PHOENIX
SPREE
BUILDING
BETTER FUTURES
Annual Report and Accounts 2018
PMM.

Phoenix Spree Deutschland 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 to its customers.

Over the past eleven years, the Company has assembled an attractive portfolio of real estate assets which the Directors believe offers investors the potential for both reliable income as well as capital growth.

PMM 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.

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HIGHLIGHTS OF THE YEAR

Gross rental income

€22.7m

Like-for-like rental income growth

9.0%

Invested in modernisations

€7.9m

Profit before tax

€56.4m

Total dividend per share

€7.50

Berlin acquisitions notarised

€36.3m

Financial highlights: Increases in rental growth, property values and EPRA NAV

- IFRS NAV per share up 2.3% to €4.05 (£3.64) (31 December 2017: €3.96 (£3.52).
- EPRA NAV per share up 11.4% to €4.58 (£4.11) (31 December 2017: €4.11 (£3.65).
- Strong like-for-like rental income growth per sqm of 9.0% during the year.
  - Contracted net rental income of €17.5 million (31 December 2017 €18.1 million), reflecting the sale of the Northern German portfolio in April 2018.
  - Gross rental income including service charges of €22.7 million (€23.7 million in 2017).
- EPRA total return per share of 13.2% (year to 31 December 2017: 53.0%).
- Profit before tax €56.4 million (year to 31 December 2017: €138.5 million); year-on-year change reflects lower revaluation increase in 2018 after exceptionally strong gains in 2017.
- Earnings per share €0.46 (31 December 2017: €1.21).
- Net loan to value of 26.1% as at 31 December 2018 (31 December 2017: 32.0%).
- New debt of €28.8 million signed during 2018. Average debt maturity of 7.7 years, average interest rate reduced to 2.0%.
- Final dividend per share of €5.15 cents (GBP:4.62p), giving a total dividend per share of €7.50 cents (GBP:6.73p) for year to 31 December 2018 (2017: €7.3 cents (GBP: 6.4p)).

Operational highlights: Strong Portfolio performance

- Like-for-like Portfolio valuation increase of 14.0% in year to 31 December 2018.
  - Total Portfolio valued at €645.7 million, an increase of 6.0% in absolute terms over the twelve-month period (31 December 2017: €609.3 million), reflecting the impact of non-Berlin disposals during year.
  - Berlin Portfolio valued at €641.8 million, an increase of 21.4% year-on-year (31 December 2017: €528.5 million).
  - Portfolio valuation represents an average value per sqm of €3,527 (31 December 2017: €2,853).
- EPRA Vacancy remains low at 2.8% (31 December 2017: 2.9%).
- Condominium sale completion proceeds up 4.4%, to €9.9 million, achieving an average value per sqm of €4,566.
- Continued active management of the Berlin Portfolio with record investment of €7.9 million in renovations and modernisations during 2018.
- New leases on average signed at a 39.7% premium to passing rents and condominium sales completed at a 27.8% premium to the average valuation of Berlin rental properties as at 31 December 2018.

Berlin transition complete: Further progress on Berlin acquisitions

- Contracts to acquire 222 units notarised during 2018, representing an aggregate purchase price of €36.3 million and an average value per sqm of €2,390.
- As at 23 April 2019, contracts to acquire a further 14 units in Berlin have been notarised since the December 2018 year end for a purchase price of €2.4 million, representing a price per sqm of €2,956.
- Disposal of Central and Northern Germany Portfolio completed in April 2018 for €73.0 million, a 26% premium to the Jones Lang LaSalle valuation pre-notarisation.
- Since 31 December 2018, all residual non-Berlin assets have been sold, creating a fully-focused Berlin fund with potential for greater economies of scale.

EPRA NAV/share

€4.58

+11.4%

Portfolio value

€645.7m

+6.0%

Positive outlook: Significant embedded value remains within rental Portfolio

- Berlin residential property prices continue to benefit from lack of supply and favourable demographics, driven by strong job creation and population growth.
- Significant reversionary potential underpins future rental growth.
- Potential for further valuation creation through condominium projects and sales.
- Further Berlin acquisitions expected in current financial year. Acquisition prices remain below construction values.
- Substantive review of financing structure in progress. Expected to create further capacity for Portfolio development.
- Active consideration of densification projects, including attic conversions and new building construction on land surrounding buildings already owned by the Company.

OUR BUSINESS AT A GLANCE

The Company acquires and manages Berlin residential property. Since 2008, the aggregate value of the Portfolio (including the assets of sister fund PSPF) has risen from €168 million to €646 million as at 31 December 2018, with each year seeing an increase.

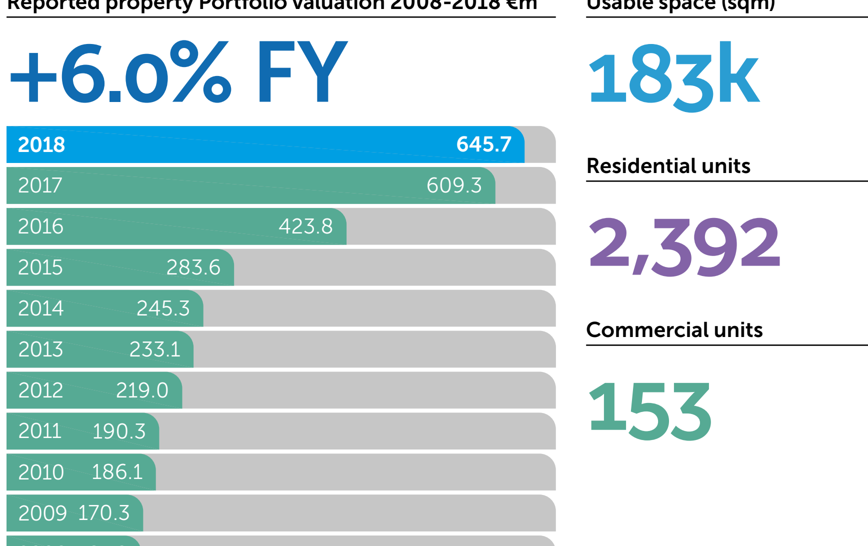
Since listing on the Main Market of the London Stock Exchange in June 2015, the Company has increased the Berlin focus of the Portfolio through a combination of carefully selected acquisitions and disposals, effectively creating a pure-play Berlin fund.

The Portfolio mainly consists of classic 'Altbau' properties 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.

PMM Partners 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 2008-2018 €m

+6.0% FY



Usable space (sqm)

183k

Residential units

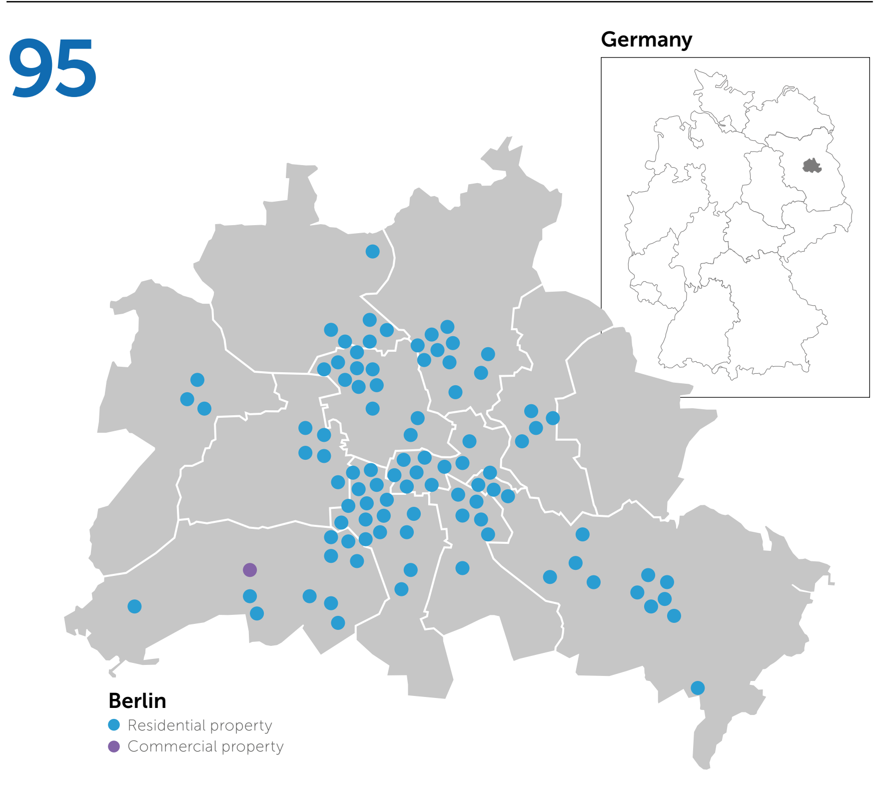
2,392

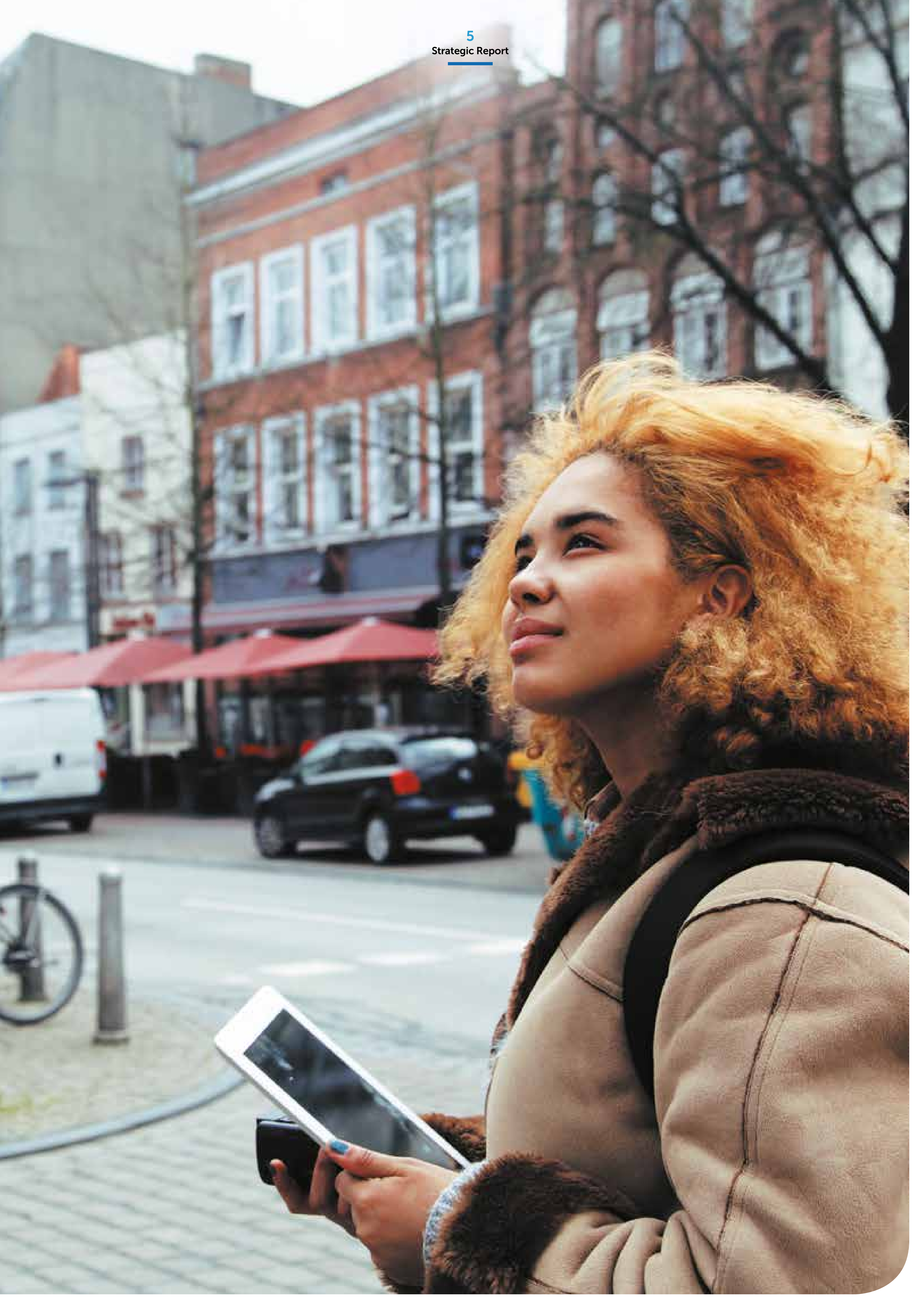
Commercial units

153

Pure play Berlin Portfolio – total properties

95





CHAIRMAN'S STATEMENT

I am delighted that the Company has continued its growth over the last twelve months, delivering further increases in rental revenues, property values and EPRA NAV after an exceptionally strong set of results in 2017.

"I am delighted that the Company has continued its growth over the last twelve months, delivering further increases in rental revenues, property values and EPRA NAV after an exceptionally strong set of results in 2017."

Robert Hingley
Chairman

This performance is underpinned by the continued favourable Berlin residential rental market dynamics. After a long period of rapid property price inflation, yield compression has moderated, although the strong underlying demographic trends remain in place. The Berlin residential market is still characterised by a significant undersupply of available rental property, as well as positive demographic and employment trends.

Berlin transition complete: geographically focused Portfolio

When Phoenix Spree listed on the main market of the London Stock Exchange in June 2015, 53.5% of the properties in the Portfolio were located outside of Berlin. Notwithstanding the solid financial performance of these assets, the Board considered that the Berlin residential market offered superior medium-term scope for further growth in rental and property values. The Company therefore successfully repositioned its geographic focus by divesting properties outside Berlin through a disciplined disposal process, all at a premium to trailing book value.

All remaining non-Berlin assets have been successfully divested following the sale of the Company's remaining Northern Germany assets in the second quarter of 2018 and one residual asset in Baden-Württemberg in early 2019. We have simultaneously enlarged our Berlin presence through our strategy of further acquisitions of attractive assets in central Berlin, enhancing the scope for further asset management efficiencies and economies of scale.

Acquiring for growth

Phoenix Spree has continued to add to the Portfolio in 2018 and has completed a further €41.6 million of acquisitions in central Berlin. The Company has a proven record of creating value for Shareholders through property acquisitions, having acquired buildings with a combined initial value of €204.1 million from 2015 up to 31 December 2018, while maintaining its disciplined approach.

We are well-placed to continue to grow the Portfolio and we continue to research attractive acquisition opportunities.

Improving our tenanted accommodation

Some properties acquired can be in a poor state of repair, depending on the level of historical under-investment by previous owners. The Company takes its responsibilities to its tenants extremely seriously and we have continued to invest in improvements to our properties.

Through a carefully targeted process of investment, we have raised the overall standard of accommodation for our tenants and the environment in areas where our buildings are located. During 2018, the Company invested the highest value yet on improvement programmes, and it is anticipated that this process will continue into 2019.

This improvement in the overall quality of our living accommodation has created significant future embedded value within the Berlin Portfolio, as evidenced by new leases signed at a premium to in-place rents and condominium sales completed at a premium to average rental property valuations.

Partnering with our Property Advisor
Since our introduction to the Stock Exchange in 2015, the Company has benefitted significantly from the expertise of its Property Advisor, PMM Partners (UK) Limited. They have actively managed and developed the Portfolio, whilst simultaneously sourcing value-enhancing acquisitions, and achieving disposals at a premium to book value. PMM Partners has also overseen the capital structure of the Company as well as its day-to-day interaction with investors and other key stakeholders in our business. These activities have been fundamental to the strong financial performance of Phoenix Spree and its ability to access capital markets.

I am therefore delighted that, following overwhelming shareholder approval at an Extraordinary General Meeting in December 2018, the Company entered into a new Property Advisory and investor relations agreement with PMM Residential Limited ('PMM'), a new company within the PMM Group, which will secure its continued expertise as Property Advisor until at least the end of 2022.

The new agreement will provide greater certainty and stability for Shareholders and allow PMM to invest in infrastructure, IT systems and key personnel dedicated to servicing the Company's growing requirements. It will also reduce future management and performance fees paid by the Company and will, therefore, result in significant cost savings compared with the terms of the old Property Advisor agreement. The Board looks forward to building on our valued relationship with PMM over the coming years to continue our record of strong performance.

In February 2019, the Company announced it had been informed that PMM Partners (UK) Limited and its principals had sold a total of 2,239,361 shares in the Company. The sale of these shares was principally made to satisfy the tax liabilities arising from the December 2017 performance fee which was settled in Phoenix Spree Deutschland ('PSD') shares issued to PMM Partners (UK) Limited in May 2018.

"The Board remains confident that the Company will continue to generate growth in rental income and property values during 2019 supported by selected additions to the Portfolio."

CHAIRMAN'S STATEMENT
Continued

Share price and dividend

The 2018 financial year proved difficult for global equity markets in general, as concerns about global growth, the increasing trend towards trade protectionism and Brexit weighed heavily. Against this backdrop, 2018 was a year of consolidation for the Phoenix Spree share price. Notwithstanding this, the shares outperformed the FTSE All-Share index by 5% and the FTSE 350 Real Estate Investment Services sector by 12%.

The Board is pleased to recommend a final dividend of €5.15 cents per share (GBP 4.62 pence per share), taking the full year dividend to €7.50 cents per share (GBP 6.73 pence per share), representing a 3% increase on the 2017 full-year Euro-denominated dividend.

Our 'Better Futures' Corporate Responsibility Plan

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

During the past year, the Board and PMM have reviewed how sustainability is managed within our business and considered carefully the views of our stakeholders and business priorities to create our 'Better Futures' Corporate Responsibility ('CR') Plan. This Plan provides a framework to monitor existing activities better, while adding new initiatives to improve our overall sustainability.

Our Corporate Responsibility Plan has four key pillars that have been integrated throughout our business operations: Protecting our Environment; Respecting People; Valuing our Customers; and Investing in our Communities. We have established a CR Committee to oversee the implementation of the 'Better Futures' Plan, reporting to the Board and advising on any CR-related material issues. Our CR initiatives are reported in more detail on pages 28 to 35 of the Annual Report and are available on the Company website.

The Board remains fully committed to high standards of corporate governance. It has considered the Main Principles and Provisions of the UK Corporate Governance Code (July 2018) and is pleased to confirm that the Company has complied with the provisions of the Code throughout the year, except in certain instances which are set out in the Corporate Governance Statement on pages 43 to 51.

Outlook

In recent years, Berlin property values have benefited from significant yield compression. Although this has moderated, the outlook for the Berlin residential market remains positive. Residential prices remain on average below the cost of construction and demand for property continues to grow, due to the continuing process of urbanisation and population growth. Berlin average monthly rents per sqm remain among the lowest of all major European cities.

The Board believes there is scope for further market rental growth as well as the opportunity to improve rental incomes through our Property Advisor's active asset management strategies, particularly on recently acquired buildings. The reversionary potential that our substantial investment in the Portfolio to date has created should provide a cushion in the event of any market slowdown.

The Board remains confident that the Company will continue to generate growth in rental income and property values during 2019 supported by selected additions to the Portfolio and further condominium projects. This, in turn, should deliver further capital growth and dividend income to investors in the current financial year.

Robert Hingley
Chairman
26 April 2019

THE CHANGING FACE OF BERLIN

During the past decade, Berlin has developed into one of Europe's most vibrant and dynamic cities. Economic and population growth have substantially outstripped nearly all other European cities.

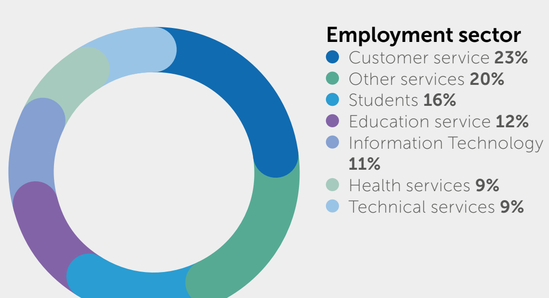
Today, services account for 85% of Berlin's economic output and growth in knowledge-based and future-oriented sectors offer a bright future for Berlin's economy and labour market compared with other European cities which have relied more heavily on manufacturing and exports.

Since 2009, employment has increased by more than 30% in aggregate and this development serves as a solid basis for residential market demand in Phoenix Spree's core Berlin residential market.

