per share (€)	**4.50**	4.74

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

29. Net asset value per share and EPRA net asset value (continued)

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 2022			
IFRS Equity attributable to shareholders	**413,179**	**413,179**	**413,179**
Include/Exclude:*			
Hybrid instruments	–	–	–
Diluted NAV	**413,179**	**413,179**	**413,179**
Include:*			
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	**413,179**	**413,179**	**413,179**
Exclude:*			
Deferred tax in relation to fair value gains of investment property and derivatives	**70,920**	**70,920**	
Fair value of financial instruments	**(16,036)**	**(16,036)**	
Goodwill as a result of deferred tax	–	–	–
Goodwill as per the IFRS balance sheet	–	–	–
Intangibles as per the IFRS balance sheet	–	–	–
Include:*			
Fair value of fixed interest rate debt			**2,829**
Revaluation of intangibles to fair value	–		
Real estate transfer tax	**63,176**	–	
NAV	**531,239**	**468,063**	**416,008**
Fully diluted number of shares	**91,827,363**	**91,827,363**	**91,827,363**
NAV per share (€)	**5.79**	**5.10**	**4.53**

	EPRA NRV €'000	EPRA NTA €'000	EPRA NDV €'000
At 31 December 2021			
IFRS Equity attributable to shareholders	440,040	440,040	440,040
Include/Exclude:			
Hybrid instruments	(343)	(343)	(343)
Diluted NAV	**439,697**	**439,697**	**439,697**
Include:*			
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	**439,697**	**439,697**	**439,697**
Exclude:			
Deferred tax in relation to fair value gains of investment property and derivatives	73,476	73,476	
Fair value of financial instruments	10,884	10,884	
Goodwill as a result of deferred tax	–	–	–
Goodwill as per the IFRS balance sheet	–	–	–
Intangibles as per the IFRS balance sheet	–	–	–
Include:			
Fair value of fixed interest rate debt			3,051
Revaluation of intangibles to fair value	–		
Real estate transfer tax	65,072	–	
NAV	**589,129**	**524,057**	**442,748**
Fully diluted number of shares	92,802,117	92,802,117	92,802,117
NAV per share (€)	**6.35**	**5.65**	**4.77**

30. 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 2022 €'000	31 December 2021 €'000
At Amortised cost		
Trade and other receivables – current	**10,000**	11,185
Cash and cash equivalents	**12,485**	10,441
Other financial assets at amortised cost	**828**	926
	23,313	**22,552**
Fair value through profit or loss		
Derivative financial asset – interest rate swaps	**16,036**	–
	16,036	**–**
	39,349	**22,552**

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

	31 December 2022 €'000	31 December 2021 €'000
At amortised cost		
Borrowings payable: current	**820**	922
Borrowings payable: non-current	**311,264**	283,233
Trade and other payables	**15,130**	11,893
	327,214	**296,048**
Fair value through profit or loss		
Derivative financial liability – interest rate swaps	**–**	10,884
	–	**10,884**
	327,214	**306,932**

Fair value of financial instruments
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 February 2027.

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.

30. Financial instruments (continued)

Fair value of financial instruments (continued)

Group Fair Values

Financial assets/(liabilities)	31 December 2022 €'000	31 December 2021 €'000
Interest rate swaps – Level 2 – current	–	–
Interest rate swaps – Level 2 – non-current	16,036	(10,884)
	16,036	**(10,884)**

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 most 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 balances only:

	31 December 2022 €'000	31 December 2021 €'000
Financial assets		
Cash and cash equivalents	**75**	563
Financial liabilities		
Trade and other payables	**(494)**	(494)
Net position	**(419)**	**69**

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 €'000	Strengthened by 10% increase/ (decrease) in post-tax profit and impact on equity €'000
31 December 2022	**(42)**	**42**
31 December 2021	7	(7)

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, UniCredit Bank AG and Hausbank. The split of cash held at each of the banks respectively at 31 December 2022 was 36%/50%/7%/2%/5% (31 December 2021: Barclays Private Clients International Jersey Ltd, Deutsche Bank AG, Berliner Sparkasse and Hausbank the split was 26%/57%/10%/7%). Barclays and Deutsche Bank have credit ratings of A and A- respectively, Berliner Sparkasse has 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 Statements, 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 20 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 2022					
Borrowings payable: current	**820**	**–**	**–**	**–**	**820**
Borrowings payable: non-current	**–**	**–**	**311,264**	**–**	**311,264**
Trade and other payables	**15,130**	**–**	**–**	**–**	**15,130**
	15,950	**–**	**311,264**	**–**	**327,214**

	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 2021					
Borrowings payable: current	922	–	–	–	922
Borrowings payable: non-current	–	–	–	283,233	283,233
Trade and other payables	11,893	–	–	–	11,893
	12,815	–	–	283,233	296,048

Loans are due to mature in September 2026 for the NATIXIS loan facility and October 2027 for the Berliner Sparkasse loan facility.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

31. Capital commitments

	31 December 2022 €'000	31 December 2021 €'000
Contracted capital commitments at the end of the year	**26,750**	–

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

32. 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. Under the Property Advisory Agreement for providing property advisory services, the Property Advisor will be entitled to a Portfolio and Asset Management Fee as follows:
(i) 1.2% of the EPRA NTA of the Group where EPRA NTA of the Group is equal to or less than €500 million; and
(ii) 1% of the EPRA NTA of the Group greater than €500 million.

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 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 transaction fee fixed at £1,000 in respect of any acquisition or disposal of property by any subsidiary.

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 is the Group's appointed Property Advisor. Partners of QSix Residential Limited formerly sat on the Board of PSD and retain a shareholding in the Group. During the year ended 31 December 2022, an amount of €6,861,680 (€6,773,608 management fees and €88,072 Other expenses and fees) (2021: €6,722,029 (€6,653,493 Management Fees and €90,437 Other expenses and fees)) was payable to QSix Residential Limited. At 31 December 2022 €1,584,505 (2021: €977,260) was outstanding. Fees payable to the Property Advisor in relation to overseeing capital expenditure during the year of €492,859 (2021: €397,440) have been capitalised.

The Property Advisor is also entitled to an asset and estate management performance fee. The charge for the period in respect of the performance fee was € Nil (2021: Accrual of €343,000 reversed in 2022). Please refer to note 25 for more details.

Apex Financial Services (Alternative Funds) Limited, the Company's administrator provided administration and company secretarial services. During the period, fees of €651,000 were charged (2021: €609,000) with €Nil (2021: €154,000) outstanding.

Fees payable to Directors during the year amounted to €275,000 (2021: €287,000).

Dividends paid to Directors in their capacity as a shareholder amounted to €937 (2021: €2,976).

33. Events after the reporting date

In September 2022, the Company exchanged contracts to acquire a multi-family house with 22 residential units and three commercial units in Berlin-Neukölln for €4.9 million. The completion is expected in Q2 2023.

In H2 2022, the Company exchanged contracts to dispose of two non-core assets for the total consideration of €7.3 million. The two sales completed in Q1 2023.

The Company had exchanged contracts for the sale of one residential, one commercial and one attic units in Berlin with aggregated consideration of €1.6 million prior to the reporting date. The sale of these is expecting completion in 2023.

In Q1 2023, the Company exchanged contracts for the sale of three condominiums in Berlin for the aggregated consideration of €0.8 million. All of them are still awaiting completion.

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 Bank Plc, Jersey Branch 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Adviser	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Adviser	Mourant 22 Grenville St. St. Helier Jersey JE4 8PX
German Legal Adviser as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Adviser 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 45 Gresham Street 10 Paternoster Square London EC2V 7BF
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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