Phoenix Spree Deutschland
Interim report 2015

Who we are

Phoenix Spree Deutschland ('PSD') is a Berlin focused German residential property fund which has been operating in Germany since 2007. The Company offers shareholders exposure to the German real estate market, particularly residential property in Berlin and other secondary German cities.

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

PMM Partners ('PMM') acts as the property adviser and has an experienced team of property and investment banking professionals with more than 40 combined years operating in the German residential property market.

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Chairman's welcome

"The first half of the year demonstrated continuing operational progress, with rents and property values growing in line with expectations."

Robert Hingley
Chairman

I am pleased to announce the interim unaudited consolidated results for Phoenix Spree Deutschland Limited (the 'Company') for the period from 31 December 2014 to 30 June 2015.

This has been an exceptionally busy period for the Company, during which it successfully refinanced a large part of its longer-term borrowings, acquired its sister fund Phoenix Spree Property Fund Ltd and Co. KG ('PSPF') and transitioned its listing to the Main Market of the London Stock Exchange. These are significant milestones for the Company and the premium listing provides both a platform for future growth, and the prospect of greater liquidity for existing shareholders.

The first half of the year demonstrated continuing operational progress, with both rents and property values growing in line with expectations, resulting in growth of 6.3% in EPRA NAV (8.1% before exceptional and non-recurring items). It is clear that there is growing embedded value within the portfolio, as demonstrated by the fact that, during the period, new leases were signed at an average 24.6% premium to in place rents, and the significant premium achieved by our first condominium sales.

The market outlook remains very strong. Transaction activity in the German residential market reached record breaking levels in the first half of 2015. Prices in the markets where the Company operates continue to benefit from lack of supply and growing demand from both owner occupiers and investors.

The board remains confident that the Company is well positioned to take advantage of the strong market and to deliver capital growth and dividends to its investors. The Board is pleased to declare a dividend of 1.3p per share for the first half, which is expected to be paid on or around 9 October 2015.

First half highlights

- Profit before tax up 87.2%, year on year, to €9.1 million (30 June 2014: €4.9 million)
- Portfolio value rose by 5.3% to €258.3 million in H1 driven by strong growth in Nuremberg & Furth, and Berlin markets
- EPRA NAV per share grew by 6.3% in H1 to €2.19 (£1.55[1]) (31 December 2014: €2.06 (£1.60[1])). Excluding exceptional and non-recurring items, EPRA NAV per share growth was 8.1% in H1
- Strong balance sheet with net loan to value of 40.6%. Capacity for acquisitions following recent refinancing of long-term borrowings at attractive rates
- Acquisition of Phoenix Spree Property Fund and transition to the Main Market of the London Stock Exchange
- Dividend of 1.3p announced for the first half. Total dividend for the year expected to represent 2.5% of NAV
- First phase of condominium apartments sold or reserved in six weeks at significant premium to rental building values, demonstrating unrealised embedded value within portfolio
- New leases signed on average at a 25% premium to in place rents
- Market outlook remains strong with transactions at record level

1 Exchange rate of 1.41 at 30 June 2015 and 1.29 at 31 December 2014

Our business

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

PROPERTIES

114

USABLE SPACE

170K
SQM

COMMERCIAL UNITS

190

APARTMENTS

2,132

Key facts

- The portfolio: 114 properties, 2,132 apartments and 190 commercial units, 170ksqm usable space
- Property portfolio value: €258.3 million
- EPRA NAV: €152.9 million
- Strong balance sheet: 40.6% net loan-to-value; significant cash balance to fund acquisitions
- Approximately two thirds of portfolio located in the Berlin region
- Residential represents more than 80% of portfolio

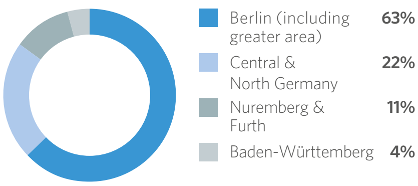
Performance

- Since 2011 EPRA NAV compounded annual growth rate ('CAGR') = 13.0% per annum
- Portfolio rent per sqm up 14.3% since 31 December 2011: residential rent per sqm up 18.0% since 31 December 2011

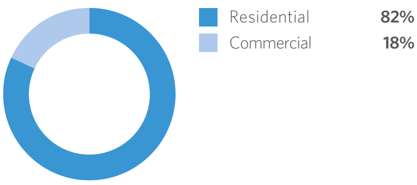
PSD introduced to the Main Market of the London Stock Exchange in June 2015

- 87% free float
- Strong Board led by Robert Hingley
- PMM Partners acts as property adviser