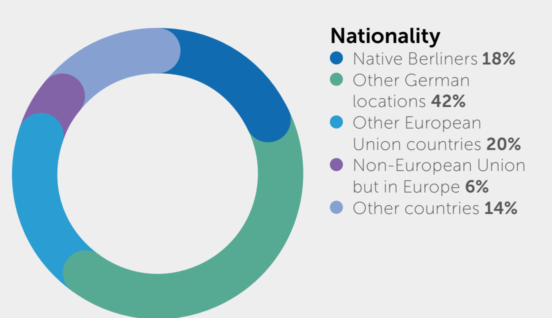
Whilst manufacturing accounts for one out of four jobs across Germany as a whole, it plays a subordinated role in Berlin, with only one out of eight employees employed in this sector. Berlin has clearly positioned itself as an innovation hub. As its 'new world' economy continues to grow and flourish, the city's inward migration trends increasingly reflect the new skills demanded by the labour market. Employment growth has mainly taken place in services, where more than 200,000 jobs were newly created between 2013 and 2018. Almost half of these new jobs were in three services sectors only. First, professional, scientific and technical services; second, other business services; and third, the information and communications sector.

The changing population and employment demographics are reflected in Phoenix Spree's own tenant structure. Analysis of new tenancies signed during 2018 shows that new tenants attracted to Phoenix Spree's rental proposition are almost exclusively from the services sector, over 39% of new leases signed are by tenants that have relocated either from another German city or from another country and only 18% are native Berliners.

New leases signed in 2018 by tenant occupation



New leases signed in 2018 by place of birth



Despite the significant rental increases seen in Berlin in recent years, rental values remain relatively low by European standards and rent affordability remains high. For Phoenix Spree, analysis of all new leases signed during 2018 shows that the average tenant net income after tax is €43,200 and that the percentage of total rent to income stands at only 26%.

Average monthly rents remain among lowest of all major European cities with the average monthly rent per sqm of €9.8 significantly cheaper than other major European cities.

Monthly rents by European City 2018 (€ per sqm)

City	€ per sqm
London	28.2
Edinburgh	19.5
Dublin	19.2
Paris	18.0
Barcelona	17.9
Birmingham	16.2
Amsterdam	16.0
Madrid	15.1
Rome	14.0
Frankfurt	13.3
Milan	12.0
Lisbon	10.6
BERLIN	9.8
Vienna	9.4

Average household income growth (% change 2018-2028)

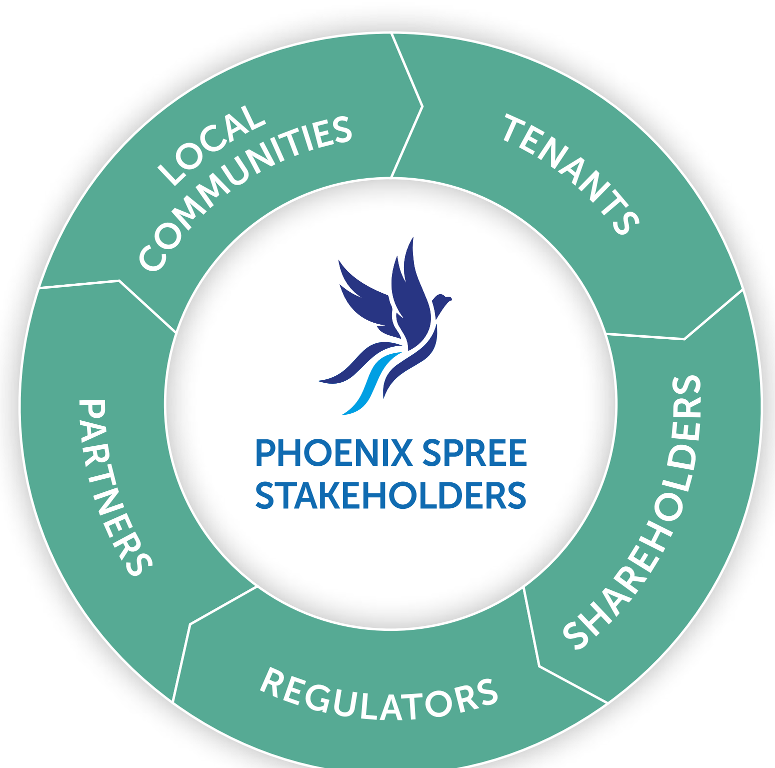
City	% change
BERLIN	35.9
Birmingham	35.1
Edinburgh	35.2
Amsterdam	34.0
London	33.1
Barcelona	32.7
Dublin	32.3
Frankfurt	30.9
Madrid	30.9
Milan	29.3
Lisbon	26.5
Rome	25.9
Paris	25.6
Vienna	21.2

Source: Knight Frank

Not only are rents comparatively low, but available household incomes are predicted to rise faster in Berlin than in any other European city over the next ten years.

OUR STRATEGY

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.



Our key stakeholders

TENANTS

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

SHAREHOLDERS

We aim to deliver superior risk adjusted returns to our shareholders through rental income, growth in property values and selective condominium sales.

REGULATORS

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

PARTNERS

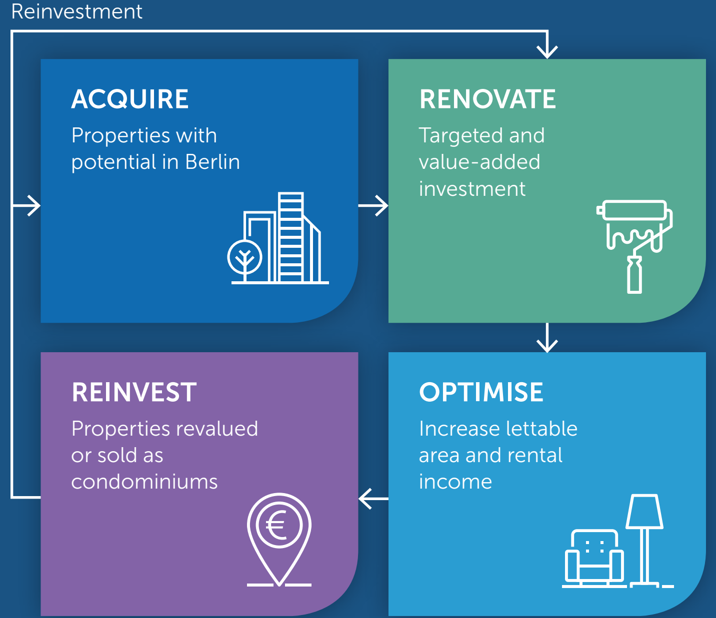
We respect and value our partners, treating them fairly, so they in turn can deliver the best service to our tenants and investors.

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.

OUR BUSINESS MODEL

Actively managing the Portfolio



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: Acquire, Renovate, Optimise, and Reinvest.

OUR BUSINESS MODEL
Continued

ACQUIRE
Properties with potential in Berlin

The Company focuses on apartment buildings that are sometimes poorly maintained. Through significant reinvestment, the apartments are modernised to improve both the standard of accommodation for tenants and the look of the local neighbourhood. We focus on carefully selected central Berlin micro-locations which offer the potential for medium-term value creation through modernisation and renovation.

The Company has historically focused its acquisitions on properties built before 1914 (Altbau). Single properties, packages and portfolios are considered. Since listing on the London Stock Exchange in June 2015 the Company has notarised on properties with an aggregate valuation on acquisition of €206.3 million.

Number of units notarised in 2018

222

Purchase price Berlin properties notarised in 2018

€36.3

Total purchase price of Berlin properties acquired since 2015

€206.3m

Average purchase price per sqm achieved in 2018

2,390

Acquisitions notarised since 2015 stock market listing

Year	Region	Purchase price €	Units	sqm	Purchase price per sqm (€)	Fully occupied yield
2015	Berlin	35,760,000	227	18,197	1,965	4.3%
2016	Berlin	78,305,000	634	41,406	1,891	4.3%
2017	Berlin	55,890,000	336	25,135	2,224	3.6%
2018	Berlin	36,320,000	222	15,195	2,390	3.5%
Total		**206,275,000**	**1,419**	**99,933**	**2,064**	**4.0%**

OUR BUSINESS MODEL
Continued

RENOVATE
Targeted and value-added investment

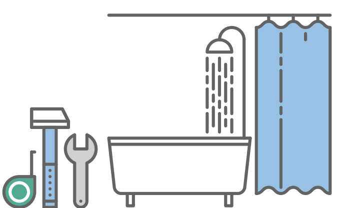
Buildings acquired may require reinvestment to bring them up to modern standards. It can take several years for the Property Advisor's disciplined active asset management strategies to be fully reflected in the valuation of each acquired building.

The scope for value creation is clearly evidenced in buildings acquired during 2016. Acquisitions that had completed by 31 December 2016 were revalued by Jones Lang LaSalle ('JLL') as at 31 December 2018 at an average 97.2% premium to purchase prices. This compares with growth in the properties acquired before 2016 over the same period of 57.8%. This clearly demonstrates the scope for significant value creation that the Property Advisor can achieve through the selective acquisition and repositioning of Berlin properties.

We place our tenants' interests at the forefront of everything we do. Many of the buildings that we acquire are in poor condition, with a substantial backlog of under-investment. We therefore seek to improve the standard of accommodation available to tenants through modernisation and renovation of apartments and, where appropriate, their communal areas.

Renovations are carried out sensitively, and we carefully assess each programme of building improvements to ensure that they are justified, avoiding excessive investment which might lead to unaffordable rent increases. Improvements are conducted on a rolling basis across the Portfolio and vary according to the condition of each building and its apartments. Refurbishment of occupied units is only carried out with full agreement from tenants.

Vacant units in poor condition are considered for full renovation and vacant attic space is reviewed for conversion to residential space. Depending on the level of historical under-investment, apartment improvements can involve heating system and boiler upgrades, new insulation, double glazing, new plumbing, kitchen and bathroom renewal, new flooring and redecoration. Communal areas, both indoor and outdoor, are also reviewed for potential improvement. A single apartment generally costs between €20,000 and €30,000 to renovate, while an entire building renovation might cost up to €2 million.



Number of properties acquired in 2016

15

Aggregate purchase price in 2016

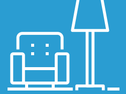
€78.2m

Acquisitions 2016

	Value
Number of properties acquired	15
Aggregate purchase price	€78.2m
Value growth of 2016 acquisitions (2016 – 31 December 2018)	97.2%
Historic Portfolio valuation growth (2016 – 31 December 2018)	57.8%
Rent per sqm growth of 2016 acquisitions (2016 – 31 December 2018)	23.3%
Historic Portfolio rent per sqm growth (Average 2016 – 31 December 2018)	19.6%
Average fully occupied purchase yield of 2016 acquisitions	4.3%
Average fully occupied yield of Portfolio in December 2018	3.0%

OUR BUSINESS MODEL
Continued

OPTIMISE
Increase lettable area and rental income



After acquisition, the Property Advisor looks to realign these properties to maximise their potential within the Portfolio.

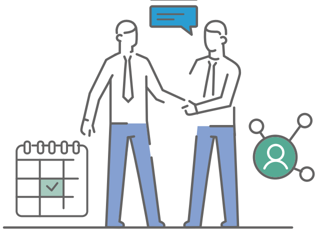
Realigning rents

For properties considered to be core rental buildings, vacant units are re-let after refurbishment at levels that at all times comply with relevant regulations. Tenant lists are reviewed carefully and, only 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 (Staffel).

Buildings that are re-let typically command a rental premium to in-place rental values. This 'reversionary gap' reflects the significant investment in these buildings and their surroundings to bring them up to modern standards.

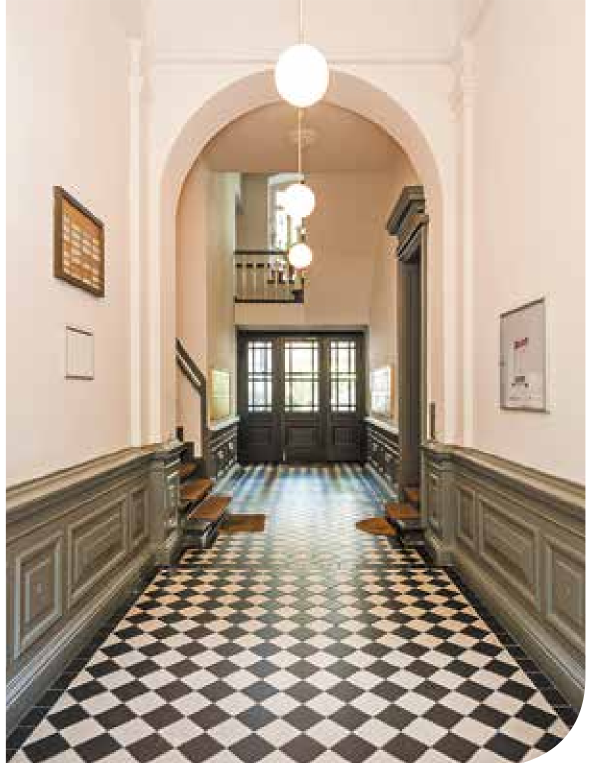
Realigning through the creation of new living space

As well as acquiring buildings, the Company is now exploring ways to realign existing buildings within the existing Portfolio by identifying opportunities to create new residential space. The substantial increase in rental and property values has created potential densification opportunities which could involve both attic conversions and new building construction on land surrounding buildings already owned by the Company.



Berlin reletting premium

Year	Berlin Portfolio average rent (€ per sqm)	Berlin average new leases signed by quarter (€ per sqm)
2011	6.2	6.7
2012	6.6	7.9
2013	7.0	9.1
2014	7.4	9.8
2015	8.0	11.2
2016	7.7	10.6
2017	8.1	11.9
2018	8.5	12.0



OUR BUSINESS MODEL
Continued

REINVEST

Properties revalued or sold as condominiums

The properties within the Portfolio are revalued each year with historical investment being reflected in revised property values. To the extent that additional borrowing can be secured on higher property values, a substantial portion are reinvested by way of acquisitions and improvements in the existing Portfolio of buildings. For the year ended 2018, 50% of the rental income has been reinvested into the Portfolio.

Buildings that no longer fit the strategic objectives of the Portfolio are considered for sale, either as blocks, or via the condominium strategy. Since listing on the Main Market of the London Stock Exchange in June 2015, the Company has been progressively selling its non-Berlin assets. In aggregate these assets have been sold at an average 23.8% premium to trailing book value and the majority of the proceeds have been reinvested into further improvements in the Berlin Portfolio and Berlin acquisitions.

Creation of condominiums

In addition to its core rental business, the Company also selectively identifies a small number of condominium projects. The Company is committed to operating within the relevant regulatory and planning frameworks at all times during the condominium realignment process.

This strategy is considered where a significant differential exists between the market value of a rental unit within an apartment block and the resale value of a unit as a private apartment, or where there is limited opportunity to generate further value as a rental building. The process involves legally splitting the freeholds in a small number of selected buildings.

The sales comprise a combination of vacant and occupied units and can augment returns to reinvest in the Portfolio on further acquisitions. As at 31 December 2018, 90 units representing proceeds of €26.9 million had completed since condominium sales commenced in mid-2015.

Disposals notarised since 2015 stock market listing

Region	2015 (€)	2016 (€)	2017 (€)	2018 (€)	Premium to prior FY book value
Nuremberg & Fürth	870,000				77.0%
Berlin (including Greater Area)		3,800,000			19.1%
Baden-Württemberg			6,100,000	3,920,000	6.3%
Nuremberg & Fürth			35,170,000		10.7%
Central & North Germany			84,050,000		32.9%
Total	**870,000**	**3,800,000**	**125,320,000**	**3,920,000**	**23.8%**

Berlin condominium sales 2015-2018

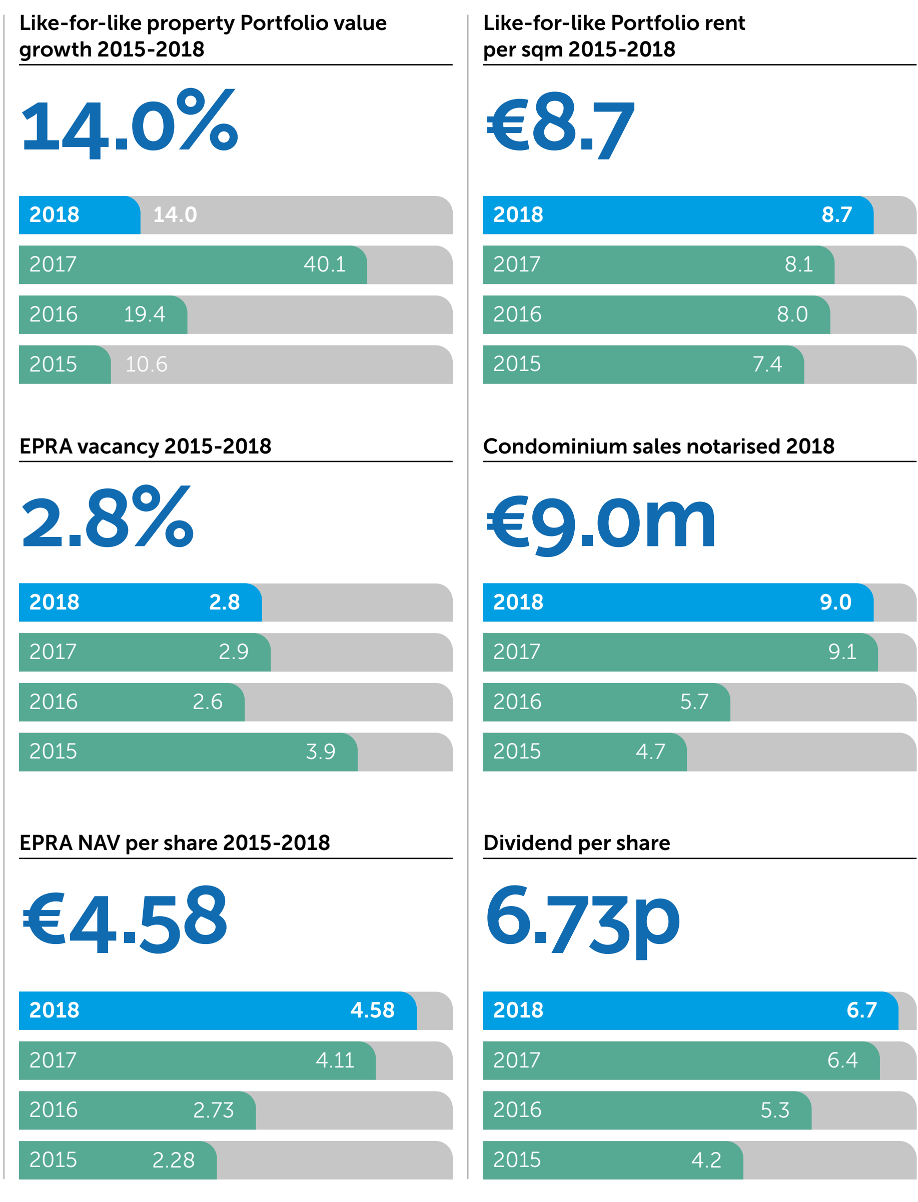
Year	Condominium sales value €/sqm	Berlin rental portfolio value €/sqm	Sales Value (€m)	Premium to trailing book value (%)
2015	3,899	1,982	4.7	19.4
2016	4,427	2,150	5.5	33.3
2017	4,352	3,220	9.1	23.8
2018	4,566	3,576	9.9	24.2

KEY PERFORMANCE INDICATORS

The Company has chosen a number of Key Performance Indicators, which the Board believes are relevant to help all stakeholders understand the performance of the Company and the underlying property Portfolio.

In 2018, the value of the property portfolio grew by 14.0% on a like-for-like basis (2017: 40.1%). This growth was assisted by an increase in like-for-like portfolio rent per let sqm to €8.7 (2017: €8.1). The EPRA vacancy rate fell to 2.8% compared with prior year (2017: 2.9%).

The Group continued with its targeted condominium programme, notarising sales of €9.0 million during the financial year (2017: €9.1 million). EPRA NAV per share increased by 11.4% to €4.58 (2017: €4.11), and the total dividend for the year was €7.50 cents per share (GBP 6.73 pence per share) an increase of 3% versus the prior year (2017: €7.30 cents per share, GBP 6.40 pence per share).



REPORT OF THE PROPERTY ADVISOR

On a like-for-like basis, the Portfolio valuation increased by 14.0% during the year ended 31 December 2018 as it continued to benefit from the strong Berlin market fundamentals. During 2018, the Company invested its highest sum to date to further improve the overall quality of its accommodation and surroundings.

Like-for-like Portfolio value rises by 14%

On a like-for-like basis, excluding the net impact of acquisitions and disposals, the Portfolio valuation increased by 14.0% during the year ended 31 December 2018 as it continued to benefit from the strong market fundamentals in Berlin.

The total Portfolio was valued at €645.7 million by Jones Lang LaSalle GmbH, the Company's external valuers, an absolute increase of 6.0% over the 12-month period (31 December 2017: €609.3 million), reflecting the impact of non-Berlin disposals during year. The Portfolio valuation represents an increased average value per sqm of €3,527 (31 December 2017: €2,853) and a gross fully occupied rental yield of 3.0% (31 December 2017: 3.4%).

Reported property Portfolio valuation (€m)

Year	€m
2018	645.7
2017	609.3
2016	423.8
2015	283.6
2014	245.3
2013	233.1
2012	219.0
2011	190.3
2010	186.1
2009	170.3
2008	167.8

Portfolio regional overview as at 31 December 2018

	Berlin (incl. Greater Area)	Baden-Württemberg	Total
% of fund by value	99.4	0.6	100
Number of buildings	95	1	96
Number of residential units	2,374	18	2,392
Number of commercial units	142	11	153
Total units	2,516	29	2,545
Total sqm ('000)	179.4	3.7	183.1
Annualised net rent (€m)	17.6	0.4	18.0
Valuation (€m)	641.8	3.9	645.7
Value per sqm (€)	3,576	1,084	3,527
Fully occupied gross yield %	2.9	12.1	3.0
Vacancy %	4.7	7.7	4.8
EPRA vacancy %	2.9	0.0	2.8

The Berlin Portfolio was valued at €641.8 million, an increase of 21.4% year-on-year (31 December 2017: €528.5 million). This represents an increased average value per sqm of €3,576 (31 December 2017: €3,220).

The principal drivers behind the like-for-like growth in the Portfolio value were:

- a further contraction in market yields, driven by the low interest rate environment;
- strong growth in like-for-like rental income within the Portfolio;
- the positive impact of the Property Advisor's active asset management strategy;
- continued high levels of investor interest in the Berlin property market; and
- further development of the condominium market, with single apartment prices in Berlin experiencing another year of double-digit growth.

Rental income – growth trend continues

Contracted net rental income (excluding service charge revenue) declined by 3.2% to €17.5 million (31 December 2017 €18.1 million), reflecting the impact of disposal of remaining non-Berlin assets during the financial year. On a like-for-like basis, excluding the effect of acquisitions and disposals, rental income across the Portfolio grew by 9% compared with the prior year. Headline average in-place rent per sqm was €8.6 as at 31 December 2018, compared with €8.1 as at 31 December 2017.

Berlin saw a like-for-like increase in rent per sqm of 6.9%. Average rent per sqm was €8.5, a year-on- year increase of 5.1% compared with 2017, reflecting strong underlying rental growth in the existing Portfolio, partially offset by the impact of recent acquisitions, which typically have lower rental values upon takeover.

As at 31 December 2018 the Company's net contracted annualised rental income was €18.0 million.

Recent letting prices achieve new highs for the Company

The Company enjoyed another strong letting performance in 2018. A total of 284 new leases were signed, representing 12.0% of the average units owned during the period. In the Berlin Portfolio, average new letting prices were 5.3% to €11.9 per sqm (2017: €11.3 per sqm).

Portfolio reversionary rental potential remains high

Notwithstanding the growth in rental prices, the Portfolio continues to demonstrate significant reversionary potential, as shown by the premiums achieved on new letting prices when compared to in-place rents. New leases signed during the period in Berlin were agreed, on average, at a 40.4% premium to passing rents.

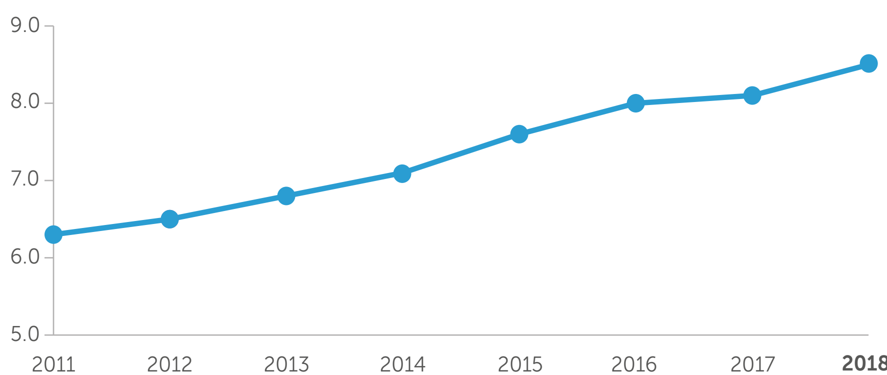
The Property Advisor believes this reversionary gap should underpin rental growth in the medium-term, providing a buffer against any potential slow-down in the rental market.

EPRA vacancy remains low

Reported vacancy as at 31 December 2018 was 4.4%, down from 6.8% as at 31 December 2017. On an EPRA basis, which adjusts for units undergoing redevelopment or reserved for resale, vacancy was 2.8% as at 31 December 2018, compared with 2.9% as at 31 December 2017.

The Berlin EPRA vacancy rate also remained low at 2.9% (31 December 2017: 2.7%), with the modest increase reflecting a higher vacancy rate on buildings acquired during the year. The higher vacancy rate allows the Company to redevelop and re-let recently acquired apartments.

Berlin Portfolio rent per sqm (€) 2011 to 2018



Portfolio investment reaches new high

The Company remains committed to improving living standards for its tenants and fulfilling its environmental obligations in areas where its properties are located. Depending on the level of historical under-investment by previous owners, apartment improvements can involve redecoration, heating system and heating plant renewal, new insulation, double glazing, plumbing and flooring, as well as kitchen and bathroom renewal. Communal areas, both indoor and outdoor, are also reviewed for potential improvement where investment has previously been lacking. During 2018, the Company invested €7.9 million, its highest sum to date, to further improve the overall quality of its accommodation and surroundings (year to 31 December 2017: €6.7 million).

In the Berlin rental Portfolio, €4.5 million was invested in the refurbishment of 189 units representing an average outlay of €354.6 per sqm. The average premium achieved on re-letting these vacant Berlin units was 68.9%. A further €1.9 million was invested in the infrastructure of properties within the Portfolio for items such as heating system upgrades and improvements to indoor and outdoor communal areas. An additional €1.5 million was invested on the development of condominium projects. All these items are recorded in the accounts as capital expenditure.

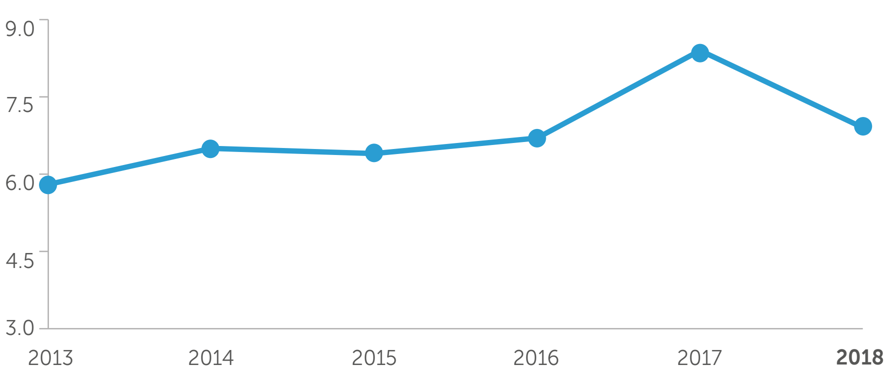
A further €1.7 million was spent on repairs and maintenance and expensed through the profit and loss account, compared to €1.4 million in 2017. This results in a total renovation and repair investment of €9.6 million.

Net contracted rental income for the year was 3.2% lower at €17.5 million (year to 31 December 2017: €18.1 million). This decrease reflects the sale of the Northern German Portfolio in April 2018, effectively offset by strong like-for-like rent per sqm growth of 7.4%.

The Company has reported a profit before tax for the period to 31 December 2018 of €56.4 million (2017: €138.5 million) which was positively affected by a revaluation gain of €66.1 million (2017: €157.4 million). The revaluation gain was lower than that experienced in 2017 and is primarily due to a moderation in the rate of market yield compression versus the prior year. Reported earnings per share for the period were €0.46 cents (2017: €1.21 cents).

REPORT OF THE PROPERTY ADVISOR
Continued

Berlin Portfolio annual like-for-like rent per sqm growth (%) 2013 to 2018



Financial results

€ million (unless otherwise stated)	31 December 2018	31 December 2017
Gross rental income (including service charges)	22.7	23.7
Like-for-Like annualised rental income	16.6	15.2
Net contracted rental income	17.5	18.1
Profit before tax ('PBT')	56.4	138.5
Reported EPS (€)	0.46	1.21
Investment property value	645.7	609.3
Net debt	168.4	195.1
Net LTV	26.1%	32.0%
EPRA NAV per share (€)	4.58	4.11
EPRA NAV per share (£)	4.11	3.65
Dividend per share (€ cents)	7.5	7.3
Dividend per share (£ pence)	6.7	6.4
EPRA NAV per share total return for period (€)	13.2%	53.0%
EPRA NAV per share total return for period (£)	11.4%	57.7%

EPRA NAV increases by 11.4%

Reported EPRA NAV per share rose by 11.4% in the period to €4.58 (£4.11) as at 31 December 2018 (31 December 2017: €4.11 (£3.65)). After taking into account the dividends paid in 2018 of €7.35 cents (GBP: 6.5p), which were paid in June and October 2018, the Euro EPRA NAV total return in the period was 13.2% (2017: 53.0%).

IFRS NAV per share rose by 2.3% in the period to €4.05 (£3.54) (31 December 2017: €3.96) (£3.52).

Dividend

The Company is pleased to have declared a final dividend of €5.15 cents per share (Sterling GBP 4.62p per share), (2017: €5.0 cents; (Sterling GBP 4.4p per share)), which is expected to be paid on or around 27 June 2019 to Shareholders on the register at close of business on 7 June 2019, with an ex-dividend date of 6 June 2019. Taking into account the interim dividend paid in October 2018, the dividend for the year to 31 December 2018 is €7.5 cents per share (Sterling GBP 6.73p per share), (2017: €7.3 cents per share; (Sterling GBP 6.4p per share)).

"Since listing on the London Stock Market in June 2015, and including the final dividend for 2018, €24.9 million has been returned to Shareholders."

Since listing on the London Stock Market in June 2015, and including the final dividend for 2018, €24.9 million has been returned to Shareholders. The dividend is paid from operating cash flows, including the disposal proceeds from condominium projects and the Company will seek to continue to provide its shareholders with a secure and progressive dividend over the medium-term, subject to the distribution requirements for Non-Mainstream Pooled Investments.

Financing

As at 31 December 2018, the Company had gross borrowings of €195.3 million (31 December 2017:€222.3 million) and cash balances of €26.9 million (31 December 2017: €27.2 million) equating to a net debt of €168.4 million (31 December 2017: €195.1 million) and a net loan to value for the Portfolio of 26.1% (31 December 2017: 32.0%).

Nearly all loans are fixed using an interest rate hedge and, as at 31 December 2018, the blended interest rate of all loans across the Portfolio was 2.0%. The average remaining duration of the loan book at 31 December 2018 was 7.7 years (31 December 2017: 8.4 years). By 31 December 2018, all the Company's debt had been refinanced within the previous 24 months.

During the course of 2018, the following ten-year loan facilities were entered into in order to finance newly acquired properties:

- April 2018, €12.0 million facility;
- July 2018, €1.6 million facility, of which €0.3 million remains to be drawn; and
- December 2018, €7.5 million facility of which €0.9 million remained to be drawn at 31 December 2018 and was subsequently drawn in February 2019.

In March 2018, the Company successfully refinanced existing debt within PSPF Ltd. & Co.KG, against the properties based in Berlin. An equity release of €7.8 million, before costs, was obtained on the existing property Portfolio, all of which was drawn by 31 December 2018.

Following the disposal of the non-core Central and Northern Germany assets, €40.5 million of the total proceeds of €73 million was used to repay debt, with the remainder being reinvested into the Portfolio. Further single property disposals amounting to €4.1 million were also completed during the year with related debt of €3.1 million being repaid.

In November 2018, the Company notarised for disposal the final non-Berlin property for €3.9 million. The transaction completed in January 2019. There was no debt secured against the asset.

The Company is currently undertaking a substantive review of its financing requirements to support its future strategy and will update investors following the conclusion of this exercise.

Acquisitions and disposals

The Company has continued to grow in Berlin with a number of carefully targeted acquisitions in central locations which fulfil its strict acquisition criteria. In total, 222 units (210 residential and 12 commercial) were notarised during 2018 for an aggregate purchase price of €36.3 million, at an average price per sqm of €2,390, and annual fully occupied rent of €1.3 million.

The Company intends to continue with its strategy of acquiring in Berlin and, as at 23 April 2019, a further 14 units in Berlin had been notarised since the December 2018 year end for a purchase price of €2.4 million, representing a value per sqm of €2,956. Acquisitions have been financed using a combination of debt and cash reserves.

In April 2018 the Company completed the sale of its remaining Northern Germany assets for a cash consideration of €73.0 million, representing a 26% premium to the Jones Lang LaSalle pre-notarisation valuation. This Portfolio, initially acquired in 2006/2007 for an aggregate purchase price of €38.7 million, consisted of 34 properties located in Bremen, Hannover, Hildesheim, Verden, Delmenhorst, Kiel, Oldenburg, Lüneburg and Lübeck.

REPORT OF THE PROPERTY ADVISOR
Continued

Densification projects
Following the significant increase in rental values in recent years, the Property Advisor is in the process of conducting an exercise to examine the financial viability of new construction within the footprint of the existing Portfolio. This could involve both attic conversions and new building construction on land surrounding buildings that are already owned by the Company.

So far, 26 buildings have been identified for attic conversion and permission has been granted for 39 new apartments, with a further 35 in planning. Permission is also being sought for the first new-build project in the courtyard of a building already owned by the Company with potential to create 23 new units. Preliminary estimates of the gross development cost for all these projects are in the region of €30 million to €35 million. The Board is committed to ensuring that any decision to proceed with new construction or investment in existing assets will be based on the project meeting or exceeding the Company's financial return targets.

Condominium sales
The Company has continued with its strategy of crystallising the latent value within the Portfolio through selectively reselling apartment blocks as individual units.

Across the Company's condominium projects, a total of 23 units were notarised for sale in 2018, with an aggregate sales value of €9.0 million, consistent with the strong sales figures in 2017 of €9.1 million. This represents an average value per sqm of €4,490, or €4,466 excluding commercial units and parking.

Condominium sales proceeds during 2018 represented a 24.2% premium to book value and the average price achieved per sqm for notarised condominiums was a 25.7% premium to the average valuation per sqm for properties in the Berlin Portfolio as at 31 December 2018, confirming the potential for valuation creation through apartment privatisation.

These sales constitute a combination of vacant and occupied units and the Property Advisor expects to identify and prepare additional condominium projects for sale, either to tenants, or new buyers during 2019 in order to maintain similar proceeds to previous years.

Market outlook
The trend towards trade protectionism, slowing global growth and an uncertain Brexit outcome have impacted negatively on German GDP forecasts. After averaging

2.1% over the period 2014-2017, Germany's GDP growth slowed to 1.5% in 2018, and the European Commission forecasts this will cool further to 1.1% in 2019, before recovering to 1.7% in 2020. Although headwinds to German economic growth remain, the inherent strength of the German labour market continues, with unemployment levels expected to reduce further (from 5.2% during 2018 to 4.9% in 2019) and employment levels expected to rise.

Berlin's economic growth prospects remain relatively uncorrelated given its comparative under-reliance on manufacturing and skew towards the services sector as a source of job creation. This positive labour market development has been a key driver of Berlin's population growth. Between 2011 and 2017, its population increased by nearly 290,000 and the number of households by almost 200,000. The population is expected to continue to grow. According to the Senate administration, Berlin will require an additional 194,000 apartments by 2030.

Against a backdrop of strong population growth, medium-term demand for residential property will continue to outstrip supply, driven by a combination of high new-build construction costs, lack of available land and a shortage of new-build permits. The net effect of this supply-demand imbalance should underpin the rental market and, in turn, create significant future reversionary potential within the Portfolio. This offers potential to improve rental incomes in the event that market rental values stabilise.

With an active market vacancy currently just over 1%, Berlin's regional government has reacted to supply shortage by implementing a growing number of regulatory measures such as:

- the exercise of pre-emptive purchase rights; and
- additional designation of protected residential areas to restrict the partitioning and resale of rental blocks as condominiums.

There has recently been a well-documented grass roots proposal in Berlin for a referendum which proposes to expropriate properties of large Berlin landlords with over 3,000 units under management. The Property Advisor continues to monitor developments in relation to the proposed referendum, but feels that since the Company owns 2,516 units, the outcome of the referendum is unlikely to affect the Portfolio.

The Company's strategy will continue to develop to ensure that it acts in a responsible manner, adhering at all times to relevant regulatory requirements and property laws.

Notwithstanding the fact that yield compression has moderated, the Property Advisor remains confident that the favourable Berlin demographics outlined above offer opportunity to further improve rental incomes and property values. This, combined with carefully selected Portfolio acquisitions and a continuation of selective condominium sales, leaves the Company well-placed for the year ahead.

"The Company's strategy will continue to develop to ensure that it acts in a responsible manner, adhering at all times to relevant regulatory requirements and property laws."

CORPORATE RESPONSIBILITY

Phoenix Spree is committed to acting responsibly by balancing the different interests of all our key stakeholders and capturing this within our Company Values and business model.

Our approach to Corporate Responsibility

We strive to strike a meaningful balance between providing a return to our investors and addressing our social and environmental impacts. We engage with our stakeholders to ensure we understand differing viewpoints and take this into consideration when making business decisions. We believe that this is the right way to approach business, and will help us to be a sustainable company that delivers long-term success.

Our business focuses on providing homes for people that are both comfortable and affordable. We often acquire properties that are in relatively poor condition and, through significant reinvestment, we modernise the apartments to improve the standard of accommodation for our tenants and improve the look of the local neighbourhood. Providing good customer service to our tenants and improving the sustainability of housing stock through renovation lies at the core of our business.

In 2018, we reviewed how sustainability is managed within our business and aligned these with the views of our stakeholders and business priorities to create our Company Values and our 'Better Futures' Corporate Responsibility (CR) Plan.

Although we recognise that there is more to do, we are pleased with the progress we are making, through the dedication of our partners.

Corporate Responsibility governance

To ensure the successful delivery of our 'Better Futures' CR Plan within our business, relevant policies have been created for each of the pillars, a measurement framework established to monitor progress and a structure put in place to ensure robust oversight.

We share the relevant policies with PMM, who in turn have created their own policies that are aligned with ours. We request that PMM periodically verifies that it has acted in accordance with the policies. Where PMM 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, PMM has established a CR Task Force that oversees the implementation of the plan across the business. This Task Force reports the progress on the CR Plan, at minimum twice a year, to Phoenix Spree's CR Sub-Committee, who in turn reports into the Company's Board.

For further information, please visit the company's website at www.phoenixspree.com.

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 Phoenix Spree to ensure that their own values and behaviours are consistent with ours.

Responsible

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

Fair

We are fair to all our stakeholders, whether employees, partners, investors or tenants and endeavour to balance their different needs. We seek to improve the overall standard of our tenants' 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.

CORPORATE RESPONSIBILITY
Continued

Our 'Better Futures' Corporate Responsibility ('CR') Plan

Our 'Better Futures' Plan provides a framework to manage our existing activities more effectively whilst adding new initiatives to improve our overall sustainability.

We have captured our activities under four key pillars that are integrated throughout our business operations.

RESPECTING PEOPLE

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

Read more page 32

PROTECTING OUR ENVIRONMENT

We strive to reduce our environmental impact by minimising the waste during the property refurbishment process, using products and materials that have a low environmental impact and encouraging tenants to minimise their utility use.

Read more page 33

"Addressing our environmental and social impacts is intrinsically linked to the success and sustainability of our business."

Monique O'Keefe, Chair of Corporate Responsibility Committee

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 to our investors.

Read more page 34

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 35

RESPECTING PEOPLE

The success of our business is based on the expertise, experience and dedication of our partners and their employees, as they undertake the day-to-day operations for Phoenix Spree.

Our Property Advisor, PMM, represents the majority of this headcount and has an experienced team of property professionals with long-standing experience of the German residential property market, and is de facto the face of Phoenix Spree. We therefore believe it is important that PMM and Phoenix Spree's Company Values are aligned and how PMM treats their employees is consistent with our People Policy.

PMM is committed to having an inclusive working environment and encourages employees to develop personally and professionally via access to a variety of training programmes and challenging work assignments. They take the health and welfare of their employees seriously and believe in promoting a strong work-life balance. Results from their Employee Survey demonstrate that they are meeting these aims and that their employees are very satisfied with how they are treated.

Neither Phoenix Spree nor PMM meet the criteria requiring the Company to publish 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. An Anti-Slavery and Human Trafficking Policy has been introduced and shared with key business partners.

"94% of employees believe that PMM treats employees with respect and provides equal opportunities."

PMM Employee Survey 2018

PROTECTING OUR ENVIRONMENT

We are committed to minimising our impact on the environment in our rental properties and in the offices of our key partner, PMM, by reducing our utility use and minimising the amount of waste we produce and send to landfill.

Our Environment Policy formalises our approach and sets guidance as to how Phoenix Spree, PMM, and other key suppliers should operate.

Throughout the property refurbishment process, we work with our contractors to minimise the amount of waste by re-using materials, where feasible. In line 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. This includes items such as energy and water-efficient fittings and paint that has a Blue Angel award.

Measuring the total utility usage within our rental properties is not feasible as the majority of our tenants have a direct contract with the utility provider which limits our visibility and oversight. Despite not having direct control over much of the properties' utility usage and waste, our aim is to encourage our tenants to reduce their utility usage by providing them with helpful hints and advice. The electricity supplied to our buildings is increasingly from renewable sources and many of our properties have been awarded recycling awards.

Given the majority of the day to day running of Phoenix Spree's operations is undertaken by our Property Advisor, PMM, we focus on their offices when reviewing our direct environmental impact. Both PMM's Berlin and London offices are fitted with energy saving products, with the latter meeting RICS SKA Silver standards. PMM has appointed an Environment Champion for each office to encourage employees to reduce their utility usage, improve recycling and reduce the amount of paper used within the business.

VALUING OUR CUSTOMERS

Our core business focuses on providing good-quality rental property at affordable prices in the city of Berlin.

Our tenants regard their apartment as their home and, to that end, we aim to make a positive contribution to our tenants' living standards and to ensure that their apartment is a place in which they enjoy living. We seek to improve the standard of accommodation available to tenants through modernisation and renovation within apartments and the communal areas. In line with our Company Values, we assess the renovations to ensure these improvements are justified so as to avoid excessive investment which might lead to unaffordable rent increases.

Improvements are conducted on a rolling basis across the Portfolio and vary according to the condition of each building and its apartments. Upgrades can include simple redecoration, new flooring, kitchen and bathroom renewals, improved insulation and glazing, heating and plumbing renewal, as well as electrical upgrades. Communal stairwells and outdoor areas can be improved for the tenants and, where space permits, bike racks are installed.

We always comply with the applicable German law requirements limiting rent increases. We are conscious of our responsibility to tenants and ensure that rents for existing tenants are set in line with the Mietspiegel.

We have in place a Vulnerable Tenant Policy, which provides guidance on procedures that should be followed when dealing with tenants who are vulnerable to provide them with additional protection.

In addition to providing comfortable affordable homes, it is important that we provide a reliable friendly service to our tenants, listening to their suggestions and concerns and responding in a timely manner. We monitor this engagement and conduct Tenant Surveys to ensure we are delivering a high standard of service. Similarly, we are also committed to providing an excellent service to our investors.

We are rigorous in selecting the right Partners to ensure they deliver the best results for our tenants and investors. We require them to share our commitment to high standards of responsibility and treating customers fairly, as outlined in our Suppliers Code of Conduct. We have shared our key policies and Company Values with key partners and suppliers, asking them to affirm that they are operating in a manner consistent with them.

"88% of new tenants said they were satisfied with their apartment."

Tenants Survey 2018

INVESTING IN OUR COMMUNITIES

We help contribute to thriving communities by investing in the housing stock and supporting local charities.

In addition to investing in communities by providing homes that people want to live in at affordable rents, we look to improve the external façade of the buildings and other outdoor areas. For our tenants, the look and feel of a neighbourhood plays an important role in how they feel about their home and the community they live in. During 2018, we re-invested half of rental income across all of our improvement programmes.

Within our new 'Better Futures' CR Plan, we have structured our charitable giving in a more strategic way through our Community Investment Policy and focus on supporting charities where there is a connection with the 'home'.

Phoenix Spree is supporting a women's refuge (The Intercultural Initiative) that helps women affected by domestic violence. This charity provides emergency shelter, advice and counselling to the women and their children.

The counsellors provide the women with information on topics such as education, legal and custody issues and help them develop their social networks so they can rebuild their confidence and their lives. Their children are helped with any educational issues and receive support on how to process and cope with their domestic abuse experience. We will look for further charities to partner with where our support can make a positive impact around the theme of 'homes'.

"Intercultural Initiative e.V. are very pleased that Phoenix Spree is supporting our work with women and children who have experienced domestic violence. The donation will be used to fund additional support for the mothers and their children."

Dr Lehmann
Managing Director,
The Intercultural Initiative

PMM, our key partner, is supporting two charities in London that work with homeless people or those at risk of becoming homeless. PMM supports SPEAR to run an outreach service, helping rough sleepers into accommodation and helping them to address health and wider social care problems. With SHP, PMM is funding an employability programme that helps homeless people to find a job and secure a sustainable income that enables them to afford housing.

PMM has appointed a Charity Champion in both their Berlin and London offices to engage employees with their charitable activities. PMM employees are also encouraged to volunteer, receiving one day's paid leave to volunteer for a charity should they wish. Some employees have already taken this up, volunteering with SHP prior to Christmas, delivering presents to 830 homeless people.

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
Decline in property valuation	Economic, political, fiscal and legal issues can have a negative effect on property valuations. A decline in Group property valuations could negatively affect the valuation of the Portfolio and the ability of the Group to sell properties within the portfolio at valuations which satisfy the Group's investment objective.	The Property Advisor believes German housing affordability metrics remain favourable relative to other European countries and that German residential supply-demand dynamics are supportive, with limited supply of rental stock in urban locations putting upward pressure on rents.
Adverse interest rate movements	Future interest rate rises could increase the borrowing cost to the Group which, in turn, could negatively affect the Group's financial performance.	The Property Advisor has a record of securing financing across the Portfolio. The Group mitigates its exposure to adverse interest rate movements through the use of interest rate swaps or by fixing its interest rates. All new debt drawn in the year was fixed using interest rates swaps. The average blended interest rate of the Group's debt profile is now 2.0% with a blended maturity of 7.7 years. During the past 24 months, 100% of the Group's debt has been refinanced.
Inability to sell condominiums	Inability to sell condominiums in the Berlin market due to changing political or economic conditions could affect the Company's cashflows in the short-term, which may affect the ability of the Company to fund its capital expenditure programme or fund its annual dividend.	The Company currently has split over half the properties in the German land registry, the final step to allowing the sale of properties as individual condominiums. The Property Advisor reviews the condominium profile of the Company on a monthly basis and the Company can onboard new condominium properties quickly for sale if required.
Breach of covenant requirements	Should any fall in revenues result in the Group breaching financial covenants given to any lender, the Group may be required to repay such borrowings in whole or in part, together with any related costs.	The Group has no loan to value covenants on debt held. The Group does have debt service coverage covenants on its finance with DZ Hyp bank which are assessed annually in January. DZ Hyp loan covenant requirements have always been met with significant headroom, and were most recently met in January 2019, again with significant headroom. The Property Advisor regularly monitors all debt service coverage covenants and would seek to take remedial measures in advance of any covenant being breached.
Insufficient capital to support expansion	Lack of capital may restrict the ability of the Group to pursue future investment opportunities consistent with the overall investment objectives.	At year end the Group had cash reserves of €26.9 million and has signed debt in 2018 of €28.9 million, €27.6 million of which was drawn. The Group always maintains very conservative long-term forecasts regarding its cash balances to ensure a three year viability projection. Taking this into account, and current and future spending commitment on improving the Increasing portfolio and returns to shareholders, without further debt the Group has limited capacity for acquisitions. It continues to look for methods to achieve further capital on an ongoing basis.
Insufficient investment opportunity	Availability of potential investments which meet the Group's investment objective can be negatively affected by supply and demand dynamics within the market for German residential property and the state of the German economy and financial markets more generally.	The Property Advisor has been active in the German residential property market since 2006. It has specialised acquisition personnel and an extensive network of industry contacts, including property agents, industry consultants and the principals of other investment funds. It is expected that future acquisitions will be sourced from these channels.

Risk trend

Increasing

Unchanged

Decreasing

Risk	Impact	Mitigation
Changes to property and tenant law	Property laws remain under constant review by the new 'Red-Red-Green' coalition government in Germany and future changes to property regulation and rent controls for new tenancies could negatively affect rental values and property valuations.	The Property Advisor regularly monitors the impact that existing and proposed regulation could have on future rental values and property planning applications. This includes the potential referendum in Berlin which is discussed on page 27 of this Annual Report. In order to reduce the dependency upon statutory rent increases, the majority of the new leases signed within the Portfolio include annual indexation (or 'Staffel') increases.
Occupancy and tenant risk	Unexpected vacancy and tenant default trends across the Portfolio could lead to a rental income shortfall which, in turn, may adversely impact Group profitability and investment returns.	The Property Advisor implements strict vetting and screening processes to improve tenant quality across the Portfolio. Where appropriate, apartments becoming vacant are renovated and modernised and then re-let at rents which are at a significant premium to that paid by outgoing tenants.
Reliance on the Property Advisor and its key personnel	The Group's future performance depends on the success of the Property Advisor's strategy, skill, judgement and reputation. The departure of one or more key employees may have an adverse effect on the performance of the Group and any diminution in the Property Advisor's reputation may have an adverse effect on the Group's performance.	Since Listing 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 stake in the Group, aligning their interests with other key stakeholders. In November 2018 the Group announced that it had signed a new Property Advisor agreement with PMM, committing the Property Advisor to the Fund for the foreseeable future.
Reputational risk	Adverse publicity and inaccurate media reporting could reflect negatively on stakeholders' perception of the Group, its strategy and its key personnel.	The Group has retained an external public relations consultancy and press releases are approved by the Board prior to release. The Group maintains regular communication with key shareholders and conducts presentations and roadshows to provide investors with relevant information on the Group, its strategy and key personnel. The Group also has a dedicated CSR committee of the Board which ensures the Company ethos is in line with societal expectations.
Macro economic environment	A deterioration in economic growth and a recessionary environment could adversely affect tenant demand and vacancy, leading to a reduction in rental and property values.	Although the Board and Property Advisor cannot control external macroeconomic risks, economic indicators are constantly monitored by both the Board and Property Advisor and Group strategy is tailored accordingly. The Fund is a Jersey & Guernsey-based entity operating in Germany, and therefore Brexit should not affect the fund as it currently operates outside the UK. However, the uncertainty surrounding Brexit continues to affect the macroeconomic environment around Europe and the situation continues to be monitored by both the Board and Property Advisor.
Non-compliance with new regulatory accounting and taxation legislation	Failure to identify and respond to the introduction of new financial regulation in a timely manner. Risk of reputational damage, penalties or fines.	The Group employs internal compliance and corporate governance advisors to provide updates and boardroom briefings on regulatory changes likely to impact the Group. The Group works closely with external accountants and tax advisors to keep up to date with changes to financial regulation in the UK, Channel Islands and Germany.
Loss of data due to cyber security attack on IT systems	Illegal access of commercially-sensitive information and potential to impact investor, supplier and tenant confidentiality.	Review of IT systems and infrastructure in place to ensure these are as robust as possible. Service Providers are required to report to the Board on request on their financial controls and procedures. Service providers are also required to hold detailed risk and controls registers regarding their IT systems. The Board is currently reviewing its IT procedures and controls for the 2019 financial year.

BOARD OF DIRECTORS

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

Non-executive Director and Chairman

Robert acts as an independent Non-executive Director and Chairman of the Company.

He has over 30 years' experience as a corporate finance adviser, 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 January 2015, he was a Managing Director, and later Senior Advisor, at Lazard.

He was previously Director General of The Takeover Panel from December 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.

Quentin Spicer

Non-executive Director and Chair of the Valuation Committee and Nomination Committee

Quentin is a resident of Guernsey. He qualified as a Solicitor in England and Wales in 1968 with Wedlake Bell in London, where he became head of the property department.

He moved to Guernsey in 1996 to become Senior Partner of Wedlake Bell Guernsey until retiring in 2011. He specialised in commercial property transactions including funding for non-UK tax residents and associated low tax jurisdiction structures. He was Chairman of F&C UK Real Estate Investments Limited, standing down in November 2015. He is currently Chairman of Alternative Liquidity Fund Limited, both are LSE listed companies; he was also Chairman of Guernsey Housing Association LBG, standing down in June 2017; and is a Non-executive Director of a number of other funds including Summit Properties Limited. He is a member of the Institute of Directors.

Charlotte Valeur

Non-executive Director and Chair of Risk Committee

Charlotte has held a number of executive and non-executive roles in listed and private businesses. She was the Chair of the Board at both Kennedy Wilson Europe Real Estate Plc and a Non-executive Director of 3i Infrastructure Plc.

She is currently Chair of Blackstone GSO Loan Financing Ltd, as well as Non-executive Director of JP Morgan Convertibles Income Fund Ltd and NTR Plc. Charlotte has over 30 years of experience in the Financial Services industry, working for a range of international investment banks in the City of London. She is also the Founder and CEO of GGG Ltd, trading as Global Governance Group. In 2018 she was elected as the Chair of the Institute of Directors.

Jonathan Thompson

Non-executive Director and Chair of Audit Committee

Jonathan is a Chartered Accountant and spent 33 years with KPMG and is an honorary Fellow of the Royal Institute of Chartered Surveyors.

He has extensive real estate and board-level experience currently holding the Non-executive Chairmanship of the Argent Group of investment and development businesses and is a Non-executive Director of Schroder European Real Estate Investment Trust Plc and is Chair of its audit committee. He is a former Non-executive Director of the South West London NHS Mental Health Trust and Strutt & Parker where he also chaired the remuneration committee. He was the 2017-2018 Chair of the Investment Property Forum.

Monique O'Keefe

Non-executive Director and Chair of the Corporate Responsibility Committee

Monique is a Jersey-based Independent Non-executive Director and also runs an investment consultancy business.

She sits on a select number of boards including a private equity fund, a hedge fund and an upstream oil and gas fund. She also serves as a Commissioner with the Jersey Financial Services Commission. Prior to moving to Jersey, Monique was an investment banker at Goldman Sachs and Merrill Lynch and a structured finance lawyer at Clifford Chance and Minter Ellison. Monique is regulated by the Jersey Financial Services Commission to act as a company director (Class G), and is registered with the Cayman Islands Monetary Authority. She has been appointed as Chairman of the Corporate Responsibility Committee.

DIRECTORS' REPORT

The Directors are pleased to present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2018.

General information

The Company is a public limited company and incorporated in Jersey, Channel Islands under the Companies (Jersey) Law 1991. The Company 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 Germany. The Group is primarily invested in the residential market, supplemented with selective investments in commercial property. The majority of commercial property within the Portfolio is located within residential and mixed-use properties.

Dividends

The Directors recommend a final dividend of €5.15 cents (2017: €5.0 cents) per Ordinary Share to be paid on or around 27 June 2019 to ordinary Shareholders on the register on 7 June 2019.

The Directors declared a dividend of €5.0 cents per share on 26 April 2018, paid on 29 June 2018 to ordinary Shareholders on the register on 8 June 2018 and a further dividend of €2.35 cents per share on 26 September 2018, paid on 19 October 2018 to ordinary Shareholders on the register on 5 October 2018.

Directors

The Directors who served during 2018 and to date are as follows:

Name of Director	
R Hingley	Independent Non-executive Director, Chairman
R Prosser (resigned 17 April 2018)	Non-executive Director
M Northover (resigned 24 January 2018)	Non-executive Director
Q Spicer	Independent Non-executive Director (Not independent from 7 March 2019)
A Weaver (resigned 17 April 2018)	Non-executive Director
C Valeur (appointed 24 January 2018)	Independent Non-executive Director
J Thompson (appointed 24 January 2018)	Independent Non-executive Director
M O'Keefe (appointed 17 April 2018)	Independent Non-executive Director

Directors' indemnities

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.

Substantial shareholdings

As at 9 April 2019, the Company has received the following notifications under chapter 5 of the Disclosure and Transparency Rules of shareholdings of more than 5% of the Company's share capital:

Name of holder	Percentage of voting rights	No. of Ordinary Shares
Bracebridge Capital, LLC	12.2%	12,288,503
Thames River Capital	8.0%	8,088,096
Invesco	6.8%	6,872,314

Requirements of the Listing Rules

The following table provides references to where the information required by the Listing Rule 9.8.4R is disclosed.

Listing Rule requirement	
A statement of the amount of interest capitalised by the group during the period under review with an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18 R (Publication of unaudited financial information).	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Not applicable
Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking. Where a Director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders. This information must also be given for any major unlisted subsidiary.	No such share allotments
Where a listed company has listed shares in issue and is a subsidiary undertaking of another company, details of the participation by the parent undertaking in any placing made during the period under review.	Not applicable
Details of any contract of significance subsisting during the period under review: (a) to which the listed Company, or one of its subsidiary undertakings, is a party and in which a Director of the listed Company is or was materially interested; and (b) between the listed Company, or one of its subsidiary undertakings, and a controlling Shareholder.	a) Notes 27, 33 to the accounts b) No controlling Shareholder, not applicable
Details of contracts for the provision of services to the listed Company or any of its subsidiary undertakings by the controlling Shareholder.	No controlling Shareholder, not applicable
Details of any arrangement under which a Shareholder has waived or agreed to waive any dividends, where a Shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	No such agreements
Board statement in respect of relationship agreement with the controlling Shareholder.	No controlling Shareholder, not applicable

Corporate governance

The Directors have prepared a statement on how the UK Corporate Governance Code has been applied, which is set out on pages 43 to 51.

Financial instruments

Details of the financial risk management objectives and policies followed by the Directors can be found in note 3 to the consolidated financial statements.

Events after the reporting date

- In April 2019, the Company exchanged contracts for the acquisition of one individual property in Berlin for the purchase price of €2.4 million. The property is still awaiting completion.
- The Company had exchanged contracts for the acquisition of one property in Berlin with a purchase price of €2.2 million prior to the balance sheet date, which as at balance sheet date had not yet completed. The purchase completed in January 2019.
- In Q1 2019, the Company exchanged contracts for the sale of one commercial unit and one residential unit in BoxhagenerStraße with an aggregated purchase price of €1.9 million. These sale of these units subsequently completed in April 2019.
- The Company had exchanged contracts for the sale of three condominiums in Berlin with aggregated consideration of €1.1 million prior to the consolidated statement of financial position date. These sale of these units subsequently completed in Q1 2019.

DIRECTOR'S REPORT
Continued

Events after the reporting date continued

- The Company exchanged contracts for the disposal of the last non-Berlin property for the sale price of €3.9 million prior to the consolidated statement of financial position date, the sale of this property subsequently completed in January 2019.
- In February 2019, the Company drew down the final €0.9 million portion of the €7.5 million loan with Berliner Sparkasse. €6.6 million of the debt was released in December 2018.

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 UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Viability Statement

The Directors have assessed the viability of the Group over a three-year period. The Directors have chosen three years because that is the period over which the Group has sufficiently robust forecasts as part of its business plan. 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. 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 2021:

a) the potential operating cash flow requirement of the Group;
b) seasonal fluctuations in working capital requirements;
c) property vacancy rates;
d) rent arrears and bad debts;
e) capital and administration expenditure (excluding potential acquisitions as set out below) during the period; and
f) condominium sales proceeds.

The Directors recognise that the projections of cash flows do not include the impact of further potential property acquisitions over the three-year period, as these acquisitions are ad hoc and discretionary in nature. In this respect, the Directors complete a formal review of the working capital headroom of the Group for each potential acquisition.

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

Registered office

13-14 Esplanade
St Helier
Jersey JE1 1EE
Channel Islands

The Directors' Report was approved by the Board of Directors and authorised for issue and signed as follows:

On behalf of the Board

Jonathan Thompson
Director
26 April 2019

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement comprises pages 43 to 51 and forms part of the Directors' Report.

To comply with the UK Listing Regime, the Company must comply with Listing Rule 9.8.6(5) R which requires the Company to apply the main principles of the UK Corporate Governance Code ('the Code') most recently published in July 2018 and report to Shareholders how the Company has applied these principles or explain any departures therefrom.

On 16 July 2018, the Financial Reporting Council ('FRC') published the 2018 Code of Corporate Governance. The Code is available for download from the Financial Reporting Council's ('FRC') website www.frc.org.uk.

The Board intends to adopt The AIC Code of Corporate Governance (the AIC Code) for the accounting period beginning 1 January 2019. The Board deem the AIC Code more relevant with respect to the governance of investment companies.

The Board has considered the principles and recommendations of the Code. During the year, the Company has complied with all of the provisions of the Code except as set out below.

- the role of the Chief Executive and Executives of the Board;
- Executive Directors' remuneration;
- the internal audit function; and
- the composition of the Audit Committee and Risk Committee (rectified during 2018).

The Board considers that the provisions relating to the Chief Executive and Executive Directors' role and remuneration are not relevant to the Company, as the running of PSDL's business is outsourced to third parties and there are no Executive Directors. The objective of the Code to separate the roles of the Chairman who manages and provides leadership to the Board, and the running of PSDL, is achieved because the Chairman is independent from the third-party providers.

PSDL does not currently have an internal audit function as the Board believe that it can ensure that PSDL's risk management, governance and internal control processes are operating effectively without this. This is because PSDL's business is conducted by relatively few individuals (through the outsourced service providers) who report to the Board, and its operations are not complex. However, if PSDL increases in size, the appointment of an appropriately qualified and resourced internal audit department will be, and is currently being, considered. Ultimately this role will be widened to encompass reviews of the efficiency of operations and to make recommendations on rationalisation of the business. If established, such internal audit department would report directly to the Audit Committee.

The members of the Audit and Risk Committees have been selected for their experience and expertise in relation to the risks, financial reporting and internal controls relating to PSDL. The members bring specific experience in relation to the property investment sector and externally managed structures which have been found to be invaluable to each Committee in identifying risks and assessing the mitigating controls which have been established.

Board leadership and Company purpose

In accordance with the Code's Principles A, B, C, D & E following the changes to its composition in 2018, the Board was considered wholly independent for the year 2018 with no representation of external service providers on the Board. From 7 March 2019 Quentin Spicer was no longer considered to be an Independent Non-executive Director due to his length of service exceeding ten years. The Board however consider his detailed knowledge of the Company a significant asset and are happy for him to continue as a Non-executive Director for the coming period. The Board assesses the basis on which the Company generates and preserves value over the long-term. Additionally, the Board considers and addresses 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.

This is achieved by considering the following matters:

- the overall objectives of the Company as described under the sections headed 'Our Strategy' & 'Business Model' in the Strategic Report, and the strategy for fulfilling those objectives within an appropriate risk framework in light of market conditions prevailing from time to time;
- the appointment of the Property Advisor, administrator and other appropriately skilled service providers and to monitor their effectiveness through regular reports and meetings; and
- the key elements of the Group's performance including NAV and EPRA NAV growth and the payment of dividends.

CORPORATE GOVERNANCE STATEMENT
Continued

Further to the above the Board has adopted a Diversity Policy which sets out the Board's approach to diversity in Board composition confirming that the Board would make any new appointments on merit taking into consideration gender diversity.

The Company has no direct employees 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, 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' Corporate Responsibility Plan has been developed. This will provide a framework to measure existing activities better while adding new initiatives to improve overall sustainability.

Additionally, the Board is mindful of culture within each of its service providers and stakeholders and where it is not satisfied that policy, practices or behaviours are aligned with the Company's purpose, values and strategy, the Board will seek assurance that management have taken corrective action.

The Board has overall responsibility for maximising the Group's 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 also ensuring protection of investors.

Within the Annual Report and Financial Statements, the Directors have set out the Group's investment objective and policy and have reported how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Group operates and set appropriate risk controls. Furthermore, the Board has sought to provide further information to enable Shareholders to understand the Group's business and financial performance better. The Board also maintain a formal schedule of matters specifically reserved solely for their decision.

The Chairman shall also be responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items at each Board meeting.

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. Through this process the Board seeks to monitor the views of Shareholders and to ensure an effective communication programme. The Board shall seek to utilise stakeholder communication to inform them of the decisions that the Company and Board takes, whether about the products or 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 will strengthen the business and promote 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 shall also be provided the opportunity to attend these meetings.

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

The Group regularly reviews the Shareholder profile of the Group. Shareholders may contact the Company directly through the Investor section of the Company's website www.phoenixspree.com.

The Board identifies and manages conflicts of interest, including those resulting from significant shareholdings, and also ensures that the influence of third parties does not compromise or override independent judgement.

If a Board recommendation for a resolution receives 20% or more of votes cast against it, the Company will explain, when announcing voting results, any actions it intends to take to consult shareholders in order to understand the reasons behind the result. No later than six months after the shareholder meeting, the Company will publish an update on the views received from shareholders and any actions taken. The Board will then provide a final summary in the Annual Report and Financial Statements and, if applicable, in the explanatory notes to resolutions at the next Shareholder meeting, on the impact the feedback has had on the decisions the Board has taken and any actions or resolutions that are to be proposed.

Where Directors have concerns about the operation of the Board or the management of the Company that cannot be resolved, their concerns are recorded in the Board minutes. On resignation, a Non-executive Director will also provide a written statement to the Chair, for circulation to the board, if they have any such concerns in connection with resignation.

Division of responsibilities

In adherence with the Codes Principles F, G, H & I, following the appointment of two new independent Directors in January 2018 and a further appointment in April 2018, the Board comprised five Non-executive Directors, one of whom also acts as Chairman of the Company. The Chairman is Robert Hingley, who is considered to be independent for the purposes of Listing Rule 15 and Provision 9 of the Code as he has neither current nor historical employment with the Property Advisor nor any current directorships in any other investment funds managed by the Property Advisor. Listing Rule 15 requires there to be a majority of independent Directors on the Board as a whole which was not in place until the new appointments. The Chair ensures the Directors receive accurate, timely and clear information.

On 24 January 2018, the Company announced the appointments of two further independent Non-executive Directors, Charlotte Valeur and Jonathan Thompson. At the same time, Matthew Northover, a Non-executive Director, stepped down from the board to focus on the business of the Property Advisor. Furthermore, on 17 April 2018, Monique O'Keefe was appointed as an independent Non-executive Director and chair of the Corporate Responsibility Committee, and both Richard Prosser and Andrew Weaver stepped down from the Board.

Charlotte Valeur is the senior independent Non-executive Director. The Board have evaluated her independence and consider Charlotte to remain independent.

The Board considers its current Non-executive Directors to be of sufficient calibre and number for their views to be of sufficient weight and that no individual or small group can dominate the Board's decision-making process. Their qualifications and experience are relevant to their directorships and in their appointments to the Committees where applicable.

Due to his ten-year tenure of service on the Board, Quentin Spicer was deemed to be no longer independent. The Board however consider his detailed knowledge of the Company a significant asset and are happy for him to continue as a Non-executive Director for the coming period.

The Non-executive Directors' terms and conditions of appointment are available for inspection at the Company's registered office on request and will be available at the forthcoming AGM.

The Directors believe that the Board has an appropriate balance of skills, experience and independence to discharge its duties and provide effective strategic leadership and proper governance of the Company. The Board shall ensure that it conducts its business at all times with only the interests of the Shareholders in mind and independently of any other associations.

Independence of Non-executive Directors

The Code states that the Board should identify in the Annual Report each Non-executive Director it considers to be independent and should consider whether there are any relationships or circumstances that are likely to affect a Director's independence. On 7 March 2019 Quentin Spicer was no longer considered as an Independent Non-executive Director by the Board due to his length of service exceeding ten years.

The senior independent director is to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent Director, the Non-executive Directors will meet without the Chair present at least annually to appraise the Chair's performance, and on other occasions as necessary.

Non-executive Directors' shareholdings

The Board has assessed that the holdings of the Directors are not significant and believes such levels of investment should not raise questions regarding their independence. The Board considers that Directors owning shares in the Company directly aligns them with the interests of the Shareholders.

The responsibilities of the Chair, senior independent Director, Board and Committees are clear and set out in writing, after they are agreed by the Board. They can be found on the Company's website, www.phoenixspree.com.

CORPORATE GOVERNANCE STATEMENT
Continued

When considering any new appointments, the Board takes into account any other demands on Directors' time. Prior to appointment, any significant commitments are disclosed along with an indication of the time involved. Additionally, any external appointments are not undertaken without prior approval of the Board. Any reasons for permitting significant appointments will be explained further in this report as and when the time arises.

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. Both the appointment and removal of the Company Secretary would be a matter for the whole Board.

Composition, succession and evaluation
In adherence with the Codes Principles J, K & L, the Board has established a Nomination and Remuneration Committee which is chaired by Quentin Spicer with Robert Hingley, Charlotte Valeur, Jonathan Thompson and Monique O'Keefe as Members.

The Nomination and Remuneration Committee met twice during the year.

As at the year-end there were five Directors, three of whom are male and two are female. The Directors have agreed that appointments to the Board should be made on the basis of the Group's specific needs based on merit, without reference to age, gender or religious belief. Charlotte Valeur and Jonathan Thompson were appointed to the Board on 24 January 2018 (with Matthew Northover stepping down) and Monique O'Keefe was appointed on 17 April 2018 (with Richard Prosser and Andrew Weaver stepping down).

Re-election
All newly-appointed Directors shall stand for election by the Shareholders at the next Annual General Meeting following their appointment. There are provisions in the Company's Articles of Association which require Directors to seek re-election on a periodic basis, however, in accordance with the Code all other Directors shall also offer themselves for annual re-election. There is no limit on length of service, nor is there any upper age restriction on Directors. The names of all Directors standing for appointment or reappointment shall be accompanied by sufficient biographical details and the specific reasons why their 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.

The Board considers that there is significant benefit to the Group arising from continuity and experience among Directors, and accordingly does not intend to introduce restrictions based on age or tenure. It does, however, believe that shareholders should be given the opportunity to review membership of the Board on a regular basis.

After the most recent appointments, the Board is satisfied that all the Board members standing for re-election should be re-elected as they have the right skills and experience to continue to manage the Group. The Board maintains its right to appoint further Members if deemed necessary and considers succession on a regular basis.

The Board has implemented a process of formal evaluation for individual Directors, the Committees and the processes utilised by the Board itself. This is undertaken by the Chair and the Audit Committee.

The Board areas of evaluation include:

- Board composition and quality;
- overall strategy, performance and risk;
- Shareholder value;
- governance;
- Board meetings;
- support and relations with suppliers;
- Personal evaluation; and
- Chair's evaluation.

The process of performance evaluation is designed to consider all elements of performance including any perceived shortcomings, training or development needs and unforeseen tasks and responsibilities that have arisen during the year.

The Chairman shall act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board. Each Director shall engage with the process and take appropriate action where development needs have been identified.

The Chairman and the Board have agreed to regular externally facilitated Board evaluations being undertaken, which shall occur as necessary under the requirements of the Code. BoardAlpha has been appointed to carry out an assessment of the Board's effectiveness. It has no connection to the Company or any of the Directors of the Company.

While no KPIs are set for individual Non-executive Directors, the time, effort and application to the performance of their duties for the Board and Committees is taken into account.

Governance structure

PSD BOARD

Committees

NOMINATION & REMUNERATION

AUDIT

RISK

CSR

MANAGEMENT ENGAGEMENT

PROPERTY VALUATION

PMM

CR TASKFORCE & CHAMPIONS

The Board, the Committees and the management process – performance evaluation

In line with the requirements of the Code, the Company has implemented annual performance evaluations of the Board, the Committees and the processes utilised by each forum. The aim of the evaluation is to recognise the strengths and address any weaknesses and consider improvements to the management process. The evaluation is designed to ensure that the Board meets its objectives and effectiveness is maximised.

The evaluations focus on the following issues:

- the frequency of meetings and the business transacted;
- the workload of each forum;
- diversity and how effectively members work together to achieve objectives;
- the timing, level of detail and appropriateness of information put before meetings;
- the reporting process from Committees to the Board and delegation process itself;
- the levels of expertise available within the membership of the Committees and the need for, selection of and the use of external consultants; and
- the effectiveness of internal controls following the review and report of the Audit Committee.

Following the changes to the Board, and if any potential future changes are made, due consideration to the evaluation process will be made.

CORPORATE GOVERNANCE STATEMENT
Continued

Audit, risk and internal control

Audit and Risk Committee

Neither Matthew Northover nor Richard Prosser, up to the dates of their resignations, were considered to be independent Members of the Board as a consequence of their relationship with the Property Advisor or the Administrator, respectively. However, during the financial year, Jonathan Thompson, an independent Non-executive Director, has been appointed to Chair the Audit Committee, and Charlotte Valeur the Risk Committee, meaning that the Company will comply with the Code principles and recommendations on the composition of the Committee in future periods.

On 17 April 2018, Monique O'Keefe joined both the Audit and Risk Committee and the Committees split to become a separate Audit Committee and Risk Committee.

Audit Committee

The Audit Committee is chaired by Jonathan Thompson with Quentin Spicer, Charlotte Valeur and Monique O'Keefe as Members. The Audit Committee meets no less than three times a year and, if required, meetings can also be attended by the Property Advisor and the external auditor. The Board considers Jonathan's recent and relevant experience both in the sector and in financial reporting make him suitably qualified to chair the Audit Committee.

In adherence with the Code's Principles M & N, the Audit Committee is responsible for ensuring that the accounting policies of the Company are appropriate and being followed, disclosures provided are clear and for reviewing the half-year and annual financial statements before their submission to the Board. In addition, the Audit Committee is specifically charged under its terms of reference to advise the Board on the terms and scope of the appointment of the auditors, including their remuneration, independence and objectivity and reviewing with the auditors the results and effectiveness of the audit. The Committee reviews and provides advice on whether the content of the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Group does not currently have an internal audit function, as the Board believes that it can ensure that the Group's risk management, governance and internal control processes are operating effectively without this. This is because the Group's business is conducted by relatively few individuals (through the outsourced service providers) who report to the Board, and its operations are not complex at present. However, if the Group increases in size or complexity, the appointment of an appropriately qualified and resourced internal audit department will be, and is being, considered. Ultimately this role will be widened to encompass reviews of the efficiency of operations and to make recommendations on rationalisation of the business. Once established, such internal audit department would report directly to the Audit Committee.

The Board is satisfied that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Risk Committee

The Risk Committee is chaired by Charlotte Valeur with Quentin Spicer, Jonathan Thompson and Monique O'Keefe as Members. The Risk Committee meets no less than three times a year and, if required, meetings can also be attended by the Property Advisor.

In adherence with the Code's Principle O, The Risk Committee is responsible for advising the Board on the Company's overall risk appetite, tolerance and strategy. The Risk Committee will also oversee and advise the Board on the current risk assessment processes ensuring that both qualitative and quantitative metrics are used. Where requested by the Board, the Committee shall review and provide advice on whether the content of the risk management and internal control report, as contained in the Annual Report, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Members of both the Audit and Risk Committees have been selected for their experience and expertise in relation to the risks, financial reporting and internal controls relating to the Group. The Members bring specific experience in relation to the property investment sector and externally managed structures which has been found to be invaluable to the Committee in identifying risks and assessing the mitigating controls which have been established.

Remuneration

In adherence with the Code's Principles P Q & R the Board considers that the provisions relating to the Chief Executive and Executive Directors' remuneration are not relevant to the Group, as the running of the Group's business is outsourced to third parties and there are no Executive Directors. The objective of the Code, to separate the roles of the Chairman who runs the Board, and the running of the Group, is achieved because the Chairman is independent from the third-party providers. The remuneration of the Directors and the third-party providers is disclosed and explained in the notes to the financial statements.

Effectiveness

The Company holds a minimum of four Board meetings per year to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The reports provided by the outsourced 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. The Board carries out internal evaluations of its effectiveness which are described on page 46 of the Annual Report. Furthermore, the Board has contracted BoardAlpha to carry out an external review of the Board's effectiveness. The scope of this external effectiveness evaluation is in line with the scope set out on page 46.

Committees of the Board

The terms of reference for the Board Committees are available on the Company website at www.phoenixspree.com.

Property Valuation Committee

The Company has established a Property Valuation Committee. The Property Valuation Committee is responsible for reviewing the property valuations prepared by the valuer and any further matters relating to the valuation of the Portfolio.

During 2018, the Property Valuation Committee's composition changed, following the appointment of the Board's new independent Directors. It continued to be chaired by Quentin Spicer, with Charlotte Valeur and Jonathan Thompson joining as Members on 24 January 2018. Richard Prosser ceased to be a member of the Property Valuation Committee following his resignation from the Board on 17 April 2018 and Monique O'Keefe and Robert Hingley were both appointed.

The Property Valuation Committee met four times during the year and reported to the Board on its duties, which are to:

- review significant adjustments from the previous property valuation report;
- review the individual valuations of each property;
- receive any commentary from the Property Advisor and/or Directors following the review meeting held with the external valuer;
- register and discuss with the Property Advisor any asset specific issues highlighted by the valuer;
- review material, unexplained, movements in the Group's Net Asset Value and to recommend the release of the net asset value announcement following that review;
- review compliance with applicable standards and guidelines including those issued by the Royal Institution of Chartered Surveyors and the UKLA Listing Rules;
- review the findings and any recommendations or statements made by the valuer;
- review at least annually, consider and make recommendations to the Board, in relation to the appointment, remuneration, re-appointment and removal of the Group's valuer. The Committee shall oversee the selection process for a new valuer and if a valuer resigns the Committee shall investigate the issues leading to this and decide whether any action is required; and
- consider any further matters relating to the valuation of the properties.

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.

Corporate Social Responsibility Committee

On 17 April 2018, the Company formed a Corporate Social Responsibility Committee. The Corporate Social Responsibility Committee is chaired by Monique O'Keefe with Jonathan Thompson, Charlotte Valeur, Robert Hingley and Quentin Spicer as members. The Corporate Social Responsibility Committee meets no less than three times a year.

The Corporate Social Responsibility Committee is responsible for approving a strategy for discharging the Company's corporate and social responsibilities, overseeing the creation of appropriate policies and supporting measures along with ensuring that the policies are regularly reviewed and updated in line with national and international regulations. Where requested by the Board, the Committee shall review and provide advice on whether the content of the CR report, as contained in the Company's Annual Report, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Management Engagement Committee

In accordance with the Code, the Management Engagement Committee was established to review the performance of the Property Advisor on an annual basis. It was previously chaired by Robert Hingley, with Richard Prosser and Quentin Spicer as Members. On 24 January 2018, the Management Engagement Committee's composition has changed with Robert Hingley remaining as Chair but with Charlotte Valeur and Jonathan Thompson joining as members. Richard Prosser ceased to be a Member of the Management Engagement Committee following his resignation from the Board on 17 April 2018 and Monique O'Keefe was appointed.

CORPORATE GOVERNANCE STATEMENT
Continued

The Management Engagement Committee met three times during the year and reported to the Board on its duties, which are to:

- monitor and evaluate the Property Advisor's performance and compliance with the terms of the Property Advisory Agreement and, if necessary, provide appropriate guidance, which may include considering the merit of obtaining an independent appraisal of the Property Advisor's services on an annual basis;
- review the terms of the Property Advisory Agreement from time to time to ensure that the terms thereof conform with market and industry practice and remain in the best interests of Shareholders and make recommendations to the Board on any variation to the terms of the Property Advisory Agreement which it considers necessary or desirable;
- review and make appropriate recommendations to the Board as to whether the continuing appointment of the Property Advisor is in the best interests of the Group and Shareholders, and the reasons for this recommendation;
- review the level and method of remuneration, the basis on which the performance fees (if any) are calculated and the notice period of the Property Advisor, giving due consideration to the competitive position of the Group against its peer group;
- consider whether the asset and estate management fee should be based on gross assets, net assets or market capitalisation;
- ensure that the basis of any performance fee or performance-related element does not encourage excessive risk and that it rewards demonstrably superior performance by the Property Advisor in managing the portfolio against the Group's stated objectives when compared to a suitable benchmark or peer group;
- ensure that a sound system of risk management and internal control is maintained and reviewed annually in order to safeguard Shareholders' investment and the Group's assets;
- review, consider and recommend any amendments to the terms of the appointment and remuneration of providers of other services to the Group; and
- consider any points of conflict which may arise between the providers of services to the Group.

The Committee keeps under review the performance of the Property Advisor and the level and terms of the management fee. On 27 November 2018 the Group announced that it had signed a new contract with the Property Advisor, effective from 1 January 2019. Further information on this contract can be seen in note 33 to the financial statements, and on www.phoenixspree.com. In the opinion of the Directors, the continuing appointment of the Property Advisor on the terms agreed is in the interests of shareholders as a whole. The performance period as set out in the previous Property Advisory agreement ended on 30 June 2018. According to the new agreement, the Performance Period starts on the 1 July 2018, ending on 31 December 2020. The performance period commences benchmarked from the EPRA Net Asset Value of the Company as at 30 June 2018.

Board and Committee meetings

The table below sets out the number of Board, Audit Committee, Risk Committee, Property Valuation Committee, Management Engagement Committee and Nomination and Remuneration Committee meetings held during the year ended 31 December 2018 and, where appropriate, the number of such meetings attended by each Director.

	Scheduled Board		Audit		Risk	
	Held	Attend	Held	Attend	Held	Attend
R Hingley	4	4	–	–	1	1
R Prosser	1	1	–	–	–	–
Q Spicer	4	4	4	4	1	1
J Thompson	4	4	4	4	1	1
C Valeur	4	3	4	2	1	1
M O'Keefe	4	4	4	4	1	1
A Weaver	1	1	–	–	–	–

	Property Valuation		Management Engagement		Nomination & Remuneration	
	Held	Attend	Held	Attend	Held	Attend
R Hingley	4	4	3	3	2	2
R Prosser	4	1	3	–	–	–
Q Spicer	4	4	3	2	2	2
J Thompson	4	4	3	2	2	2
C Valeur	4	3	3	3	2	2
M O'Keefe	4	2	3	3	2	2
A Weaver	–	–	–	–	–	–

During the year, there have been several additional ad-hoc meetings which the Directors were required to attend. These meetings consisted of material matters relating to the running of the Group.

Information and support for Directors
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, together with relevant background information on the Company and assistance and information from representatives of the Investment Advisers and the Administrators.

New Directors are also provided with an opportunity to observe the Board before their appointment and meet representatives of the Property Advisors and Administrators to the Company.

All the Directors comply with mandatory continued professional development requirement and are 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.

The Chair regularly reviews and agrees with each Director their training and development needs.

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

The Group purchases appropriate insurance in respect of legal action against its Directors and Officers.

Company Secretary
The Company Secretary is responsible for ensuring that Board procedures are followed. Under the guidance of the Chairman, the Secretary ensures that appropriate and timely information flows between the Board, the Committees and to/from the Directors. It facilitates inductions to new Directors and the provision of additional information where required and appropriate.

The Secretary is responsible for advising the Board on governance matters and is available to all Directors for advice and support as required. The Board is presently considering the merit of adopting the AIC code and certain other relevant elements of the UK code of corporate governance.

The Board intends to adopt the AIC Code of Corporate Governance ('the AIC Code') for the accounting period beginning 1 January 2019. The Board deems the AIC Code more relevant with respect to the governance of investment companies.

AUDIT COMMITTEE REPORT

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

Summary of the role of the Audit Committee
The Audit Committee is responsible for reviewing the half-year and annual 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;
  - matters raised by the external auditors; and
  - the appropriateness of accounting policies and practices.
- Reviewing and considering the Code and FRC Guidance on Audit Committees.
- Monitoring the quality and effectiveness of the independent external auditors, which includes:
  - meeting regularly to discuss the audit plan and the subsequent audit report;
  - considering the level of fees for both audit and non-audit work;
  - reviewing independence, objectivity, expertise, resources and qualification; 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.
- Monitoring and reviewing the internal control and risk management systems of the service providers together with the need for an Internal Audit function.

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

Financial reporting
The Audit Committee is responsible for reviewing the half-year and annual financial statements before their submission to the Board. In addition, the Audit Committee is specifically charged under its terms of reference with advising the Board on the terms and scope of the appointment of the auditors, including their remuneration, independence, objectivity and reviewing with the auditors the results and effectiveness of the audit.

Composition of the Audit Committee
The Audit Committee is chaired by Jonathan Thompson with Quentin Spicer, Charlotte Valeur and Monique O'Keefe as Members. The qualifications and experience of the members of the Audit and Risk Committee during the financial year are set out in their biographical details on pages 38 and 39.

Meetings
The Audit Committee is scheduled to meet no less than three times a year and, if required, meetings can also be attended by the Property Advisor, the administrator and the external auditor.

Significant issues related to the financial statements

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 NAV, 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 Audit Committee is satisfied that the valuer is independent and that it conducted 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 followed 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 Committee satisfied itself as to the effectiveness of the external audit process as follows:

The audit partner

As a new audit firm was appointed in 2014, no additional rotation considerations were required for the current year. This is however the final year cycle for the current audit partner who is subject to mandatory rotation at the end of the 2018 financial statement audit process. Following completion of the audit the Committee assessed the partner's performance against expectations and found this to be satisfactory.

The audit team

Continuity of personnel was reviewed and found to be satisfactory. To supplement the Committee's necessarily limited exposure to junior members of the audit team, feedback was sought on the performance of the external audit team, in particular as regards their understanding of the business, technical competence and attitude.

The audit plan

The scope of the audit was reviewed and debated by the Committee with the auditors prior to work being commenced. This was done in the light of both the auditors' and the Committee's assessment of the key risks. The auditors explained materiality thresholds used in determining their audit scope and the Committee confirmed that these were in accordance with normal audit practice.

The generality of the audit plan document was assessed and found to be satisfactory. Arrangements to identify, report and manage conflicts of interest were satisfactory.

The Committee also considered whether it wished to commission further audit work to be conducted beyond which the auditor considered necessary for the expression of their opinions on the Group accounts and concluded that it did not.

Matters arising from the audit

These were promptly and effectively communicated and addressed as appropriate. The robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements were seen as appropriate. The detailed report received from the auditors following completion of their work gave comfort as to the diligence of execution of that work.

Added value

In appraising the overall performance of the auditors, the Committee considered whether they had provided useful feedback arising from their work additional to their statutory responsibilities and concluded that they had.

Independence

In addition to receiving the auditors' formal confirmation of their independence, the Committee considered whether this was demonstrated through their general approach and attitude and were satisfied that this was the case.

Audit fees

The level of audit fees was reviewed to ensure that it was sufficient for the work necessary but not excessive. In particular, changes in fees from the previous year were considered in relation to changes in the Group and in risk assessments.

AUDIT COMMITTEE REPORT
Continued

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 auditors and the likely costs and potential benefits of change.

Following the above, the Audit Committee has recommended to the Board that RSM UK Audit LLP is reappointed.

Going forward, the Committee will continue to keep the audit appointment under review, having regard for the new EU 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. Additionally, 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.

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
The Committee reviews the adequacy and effectiveness of the Group's (and its service providers') internal financial controls and internal control and risk management systems and review and approves the statements to be included in the Annual Report concerning internal controls and risk management.

The Committee is also responsible for oversight and advice to the Board on the current risk exposures and future risk strategy of the Group.

The Directors have carried out a robust assessment of the principal risks 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 mitigation reasons put in place are set out in the 'Principal Risks and Uncertainties' section of the Annual Report on pages 36 and 37. The Directors do not consider that there are any significant problems facing the business in the coming year.

Internal audit
The Group does not currently have an internal audit function, as the Board believes that it can ensure that the Group's risk management, governance and internal control processes are operating effectively without this. This is because the Group's business is conducted by relatively few individuals (through the outsourced service providers) who report to the Board, and its operations are not complex at present. However, if the Group increases in size, the appointment of an appropriately qualified and resourced internal audit department will be considered.

REMUNERATION REPORT AND DIRECTORS' RESPONSIBILITIES STATEMENT

Introduction
This report is on the activities of the Nomination and Remuneration Committee. The information provided in this part of the Directors' Report is not subject to audit, except where stated.

Remuneration policy
During 2018, the Nomination and Remuneration Committee comprised four Non-executive Directors and the Chairman and is chaired by Quentin Spicer, with Robert Hingley, Monique O'Keefe, Charlotte Valeur and Jonathan Thompson as Members. Andrew Weaver ceased to be a Member of the Nomination and Remuneration Committee following his resignation from the Board on 17 April 2018.

The Group's policy 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. There were no changes to the policy during the year and it is intended that this policy will continue to apply for the year ending 31 December 2019.

Duties
The Committee was responsible for setting the Directors' remuneration levels, in conjunction with the Chairman and 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;
- notice of contract periods should be set at one year or less;
- no Director should be involved in deciding his or her own remuneration; and
- independent judgement and discretion should be exercised when authorising renumeration outcomes, taking account of Company and individual performance and wider circumstances.

The Committee is also responsible for judging where to position the Group relative to other companies in relation to the level of Directors' remuneration, but using such comparisons with caution in view of the risk of increased remuneration with no corresponding improvement in performance; and considering and making the appropriate recommendations to the Board with regard to the need to appoint external remuneration consultants.

The terms of reference of the Nomination and Remuneration Committee can be obtained from the Company's website: www.phoenixspree.com.

For the years ended 31 December 2018 and 31 December 2017 Directors' fees were as follows:

	2018			2017		
	Annual fee	Special projects	Total*	Annual fee	Special projects	Total
Audited	£	£	£	£	£	£
R Hingley	50,000	25,275	75,275	45,000	Nil	45,000
R Prosser	Nil	Nil	Nil	25,000	Nil	25,000
M Northover	Nil	Nil	Nil	Nil	Nil	Nil
M O'Keefe	40,000	4,916	44,916	Nil	Nil	Nil
Q Spicer	40,000	5,069	45,069	35,000	Nil	35,000
A Weaver	Nil	Nil	Nil	25,000	Nil	25,000
C Valeur	40,000	5,008	45,008	Nil	Nil	Nil
J Thompson	45,000	12,423	57,423	Nil	Nil	Nil
Total	215,000	52,691	267,691	130,000	Nil	130,000

* Total Director fees in the table above reconciles to the directors' fees in note 8 when converted from EUR to GBP at an average rate of EUR/GBP 1.119.

During 2018, additional attention was required from the Directors over and above their normal duties with respect to a significant transaction that was considered but not pursued. It was agreed by the Committee that additional remuneration, of an amount up to or equal to the annual salary of each Director, could be expensed to the Group. Details of the additional remuneration payable to the Directors are disclosed above and within note 12 to the consolidated financial statements.

REMUNERATION REPORT AND DIRECTORS' RESPONSIBILITIES STATEMENT Continued

During 2018, Richard Prosser was a Director of Estera Fund Administrators (Jersey) Limited, the Group's Administrator. The remuneration of Estera is disclosed in note 33.

During 2018, Andrew Weaver was a Partner in Appleby's, the Group's Jersey Legal Advisor. The remuneration of Appleby's is disclosed in note 33.

During 2018, Matthew Northover was a Partner in PMM Partners Ltd., the Group's Property Advisor. The remuneration of PMM Partners Ltd. is disclosed in note 33.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare financial statements for each financial year, in accordance with generally accepted accounting principles. The Directors are required under the Listing Rules of the Financial Conduct Authority to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU').

The financial statements are required by law and IFRS as adopted by EU to present fairly the financial position of the Group.

Under Jersey company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- 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 IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that these financial statements comply with these requirements.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with the applicable set of accounting standards (as detailed above) and Company Law, give a true and fair view of the assets, liabilities, financial position and profit and loss of the issuer and the undertakings included in the consolidation taken as a whole;
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face, as well as the business model and strategy of the Group; and
- the Annual Report and consolidated financial statements, as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

For and on behalf of the Board

Jonathan Thompson
Director
26 April 2019

INDEPENDENT AUDITOR'S REPORT

to the members of Phoenix Spree Deutschland Limited

Opinion

We have audited the Group Financial Statements of Phoenix Spree Deutschland Limited for the year ended 31 December 2018 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In our opinion:

- the Group Financial Statements give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Group Financial Statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation.

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 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.

Conclusions relating to principal risks, going concern and Viability Statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 36 and 37 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 54 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 56 in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 42 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Phoenix Spree Deutschland Limited

Valuation of investment properties held by the Group

Risk of material misstatement

This is detailed in the Audit Committee report on pages 52 to 54; the significant accounting judgements and estimates on page 76; significant accounting policies on page 67 to 74 and notes 17 and 18 to the Financial Statements on pages 82 to 85.

The Group owns or controls through a portfolio of Special Purpose Vehicles (SPV's) a portfolio of investment properties which include residential and commercial. The total value of the portfolio including assets considered as held for sale at 31 December 2018 was £645.7 million (2017: £609.3 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 Directors' assessment of the value of investment properties at the year-end date is considered a significant audit risk 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.

Audit approach adopted

We audited the independent valuation of investment properties to ensure they had been prepared on a consistent basis for all properties and are considered to be appropriate and correctly recorded in the Financial Statements in line with Accounting Standards. We assessed the external valuer's qualifications and expertise and considered their terms of engagement. We also considered their objectivity and any other existing relationships with the Group and concluded that there was no evidence that their objectivity had been compromised.

We carried out audit tests on the inputs provided by the Property Advisor to the valuer and ensured these reflected the correct inputs for each property and discussed this with them directly.

We reviewed the largest properties by value, and the properties where there were unusual movements in value compared to the average, or compared to the previous year, and discussed and challenged the valuation and significant movements with the Property Advisor and the valuer, as well as obtaining evidence to support the explanations received.

We tested ownership of the properties by reference to land registry records.

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 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 size of the misstatements. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the Financial Statements as a whole ('FSM'). During planning FSM was calculated as €6.7 million, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of €167,500, as well as differences below those thresholds 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 profit and total Group assets and was performed to the materiality levels set out above.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 56 other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

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. In connection with our audit of the Financial Statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 56 – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 52 to 54 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 43 to 51 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 56, 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.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Phoenix Spree Deutschland Limited

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.

As part of our audit, we will consider the susceptibility of the Group and Parent Company to fraud and other irregularities, taking account of the business and control environment established and maintained by the Directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the Financial Statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the Financial Statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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 on page 61 forms part of our auditor's report.

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.

Euan Banks for and on behalf of RSM UK Audit LLP
Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

26 April 2019

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 judgement 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

Continuing operations	Notes	**Year ended 31 December 2018 €'000**	Year ended 31 December 2017 (restated – see note 2.2) €'000
Revenue	6	**22,681**	23,667
Property expenses	7	**(15,763)**	(12,587)
Gross profit		**6,918**	11,080
Administrative expenses	8	**(3,194)**	(2,967)
Gain on disposal of investment property (including investment property held for sale)	10	**1,026**	5,319
Investment property fair value gain	11	**66,146**	157,374
Performance fee due to property advisor	27	**(4,010)**	(26,339)
Separately disclosed items	12	**(966)**	–
Operating profit		**65,920**	144,467
Net finance charge	13	**(9,491)**	(5,995)
Profit before taxation		**56,429**	138,472
Income tax expense	14	**(11,071)**	(26,150)
Profit after taxation		**45,358**	112,322
Other comprehensive income		**–**	–
Total comprehensive income for the year		**45,358**	112,322
Total comprehensive income attributable to:			
Owners of the Parent		**45,094**	111,538
Non-controlling interests		**264**	784
		45,358	112,322
Earnings per share attributable to the owners of the Parent:			
From continuing operations			
Basic (€)	30	**0.46**	1.21
Diluted (€)	30	**0.46**	1.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	As at 31 December 2018 €'000	As at 31 December 2017 (restated – see note 2.2) €'000
ASSETS			
Non-current assets			
Investment properties	17	**632,933**	502,360
Property, plant and equipment	19	**88**	92
Deferred tax asset	14	**948**	527
Other financial assets at amortised cost	20	**2,406**	2,323
		636,375	505,302
Current assets			
Investment properties – held for sale	18	**12,747**	106,897
Trade and other receivables	21	**7,531**	14,404
Cash and cash equivalents	22	**26,868**	27,182
		47,146	148,483
Total assets		**683,521**	653,785
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	23	**3,642**	2,646
Trade and other payables	24	**10,429**	6,522
Derivative financial instruments	25	**1,354**	–
Current tax	14	**1,387**	2,914
		16,812	12,082
Non-current liabilities			
Borrowings	23	**191,632**	219,648
Derivative financial instruments	25	**4,637**	3,333
Other financial liabilities	26	**7,135**	5,663
Deferred tax liability	14	**53,458**	45,117
		256,862	273,761
Total liabilities		**273,674**	285,843
Equity			
Stated capital	28	**196,578**	162,630
Share-based payment reserve	27	**4,010**	33,953
Retained earnings		**207,270**	169,634
Equity attributable to owners of the Parent		**407,858**	366,217
Non-controlling interest	29	**1,989**	1,725
Total equity		**409,847**	367,942
Total equity and liabilities		**683,521**	653,785

The financial statements on pages 62 to 97 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Monique O'Keefe
Director
26 April 2018

Quentin Spicer
Director
26 April 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the Parent					
	Stated capital €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2017	162,630	7,614	64,074	234,318	941	235,259
Comprehensive income:						
Profit for the year	–	–	111,538	111,538	784	112,322
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	111,538	111,538	784	112,322
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(5,978)	(5,978)	–	(5,978)
Performance fee	–	26,339	–	26,339	–	26,339
Balance at 31 December 2017	**162,630**	**33,953**	**169,634**	**366,217**	**1,725**	**367,942**
Comprehensive income:						
Profit for the year	**–**	**–**	**45,094**	**45,094**	**264**	**45,358**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**45,094**	**45,094**	**264**	**45,358**
Transactions with owners – recognised directly in equity:						
Issue of shares	**33,948**	**(33,948)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(7,458)**	**(7,458)**	**–**	**(7,458)**
Performance fee	**–**	**4,010**	**–**	**4,010**	**–**	**4,010**
Adjustment to performance fee	**–**	**(5)**	**–**	**(5)**	**–**	**(5)**
Balance at 31 December 2018	**196,578**	**4,010**	**207,270**	**407,858**	**1,989**	**409,847**

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

Retained earnings are the undistributed reserves to be either reinvested within the Group or distributed to Shareholders as dividends.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Profit before taxation	**56,429**	138,472
Adjustments for:		
Net finance charge	**9,491**	5,995
Gain on disposal of investment property	**(1,026)**	(5,319)
Investment property revaluation gain	**(66,146)**	(157,374)
Depreciation	**16**	23
Performance fee charge	**4,010**	26,339
Operating cash flows before movements in working capital	**2,774**	8,136
Decrease/(Increase) in receivables	**6,492**	(3,048)
Increase in payables	**3,908**	788
Cash generated from operating activities	**13,174**	5,876
Income tax paid	**(4,678)**	(50)
Net cash generated from operating activities	**8,496**	5,826
Cash flow from investing activities		
Proceeds on disposal of investment property	**86,021**	60,436
Interest received	**54**	103
Capital expenditure on investment property	**(7,943)**	(6,715)
Property additions	**(47,329)**	(76,486)
Additions to property, plant and equipment	**(12)**	(75)
Net cash used in investing activities	**30,791**	(22,737)
Cash flow from financing activities		
Interest paid on bank loans	**(5,118)**	(5,080)
Repayment of bank loans	**(54,680)**	(117,712)
Drawdown on bank loan facilities	**27,660**	154,414
Dividends paid	**(7,458)**	(5,978)
Net cash generated from financing activities	**(39,596)**	25,644
Net increase in cash and cash equivalents	**(309)**	8,733
Cash and cash equivalents at beginning of year	**27,182**	18,450
Exchange gains on cash and cash equivalents	**(5)**	(1)
Cash and cash equivalents at end of year	**26,868**	27,182

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

For the year ended 31 December 2018

	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Cash flow from increase in debt financing	**(27,020)**	36,702
Change in net debt resulting from cash flows	**(27,020)**	36,702
Movement in debt in the year	**(27,020)**	36,702
Debt at the start of the year	**222,294**	185,592
Debt at the end of the year	**195,274**	222,294

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. General information

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

The Group invests in residential and commercial property in Germany.

The registered office is at 13-14 Esplanade, St Helier, Jersey, JE1 1EE, 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, International Accounting Standards and International and Financial Reporting Interpretation Committee ('IFRIC') interpretations (collectively 'IFRS') as adopted by the European Union ('IFRS as adopted by the EU').

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, that are relevant to its operations and effective for accounting periods beginning on 1 January 2018.

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 Change of accounting policy

The Group has carried out a review of IFRS 15, Revenue from Contracts with Customers, which is effective from 1 January 2018. The main outcome of the review is to recognise service charges to tenants as revenue, and service costs recharged to tenants as property costs, whereas in prior years, service charges incurred on the properties were offset against service charge income. In accordance with the transition provisions of IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. For the 2018 financial year the effect has been to recognise service charge revenue of €5.173 million, and property expenses of €5.173 million, and to increase trade and other receivables by €4.766 million, and service charges payable by €4.028 million. For the year 2017, this has resulted in an increase in revenue of €5.587 million with a corresponding increase in other property expenses along with an increase in trade and other receivables of €4.403 million and a corresponding increase in service charges payable. The change of policy has no effect on reported profit or net assets.

2.3 Going concern

The Directors have prepared projections for the period to 31 December 2021. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base and the Group's investments, borrowing and debt repayment plans and show that the Group should be able to operate within the level of its current resources and expects to comply with all covenants for the foreseeable future. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes from managing its capital and its risks are set out in the Strategic Report. 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 therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

2. Summary of significant accounting policies continued

2.4 Basis of consolidation

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

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

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

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

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

2.5 Revenue recognition

Revenue includes rental income and service charges and other amounts directly recoverable from tenants. Rental income and service charges from operating leases are recognised in 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.

2.6 Foreign currencies

(a) Functional and presentation currency

The currency of the primary economic environment in which the Company 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

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

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

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

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

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

Subsequent expenditure is added to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred. Changes in fair values are recorded in the consolidated statement of comprehensive income for the year.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

2. Summary of significant accounting policies continued

2.13 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 will recognise an asset in this category once the Board has committed 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; or

(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; or

(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; or

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

2.14 Property, plant and equipment

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

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

Equipment, fixtures and vehicles – 4.50%-25% per annum, straightline.

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.

2.15 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.

2.16 Tenants deposits

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

2.17 Financial Instruments under IFRS 9

The Company has applied IFRS 9 from 1 January 2018 but as explained in note 2.19 has not restated comparatives on initial application. The classification and measurement policies adopted by the Company are explained in note 2.19, but the detailed policies for each class of instrument is as follows:

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 on 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 model.

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 trade and other payables.

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result the comparative information continues to be accounted for in accordance with the Company's previous accounting policies as set out below.

Financial instruments – accounting policies applied until 31 December 2017

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The Group classifies its financial assets as held at fair value through profit or loss, or measured at amortised cost. The classification depends on the purpose for which the financial assets were acquired, and is determined at initial recognition.

(a) Financial assets at fair value through profit or loss ('FVTPL')

Financial assets are classified as FVTPL when the financial asset is designated as FVTPL. A financial asset may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities, or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management strategy, and information about the grouping is provided internally on that basis.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

2. Summary of significant accounting policies continued

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 32.

(b) Financial assets measured at amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents. Loans and receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the consolidated statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

Service charges receivable and payable from tenants are presented gross as assets and liabilities separately.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due. For trade and other receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within property expenses in the consolidated statement of comprehensive income. On confirmation that the trade and other receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at agents, demand deposits, and other short-term highly-liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(d) Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

(e) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

2.18 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.

2.19 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 2018, as adopted by the European Union:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
IFRS 9 – Financial Instruments	Accounting periods beginning on or after 1 January 2018
IFRS 15 – Revenue from Contracts with Customers	Accounting periods beginning on or after 1 January 2018
IFRIC 22 – Foreign currency transactions and advance consideration	Accounting periods beginning on or after 1 January 2018

IFRS 9 – The Company has applied IFRS 9 from 1 January 2018 but will not restate comparatives on initial application.

The Company has reviewed its financial assets and liabilities and the impact from the adoption of the new standard is as follows:

(i) Classification and measurement
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit and loss and fair value through other comprehensive income. The Company's financial assets at 31 December 2018 consist primarily of trade receivables, including service charges, and other financial assets which will continue to be reflected at amortised cost. Trade receivables are classified as at amortised cost as they meet the test of Solely Payments of Principal and Interest ('SPPI test') as the Group's model is to collect the contracted cash flows due from tenants. There was no impact in respect of classification and measurement of financial liabilities under IFRS 9.

(ii) Impairment
The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only on incurred losses as was the case under IAS 39. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised. IFRS 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses ('ECLs') for trade receivables without a significant financing component.

The main area of focus to the Company is considered to be impairment provisioning of trade receivables. Other financial assets are also subject to the expected credit loss model.

Gross trade receivables held at 31 December 2018 were €1.0 million (2017: €0.3 million) with an impairment provision recognised of €0.2 million (2017: €0.3 million). The credit risk associated with unpaid rent is deemed low.

We have performed an assessment of the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 December 2018 through estimating the expected credit loss based on actual credit loss experienced over the past three years and taking into consideration future expected losses. Based on this assessment, there was no material impact of impairment losses recognised under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

2.19 New standards and interpretations continued

The impact of non-substantial debt modifications has been reviewed and there is no material impact on the financial statements at transition.

IFRS 15 – The Company has contracts which include both an operating lease and a service, i.e. rental of space and service charges. The contracts do not separate the operating lease component as the accounting for operating lease income and a service/supply arrangement is similar. Under IFRS 16, lessors are required to account for the lease and non-lease components of a contract separately. In the case of non-lease components such as service charges, this must be accounted for under IFRS 15. The Company recognises the rental income over the duration of the life of the contract and recognising the service charge component as incurred.

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2018, as adopted by the European Union, and have not been early adopted:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
IFRS 16 Leases	Accounting periods beginning on or after 1 January 2019

The Directors have considered that the adoption of this standard in future periods will have no material impact on the consolidated financial statements of the Group. The impact of IFRS 16 removes the differentiation between financial and operational leases with regard to the Lessee party. As the Group is the lessor in their contractual arrangements IFRS 16's approach is substantially unchanged from its predecessor, IAS 17.

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

Title	As issued by the IASB, mandatory for accounting periods starting on or after
IFRIC 23 – Uncertainty over Income Tax Treatments	Accounting periods beginning on or after 1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Accounting periods beginning on or after 1 January 2019
Long-Term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Accounting periods beginning on or after 1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	Accounting periods beginning on or after 1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Accounting periods beginning on or after 1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	Accounting periods beginning on or after 1 January 2020
IFRS 17 – Insurance Contracts	Accounting periods beginning on or after 1 January 2021

While the above standards have not yet been adopted by the EU, the Group is currently assessing their impact.

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 (previously the Audit and Risk Committee up to 17 April 2018) 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.

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

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

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

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

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

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

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

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

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

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 FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

3. Financial risk management continued

The gearing ratios for the reporting periods are as follows:

	As at 31 December 2018 €'000	As at 31 December 2017 €'000
Borrowings	**(195,274)**	(222,294)
Cash and cash equivalents	**26,868**	27,182
Net debt	**(168,406)**	(195,112)
Equity	**409,847**	367,942
Net debt to equity ratio	**41%**	53%

4. Critical accounting estimates and judgements

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

i) Estimate of fair value of investment properties

The 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 judgement, 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, and its third party independent experts, for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

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

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

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

Management has assumed 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.

iii) Judgement in recognition of the Property Advisor performance fee

The new Property Advisor performance fee agreement is effective only from 1 January 2019 and the fee arising under the prior agreement for the year ended 31 December 2018 was waived.

The performance fee is based on performance since 1 July 2018 and the Directors judge it to be appropriate to recognise a charge in the year to reflect the services provided.

5. Segmental information

Information reported to the Board of Directors, which is the chief operating decision-maker, for the purposes of resource allocation and assessment of segment performance is focused on the different revenue streams that exist within the Group. The Group's principal reportable segments under IFRS 8 are therefore as follows:

- Residential; and
- Commercial.

All revenues are earned in Germany with property and administrative expenses incurred in Jersey, Germany and Guernsey.

31 December 2017

	Residential €'000	Commercial €'000	Unallocated €'000	Total €'000
Investment property	444,488	57,872	–	502,360
Loans and receivables	–	–	2,323	2,323
Investment properties – held for sale	94,582	12,315	–	106,897
Other assets	33,366	4,344	92	37,802
Liabilities	(265,020)	(7,843)	(8,577)	(281,440)
Net assets	307,416	66,688	(6,162)	367,942

	Residential €'000	Commercial €'000	Unallocated €'000	Total €'000
Revenue (restated – see note 2.2)	20,941	2,726	–	23,667
Property expenses (restated – see note 2.2)	(11,137)	(1,450)	–	(12,587)
Administrative expenses	–	–	(2,967)	(2,967)
Gain on disposal of investment property	5,319	–	–	5,319
Investment property fair value gain	139,245	18,129	–	157,374
Performance fee	–	–	(26,339)	(26,339)
Operating profit	154,368	19,405	(29,306)	144,467
Net finance charge				(5,995)
Income tax expense				(26,150)
Profit for the year				112,322

31 December 2018

	Residential €'000	**Commercial €'000**	**Unallocated €'000**	**Total €'000**
Investment properties	**560,019**	**72,914**	**–**	**632,933**
Other financial assets at amortised cost	**–**	**–**	**2,406**	**2,406**
Investment properties – held for sale	**11,279**	**1,468**	**–**	**12,747**
Other assets	**31,275**	**4,072**	**88**	**35,435**
Liabilities	**(253,998)**	**(11,154)**	**(8,522)**	**(273,674)**
Net assets	**348,575**	**67,300**	**(6,028)**	**409,847**

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

5. Segmental information continued

	Residential €'000	Commercial €'000	Unallocated €'000	Total €'000
Revenue	**20,068**	**2,613**	**–**	**22,681**
Property expenses	**(13,947)**	**(1,816)**	**–**	**(15,763)**
Administrative expenses	**–**	**–**	**(3,194)**	**(3,194)**
Gain on disposal of investment property	**1,026**	**–**	**–**	**1,026**
Investment property fair value gain	**58,526**	**7,620**	**–**	**66,146**
Performance fee	**–**	**–**	**(4,010)**	**(4,010)**
Separately disclosed items	**–**	**–**	**(966)**	**(966)**
Operating profit	**65,673**	**8,417**	**(8,170)**	**65,920**
Net finance charge				**(9,491)**
Income tax expense				**(11,071)**
Profit for the year				**45,358**

6. Revenue

	31 December 2018 €'000	31 December 2017 (restated – see note 2.2) €'000
Rental income	**17,508**	18,080
Service charge income	**5,173**	5,587
	22,681	23,667

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

	31 December 2018 €'000	31 December 2017 €'000
Not later than one year	**435**	904
Later than one year but not later than five years	**2,468**	3,364
Later than five years	**2,701**	1,398
	5,604	5,666

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

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

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

7. Property expenses

	31 December 2018 €'000	31 December 2017 (restated – see note 2.2) €'000
Property management expenses	**1,024**	1,079
Repairs and maintenance	**1,710**	1,433
Impairment charge – trade receivables	**29**	41
Other property expenses	**7,053**	5,825
Property Advisors' fees and expenses	**5,947**	4,209
	15,763	12,587

8. Administrative expenses

	31 December 2018 €'000	31 December 2017 €'000
Secretarial and administration fees	**880**	901
Legal and professional fees	**1,160**	1,045
Directors' fees	**300**	148
Audit and accountancy fees	**840**	894
Bank charges	**54**	56
Loss on foreign exchange	**133**	20
Depreciation	**16**	23
Other income	**(189)**	(120)
	3,194	2,967

Key management compensation – the functions of management are undertaken by external providers of professional services, as set out in note 33.

Further details of the Directors' fees are set out in the Directors' Remuneration Report on page 55 and in note 12 below.

9. Auditor's remuneration

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

	31 December 2018 €'000	31 December 2017 €'000
Fees payable to the Group's auditor and its associates for the audit of the consolidated financial statements:	**188**	176
Fees payable to the Group's auditor and its associates for other services:		
– Corporate finance	**–**	26
– Audit-related assurance services	**27**	24
– Other	**8**	–
	223	226

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

	31 December 2018 €'000	31 December 2017 €'000
Net proceeds	**86,959**	61,652
Book value of disposals	**(84,995)**	(55,117)
Disposal costs	**(938)**	(1,216)
	1,026	5,319

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

11. Investment property fair value gain

	31 December 2018 €'000	31 December 2017 €'000
Investment property fair value gain	**66,146**	157,374

Further information on investment properties is shown in note 17.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

12. Separately disclosed items

These relate to legal and professional fees incurred during a significant transaction which was considered by the Board but not pursued totalling €966,000 (December 2017: €nil).

As part of this transaction, significant demands were made on the Directors' time. It was agreed that these requirements were far in excess of the Directors' contracted obligations and that a sum up to or equal to their annual salary could be billed for their time and effort. Directors fees relating to the above totalled £52,691. These additional fees have been included within the total Directors' fees expense as detailed in note 8.

13. Net finance charge

	31 December 2018 €'000	31 December 2017 €'000
Interest income	(54)	(116)
Interest from Partners' loans	(83)	(57)
Loss/(Gain) on interest rate swap	2,658	(1,535)
Interest payable on bank borrowings	5,118	5,080
Finance arrangement fee amortisation	381	550
Finance charge on redemption liability	1,471	2,073
	9,491	5,995

14. Income tax expense

The tax charge for the period is as follows:	31 December 2018 €'000	31 December 2017 €'000
Current tax charge	3,151	2,940
Adjustment in respect of prior year	–	–
Deferred tax charge – origination and reversal of temporary differences	7,920	23,210
	11,071	26,150

The tax charge for the year can be reconciled to the theoretical tax charge on the profit in the income statement as follows:

	31 December 2018 €'000	31 December 2017 €'000
Profit before tax on continuing operations	56,429	138,472
Tax at German income tax rate of 15.8% (2017: 15.8%)	8,916	21,879
Income not taxable	(162)	(840)
Tax effect of expenses that are not deductible in determining taxable profit	2,317	5,111
Total tax charge for the year	11,071	26,150

Reconciliation of current tax liabilities

	31 December 2018 €'000	31 December 2017 €'000
Balance at beginning of year	2,914	24
Tax paid during the year	(4,678)	(50)
Current tax charge	3,151	2,940
Balance at end of year	1,387	2,914

Reconciliation of deferred tax

	Capital gains on properties €'000 (Liabilities)	Interest rate swaps €'000 Asset	Total €'000 (Net liabilities)
Balance at 1 January 2017	(22,150)	770	(21,380)
Charged to the statement of comprehensive income	(22,967)	(243)	(23,210)
Deferred tax (liability)/asset at 31 December 2017	**(45,117)**	**527**	**(44,590)**
Charged to the statement of comprehensive income	**(8,341)**	**421**	**(7,920)**
Deferred tax (liability)/asset at 31 December 2018	**(53,458)**	**948**	**(52,510)**

Jersey income tax

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

Guernsey income tax

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

German tax

As a result of the Group's operations in Germany, the Group is subject to German Corporate Income Tax ('CIT') – the effective rate for Phoenix Spree Deutschland Limited for 2018 was 15.8% (2017: 15.8%).

Factors affecting future tax charges

The Group has accumulated tax losses of approximately €17.6 million (2017: €18.1 million) in Germany, which will be available to set against suitable future profits should they arise, subject to the criteria for relief. No deferred tax asset is recognised in respect of losses of €0.3 million (2017: €0.3 million) as there is insufficient certainty the losses can be utilised by Group entities.

15. Dividends

	31 December 2018 €'000	31 December 2017 €'000
Amounts recognised as distributions to equity holders in the period: Interim dividend for the year ended 31 December 2018 of €2.35 cents (2.1p) (2017: €1.9 cents (1.6p)) per share	**2,420**	2,079
Proposed final dividend for the year ended 31 December 2018 of €5.15 cents (4.62p) (2017: €5.0 cents (4.4p)) per share	**5,189**	5,038

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all Shareholders on the Register of Members on 7 June 2019. The total estimated dividend to be paid is 4.62p per share. The payment of this dividend will not have any tax consequences for the Group.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

16. Subsidiaries

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

Further details are given below:

	Country of incorporation	% holding	Nature of business
Phoenix Spree Deutschland I Limited	Jersey	100	Investment property
Phoenix Spree Deutschland II Limited	Jersey	100	Investment property
Phoenix Spree Deutschland III Limited	Jersey	100	Investment property
Phoenix Spree Deutschland IV Limited	Jersey	100	Investment property
Phoenix Spree Deutschland V Limited	Jersey	100	Investment property
Phoenix Spree Deutschland VII Limited	Jersey	100	Investment property
Phoenix Spree Deutschland IX Limited	Jersey	100	Investment property
Phoenix Spree Deutschland X Limited	Jersey	100	Finance vehicle
Phoenix Spree Deutschland XI Limited	Jersey	100	Investment property
Phoenix Spree Deutschland XII Limited	Jersey	100	Investment property
Phoenix Property Holding GmbH & Co.KG	Germany	100	Holding company
Phoenix Spree Mueller GmbH (formerly Laxpan Mueller GmbH)	Germany	94.9	Investment property
Phoenix Spree Gottlieb GmbH (formerly Invador Grundbesitz GmbH)	Germany	94.9	Investment property
PSPF Holdings GmbH	Germany	100	Holding company
PSPF General Manager GmbH (in liquidation)	Germany	100	Management of PSPF
PSPF Acquisition Vehicle GmbH (in liquidation)	Germany	99.64	Acquisition vehicle
PSPF Property GmbH & Co. KG (in liquidation)	Germany	94	Investment property
Phoenix Spree Property Fund Ltd & Co. KG	Germany	94.8	Investment property
PSPF General Partner (Guernsey) Limited	Germany	100	Management of PSPF

The investments in PSPF General Manager GmbH and PSPF Acquisition Vehicle GmbH & Co. KG are all held via the investment is PSPF Holdings GmbH, which was acquired on 7 September 2007. The other subsidiaries are held directly.

17. Investment properties

	2018 €'000	2017 €'000
Fair Value		
At 1 January	**609,257**	423,799
Capital expenditure	**7,943**	6,715
Property additions	**47,329**	76,486
Disposals	**(84,995)**	(55,117)
Fair value gain	**66,146**	157,374
Investment properties at fair value – as set out in the report by JLL	**645,680**	609,257
Assets considered as "Held for Sale" (Note 18)	**(12,747)**	(106,897)
At 31 December	**632,933**	502,360

The property portfolio was valued at 31 December 2018 by the Group's independent valuers, Jones Lang LaSalle GmbH ('JLL'), in accordance with the methodology described below. The valuations were performed in accordance with the current Appraisal and Valuation Standards, 8th edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors ('RICS').

The valuation is performed on a building-by-building basis and the source information on the properties including current rent levels, void rates and non-recoverable costs was provided to JLL by the Property Advisors PMM Partners (UK) Limited. Assumptions with respect to rental growth, adjustments to non-recoverable costs and the future valuation of these are those of JLL. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

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

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

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

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

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

Discounted cash flow methodology ('DCF')
The fair value of investment properties is determined using discounted cash flows.

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. As an accepted method within the income approach to valuation the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

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. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property.

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

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For the year ended 31 December 2018

17. Investment properties continued

The principal inputs to the valuation are as follows:

	Year ended 31 December 2018 Range	Year ended 31 December 2017 Range
Residential properties		
Market rent		
Rental value (€ per sqm)	**7-14**	5-13
Stabilised residency vacancy (% per year)	**2**	2
Tenancy vacancy fluctuation (% per year)	**8-10**	8-10
Commercial Properties		
Market rent		
Rental value (€ per sqm)	**4-31**	2-28
Stabilised commercial vacancy (% per year)	**0-25**	0-26
Tenancy vacancy fluctuation (% per year)	**8-10**	10
Estimated rental value ('ERV')		
ERV per year per property (€'000)	**60-1,201**	48-1,200
ERV (€ per sqm)	**8-14**	5-14
Financial rates – blended average		
Discount rate (%)	**4**	4.7
Portfolio yield (%)	**3.0**	3.5

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.
- Rental value: All other factors remaining equal an increase in rental income would increase valuations. Correspondingly, a decrease in rental values would decrease valuations.
- Discount rate: An increase of 0.5% in the discount rate would reduce the investment property fair value by €85.9 million, and a decrease in the discount rate would increase the investment property fair value by €129.9 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 categorises all investment properties in the following three ways;

Rental scenario

Where properties have been valued under the 'Discounted Cashflow Methodology' and are intended to be held by the Group for the foreseeable future, they are considered valued under the 'Rental scenario'. This will equal the 'Investment Properties' line in the Non-Current Assets section of the consolidated statement of financial position.

Condominium scenario

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

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

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

	31 December 2018 €'000	31 December 2017 €'000
Rental scenario	**619,430**	502,360
Condominium scenario	**22,330**	29,847
Disposal scenario	**3,920**	77,050
Total	**645,680**	609,257

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

	31 December 2018 €'000	31 December 2017 €'000
Investment properties	**65,717**	155,787
Properties held for sale (see note 18)	**429**	1,587
	66,146	157,374

18. Investment properties – held for sale

	2018 €'000	2017 €'000
Fair value – held for sale investment properties		
At 1 January	**106,897**	27,970
Transferred from investment properties	**5,850**	88,990
Transferred (to) investment properties	**(15,434)**	–
Properties sold	**(84,995)**	(11,650)
Valuation gain on apartments held for sale	**429**	1,587
At 31 December	**12,747**	106,897

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

	2018 €'000	2017 €'000
Rental scenario	**1,931**	–
Condominium scenario	**6,896**	29,847
Disposal scenario	**3,920**	77,050
	12,747	106,897

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

There were liabilities secured on the investment properties held for sale of €5.2 million (2017: €56.9 million).

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For the year ended 31 December 2018

19. Property, plant and equipment

	Equipment €'000
Cost or valuation	
As at 1 January 2017	58
Additions	75
As at 31 December 2017	**133**
Additions	**12**
As at 31 December 2018	**145**
Accumulated depreciation and impairment	
As at 1 January 2017	18
Charge for the year	23
As at 31 December 2017	**41**
Charge for the year	**16**
As at 31 December 2018	**57**
Carrying amount	
As at 31 December 2017	92
As at 31 December 2018	**88**

20. Other financial assets at amortised cost (2017: loans and receivables)

	31 December 2018 €'000	31 December 2017 €'000
At 1 January	**2,323**	2,253
Accrued interest	**83**	70
At 31 December	**2,406**	2,323

The above loans have been reclassified to 'Other financial assets at amortised cost' on adoption of IFRS 9, 'financial instruments'.

The Group entered into loan agreements with Mike Hilton and Paul Ruddle in connection with the acquisition of PSPF. The loans bear interest at 4% per annum, and have a maturity of less than five years.

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

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

None of the loans and receivables were either past due or impaired in the prior year.

21. Trade and other receivables

	31 December 2018 €'000	31 December 2017 (restated – see note 2.2) €'000
Current		
Trade receivables	**1,045**	691
Less: impairment provision	**(313)**	(342)
Net receivables	**732**	349
Prepayments and accrued income	**549**	6,521
Investment property disposal proceeds receivable	**1,167**	2,232
Service charges receivable	**4,766**	5,302
Sundry receivables	**317**	–
	7,531	14,404

Aging analysis of trade receivables

	31 December 2018 €'000	31 December 2017 €'000
Up to 12 months	**731**	344
Between one year and two years	**1**	5
Over three years	**–**	–
	732	349

Impairment of trade and service charge receivables

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

On this basis, the loss allowance as at 31 December 2018, and on 1 January 2018 (the date of adoption of IFRS 9) was determined as set out below. There was no material difference between the loss allowance determined on this basis at 1 January 2018 and on the basis previously used, and therefore there was no re-statement of opening retained earnings required.

The Company applies the following loss rates to trade and service charge receivables:

As noted below, a loss allowance of 50% (2017: 50%) has been recognised for trade receivables that are more than 60 days past due. Any receivables where the tenant is no longer resident in the property are provided for in full.

Trade receivables:	**0-60 days**	**Ageing over 60 days**	**Non-current tenant**	**Total 2018**
Expected loss rate (%)	**0%**	**50%**	**100%**	
Gross carrying amount (€'000)	**582**	**300**	**163**	**1,045**
Loss allowance provision (€'000)	**–**	**(150)**	**(163)**	**(313)**

Trade receivables:	0-60 days	Ageing over 60 days	Non-current tenant	Total 2017
Expected loss rate (%)	0%	50%	100%	
Gross carrying amount (€'000)	173	352	166	691
Loss allowance provision (€'000)	–	(176)	(166)	(342)

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

21. Trade and other receivables continued

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

	31 December 2018 €'000	31 December 2017 €'000
Balance at the beginning of the year	**342**	383
Impairment losses recognised	**360**	180
Amounts written off as uncollectable	**(389)**	(221)
Balance at the end of the year	**313**	342

All impairment losses relate to the receivables arising from tenants.

22. Cash and cash equivalents

	31 December 2018 €'000	31 December 2017 €'000
Cash at bank	**25,626**	25,518
Cash at agents	**1,242**	1,664
Cash and cash equivalents	**26,868**	27,182

23. Borrowings

	31 December 2018 €'000	31 December 2017 €'000
Current liabilities		
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	**2,596**	2,020
Bank loans – Berliner Sparkasse	**1,046**	626
	3,642	2,646
Non-current liabilities		
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	**122,054**	167,656
Bank loans – Berliner Sparkasse	**69,578**	51,992
	191,632	219,648
	195,274	222,294

All borrowings are secured against the investment properties of the Group. As at 31 December 2018, the Company had €1.2 million of undrawn debt facilities (2017: €0.6 million). A summary of the loans as at the year end is as follows:

	Amount €'000	Interest rate %	Maturity
Bank Berliner Sparkasse	**9,333**	**1.72**	**31/12/2026**
	7,696	**1.74**	**31/12/2026**
	12,658	**1.89**	**28/02/2027**
	5,024	**1.93**	**31/08/2027**
	3,519	**1.05**	**31/08/2027**
	10,563	**1.95**	**30/11/2027**
	3,396	**1.09**	**30/11/2027**
	11,910	**2.30**	**30/04/2028**
	6,525	**2.00**	**31/12/2028**
Deutsche Genossenschafts-Hypothekenbank AG	**26,988**	**2.30**	**31/07/2027**
	26,988	**2.30**	**31/07/2027**
	1,217	**2.30**	**31/07/2028**
	38,352	**2.09**	**28/02/2025**
	23,357	**2.09**	**28/02/2025**
	7,748	**2.30**	**28/02/2025**
	195,274		

24. Trade and other payables

	31 December 2018 €'000	31 December 2017 (restated – see note 2.2) €'000
Trade payables	**1,808**	1,489
Accrued liabilities	**4,592**	622
Service charges payable	**4,028**	3,849
Sundry payables	**–**	554
Deferred income	**1**	8
	10,429	6,522

25. Derivative financial instruments

	31 December 2018 €'000	31 December 2017 €'000
Interest rate swaps – carried at fair value through profit or loss		
Balance at 1 January	**3,333**	4,869
Loss/(Gain) in movement in fair value through profit or loss	**2,658**	(1,536)
Balance at 31 December	**5,991**	3,333

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2018 were €206,690,000 (2017: €188,165,000). At 31 December 2018 the fixed interest rates vary from 0.625% to 1.01% (2017: 0.402% to 0.775%) above the main factoring Euribor rate.

Maturity analysis of interest rate swaps

	31 December 2018 €'000	31 December 2017 €'000
Less than one year	**1,354**	–
Between one and two years	**–**	–
Between two and five years	**–**	–
More than five years	**4,637**	3,333
	5,991	3,333

During the year the Company had interest rate swaps which were in excess of the debt being hedged, these have been disclosed as having a maturity of less than 12 months.

26. Other financial liabilities

	31 December 2018 €'000	31 December 2017 €'000
Redemption Liability		
Balance at 1 January	**5,663**	3,590
Profit share attributable to NCI in PSPF	**1,472**	2,073
Balance at 31 December	**7,135**	5,663

The redemption liability relates to the put option held by the minority shareholders of PSPF for the purchase of the minority interest in PSPF. The option period starts on 6 June 2020. The amount of the purchase price will be based on the EPRA NAV on the consolidated statement of financial position date as well as the movement in the EPRA NAV during the year and the proportion of EPRA NAV attributable to the non-controlling interest in PSPF.

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For the year ended 31 December 2018

26. Other financial liabilities continued
A portion of the liability (€1,124k, 2017: (€795k)) is recognised to cover the tax charge of the minority in PSPF on the proceeds received if they choose to exercise their put option.

The recognition of the redemption liability has been accounted for as a reduction in the Non-Controlling Interest with the remainder of the recognition against the Group's retained earnings. Also see the consolidated statement of changes in equity for the recognition accounting.

27. Share-based payment reserve

	Performance fee €'000
Balance at 1 January 2017	7,614
Fee charge for the period	26,339
Balance at 31 December 2017	**33,953**
Transfer to stated capital – settled by issue of shares	**(33,948)**
Adjustment to performance fee	**(5)**
Fee charge for the period	**4,010**
Balance at 31 December 2018	**4,010**

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

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

The Company's EPRA NAV performance for the three year's ending 31 December 2017 had resulted in a performance fee liability under the Property Advisory Agreement to the Property Advisor of €33.948 million. The parties agreed that this performance fee (but not any further performance fees that may become due) be settled through the issuance by the Company to the Property Advisor of 8,260,065 new shares in the Company at EPRA NAV per share. 50% of the shares issued in settlement of this fee are subject to a 12-month restriction on disposal. The shares were admitted to trading on the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange on 4 May 2018.

Under the Property Advisory Agreement for providing property advisory services, the Property Advisor is also entitled to a Portfolio and Asset Management Fee for the 2018 period as follows:

(i) 1.50% of the EPRA NAV of the Group where the EPRA NAV of the Group is equal to or less than €250 million;
(ii) 1.25% of the EPRA NAV of the Group between €250 million and €500 million; and
(iii) 1% of the EPRA NAV of the Group greater than €500 million.

The performance fee is 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 'Capex Monitoring Fee').

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

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

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

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

Property Advisor Fees (from 1 January 2019)
Under the new Property Advisory Agreement for providing property advisory services, the Property Advisor will be entitled to a Portfolio and Asset Management Fee as follows:

(i) 1.20% of the EPRA NAV of the Group where the EPRA NAV of the Group is equal to or less than €500 million; and
(ii) 1% of the EPRA NAV of the Group greater than €500 million.

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

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

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

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

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

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

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

Details of the fees paid to the Property Advisor are set out in note 33.

28. Stated capital

	31 December 2018 €'000	31 December 2017 €'000
Issued and fully paid:		
At 1 January	**162,630**	162,630
Issued during the year at €4.11 per share	**33,948**	–
At 31 December	**196,578**	162,630

The number of shares in issue at 31 December 2018 was 100,751,409 (31 December 2017: 92,491,344).

29. Non-controlling interests

	Non-controlling interest %	**31 December 2018 €'000**	31 December 2017 €'000
Phoenix Spree Mueller GmbH (formerly Laxpan Mueller GmbH)	5.1%	**1,026**	915
Phoenix Spree Gottlieb GmbH (formerly Invador Grundbesitz GmbH)	5.1%	**963**	810
		1,989	1,725

The non-controlling interest relates to the subsidiaries Phoenix Spree Gottlieb GmbH and Phoenix Spree Mueller GmbH.

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For the year ended 31 December 2018

30. Earnings per share

	31 December 2018	31 December 2017
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Parent (€'000)	**45,094**	111,538
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (number)	**97,945,250**	92,491,344
Effect of dilutive potential Ordinary Shares (number)	**1,014,078**	7,677,250
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	**98,959,328**	100,168,594
Earnings per share (€)	**0.46**	1.21
Diluted earnings per share (€)	**0.46**	1.11

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

	31 December 2018	31 December 2017
Net assets (€'000)	**407,858**	366,217
Number of participating Ordinary Shares	**100,751,409**	92,491,344
Net asset value per share (€)	**4.05**	3.96

EPRA net asset value

	31 December 2018	31 December 2017
Net assets (€'000)	**407,858**	366,217
Add back deferred tax assets and liabilities, derivative financial instruments, goodwill and share-based payment reserves (€'000)	**53,137**	13,970
EPRA net asset value (€'000)	**460,995**	380,187
EPRA net asset value per share (€)	**4.58**	4.11

The derivative financial liability relating to swap contracts in respect of borrowings repaid has not been added back as they no longer have a hedging objective (€1.354 million (2017: nil)).

32. Financial instruments

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

Principal financial instruments

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

- financial assets;
- cash and cash equivalents;
- trade and other receivables;
- trade and other payables;
- borrowings; and
- derivative financial instruments.

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

	31 December 2018 €'000	31 December 2017 (restated – see note 2.2) €'000
Loans and receivables		
Trade and other receivables – current	**6,982**	7,883
Cash and cash equivalents	**26,868**	27,182
Other financial assets at amortised cost (2017: Loans and receivables)	**2,406**	2,323
	36,256	37,388

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

	31 December 2018 €'000	31 December 2017 €'000
Held at amortised cost		
Borrowings payable: current	**3,642**	2,646
Borrowings payable: non-current	**191,632**	219,648
Other financial liabilities	**7,135**	5,663
Trade and other payables	**10,429**	6,522
	212,838	234,479
Fair value through profit or loss		
Derivative financial (asset)/liability – interest rate swaps	**4,637**	3,333
Excess hedge due to property disposal	**1,354**	–
	5,991	3,333
	218,829	237,812

Fair value of financial instruments

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

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

The interest rate swaps are expected to mature between February 2025 and March 2028.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

32. Financial instruments continued

Group fair values

	31 December 2018 €'000	31 December 2017 €'000
Financial assets/(liabilities)		
Interest rate swaps – Level 2 – current	**(1,354)**	(3,333)
Interest rate swaps – Level 2 – non-current	**(4,637)**	–
	(5,991)	(3,333)

The valuation basis for the investment properties is disclosed in note 17.

Financial risk management

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

- interest rate risk;
- foreign exchange risk;
- credit risk; and
- liquidity risk

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

Interest rate risk

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

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

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

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

Foreign exchange risk

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

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

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

	31 December 2018 €'000	31 December 2017 €'000
Financial assets		
Cash and cash equivalents	**1,142**	598
Financial liabilities		
Trade and other payables	**(350)**	(216)
Net position	**792**	382

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

	Weakened by 10% Increase/ (decrease) in post-tax loss and impact on equity €'000	Strengthened by 10% Increase/ (decrease) in post-tax loss and impact on equity €'000
31 December 2017	38	(38)
31 December 2018	**79**	**(79)**

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 uses the following banks: Barclays Private Clients International Jersey Ltd, Barclays Bank Plc Frankfurt and Deutsche Bank. The split of cash held at each of the banks, respectively, at 31 December 2018 was 57%/33%/10% (31 December 2017: 61%/30%/9%) Barclays and Deutsche Bank have credit ratings of A and A-, respectively.

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

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

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2018

32. Financial instruments continued

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 2018					
Borrowings payable: current	**3,642**	**–**	**–**	**–**	**3,642**
Borrowings payable: non-current	**–**	**–**	**–**	**191,632**	**191,632**
Other financial liabilities	**–**	**–**	**7,135**	**–**	**7,135**
Trade and other payables	**10,429**	**–**	**–**	**–**	**10,429**
	14,071	**–**	**7,135**	**191,632**	**212,838**

	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 2017					
Borrowings payable: current	2,646	–	–	–	2,646
Borrowings payable: non-current	–	–	–	219,648	219,648
Other financial liabilities	–	–	5,663	–	5,663
Trade and other payables	6,522	–	–	–	6,522
	9,168	–	5,663	219,648	234,479

The analysis of the market risk review and sensitivity analysis is detailed in note 21.

33. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

R Prosser, who was a Director of the Company until 17 April 2018, is a director of Estera Fund Administrators (Jersey) Limited and Estera Trust (Guernsey) Limited, both of which provide administration services to the Group.

A Weaver, who was a Director of the Company until 17 April 2018, is a partner of the Jersey law firm, Appleby, which provides legal services to the Group and a member of Appleby group.

During the year ended 31 December 2018, an amount of €973,424 (2017: €690,165) was payable to Estera Fund Administrators (Jersey) Limited and Estera Trust (Guernsey) Limited for accounting, administration and secretarial services. At 31 December 2018, €134,400 (2017: €215,625) Estera Fund Administrators (Jersey) Limited only) was outstanding.

During the year ended 31 December 2018, an amount of €43,010 (2017: €40,044) was payable to Appleby, law firm for legal and professional services. At 31 December 2018 €nil (2017: €nil) was outstanding.

M Northover was a Director during 2018 and shareholder of PMM Partners (UK) Limited, the Group's appointed Property Advisor (since changed to PMM Residential on signing of the new Property Advisor Agreement in November 2018). During the year ended 31 December 2018, an amount of €5,947,282 (€5,858,791 management fees and €88,491 Other expenses and fees) (2017: €4,209,000 (€4,110,000 Management fees and €99,000 Other expenses and fees)) was payable to PMM Partners (UK) Limited. At 31 December 2018 €7,450 (2017: €Nil) was outstanding.

On 1 January 2019, PMM Partners (UK) Limited was replaced as Property Advisor by PMM Residential Limited. A Property Advisor and Investors Relations agreement was entered in to between the Group and PMM Residential Limited also with an effective date of 1 January 2019. Further details of the fees payable to PMM Residential Limited can be found in note 27.

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 €3,995,000 (2017: €26,339,000). Please refer to note 27 for more details.

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

In March 2015 the Group also entered into an option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund GmbH & Co.KG ('PSPF') from the remaining partners being M Hilton and P Ruddle both Directors of PMM Partners (UK) Limited. The options are to be exercised on the fifth anniversary of the majority interest acquisition for a period of three months thereafter at the fair value of the remaining interest. For their role as the limited partner in Phoenix Spree Property Fund GmbH & Co.KG they were also paid €120,000 (2017: €120,000) each.

The Group entered into an unsecured loan agreement with M Hilton and P Ruddle in connection with the acquisition of PSPF. At the period end an amount of €768,195 (2017: €747,120) each was owed to the Group. The loans bear interest of 4% per annum.

Dividends paid to Directors in their capacity as a shareholder amounted to €1,740 (2017: €1,527).

34. Events after the reporting date

In April 2019, the Company exchanged contracts for the acquisition of one individual property in Berlin for the purchase price of €2.4 million. The property is still awaiting completion.

The Company had exchanged contracts for the acquisition of one property in Berlin with a purchase price of €2.2 million prior to the reporting date, which as at balance sheet date had not yet completed. The purchase completed in January 2019.

In Q1 2019, the Company exchanged contracts for the sale of one commercial unit and one residential unit in BoxhagenerStraße with an aggregated purchase price of €1.9 million. The sale of these units subsequently completed in April 2019.

The Company had exchanged contracts for the sale of three condominiums in Berlin with aggregated consideration of €1.1 million prior to the reporting date. The sale of these units subsequently completed in Q1 2019.

The Company exchanged contracts for the disposal of the last non-Berlin property for the sale price of €3.9 million prior to the reporting date, the sale of this property subsequently completed in January 2019.

In February 2019, the Company drew down the final €0.9 million portion of the €7.5 million loan with Berliner Sparkasse. €6.6 million of the debt was drawn down in December 2018.

PROFESSIONAL ADVISORS

Property Advisor	(from 1 January 2019) PMM Residential Limited 54-56 Jermyn Street London SW1Y 6LX (to 31 December 2018) PMM Partners (UK) Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator Company Secretary and Registered Office	Estera Fund Administrators (Jersey) Limited Estera Secretaries (Jersey) Limited 13-14 Esplanade St. Helier Jersey JE1 1EE
Registrar	Link Asset Services (Jersey) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Principal Banker	Barclays Private Clients International Limited 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	Appleby Global Group Services Limited 13-14 Esplanade St. Helier Jersey JE1 1EE
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker (Broker until 17 September 2018)	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Broker (from 17 September 2018)	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Independent Property Valuer	Jones Lang LaSalle GmbH Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

NOTES

NOTES continued

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