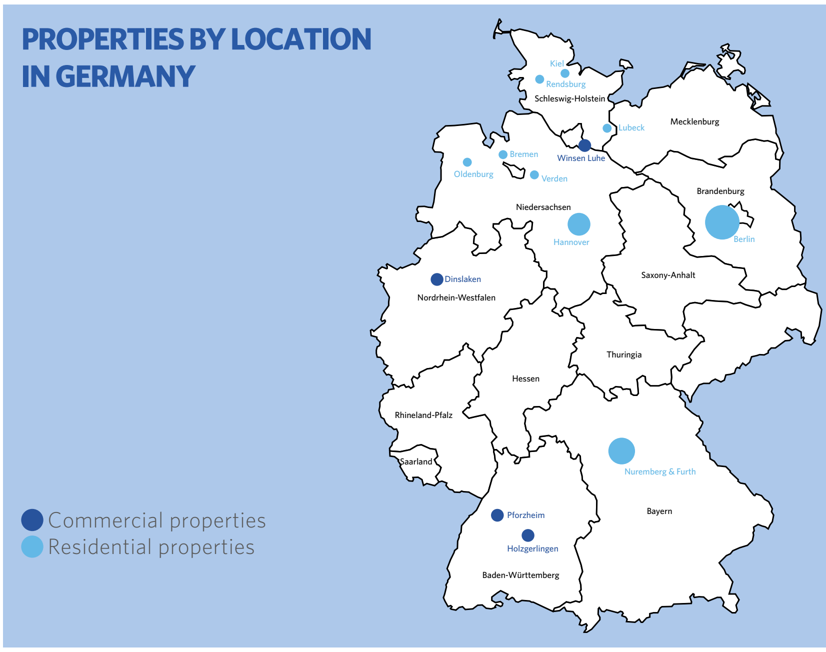
VALUE BY REGION



VALUE BY LETTABLE AREAS BY SEGMENT (SQM)



PROPERTIES BY LOCATION IN GERMANY



Our investment proposition

Providing investors with exposure to a diversified portfolio of German residential real estate assets that offer the potential for both reliable income as well as capital growth.

PROPERTY VALUE

€258.3M

AVERAGE NAV CAGR SINCE 2011

13.0% **PER ANNUM**

The Directors are targeting 8–10% total annual shareholder return, of which 2.5% is expected to be in the form of dividends.

Diversified portfolio with embedded potential for value creation
As at 30 June 2015, the Company's portfolio consisted of 114 properties containing 2,322 rental units across Berlin and secondary cities in Germany, 82% of which are residential properties (by lettable area). The portfolio was valued at €258.3 million, reflecting a gross running yield of 5.1%, a gross fully occupied yield of 5.8% and an EPRA net initial yield of 4.6%. From 30 June 2014 to 30 June 2015, the values of the properties in the portfolio rose by 9.7%, driven by a combination of rental growth and yield compression.

The Directors believe that the portfolio is underpinned by a stable and growing rental income stream. As at 30 June 2015, the annual arrears rate was 0.8% and, since 2011, rent per sqm has increased by 14.3%. Taking the residential portion of the portfolio only, rent per sqm has grown by 18.0% since 2011. New rentals in H1 2015 represented a 25% premium to the existing rents, highlighting the significant reversionary potential within the portfolio.

Additionally, the Directors believe there is scope for further rental growth and yield compression through the portfolio's exposure to the structurally attractive German real estate market as well as the opportunity to improve rental incomes through asset management.

OUR INVESTMENT CASE

Significant structural growth potential within German residential real estate
- Demand outstripping supply and low absolute price of property

Diversified high-quality portfolio with embedded potential for value creation
- Berlin focused with potential for medium-term rental and capital growth

Significant potential to create value through reversionary letting and condominium sales
- Premium for lettings and individual apartment sales highlight embedded value in portfolio

Clear strategy to deliver increases in rental income and capital growth
- Value-added strategy led by investment and hands-on approach

Strong balance sheet and capacity to grow through acquisitions
- Significant cash and undrawn facilities, low loan-to-value at 40.6%

Experienced management with a track record of delivering value for shareholders
- Highly experienced team managing portfolio since 2006

Market overview

After decades of relative stability, the German residential real estate market has undergone a period of resurgence with prices rising by an average of 25% over the past four years. Despite this recovery, German residential property remains undervalued for a number of key structural reasons.

These include the following:

- In absolute terms residential property prices in Germany are low compared to similar European markets, such as the UK and France
- German residential property is relatively affordable
- There is a limited supply of rental stock in urban locations putting upward pressure on rents
- Home ownership is currently low but is increasing compared to a number of other European markets
- Interest rates in Germany are at historic lows
- The supply of housing stock available for acquisition is relatively limited since resale prices are often below the cost of construction

The German residential market comprises approximately 40 million households. Germany has the lowest rate of home ownership in the EU, with 53% of households categorised as owner occupied, compared to an EU average of 70%. The high proportion of tenants in Germany partially reflects a number of protections relating to landlord and tenant law.

PMM believes that the widespread nature of rental housing in Germany and relatively tenant-friendly regulations explains why rents are relatively affordable when compared to other EU markets. For example, the average rent paid in Berlin is approximately €6 per sqm per month or c.€400 per month for a two-bedroom apartment

In addition to monthly rent, tenants also make monthly prepayments to cover service costs which are initially borne by the property owner and subject to an annual reconciliation payment within 12 months of the relevant year end. These prepayments cover items such as property taxes, building insurance, caretaking and the cleaning and lighting of communal areas. Average service costs are approximately €2.2 per sqm per month or €143 per month for a typical two-bedroom apartment.

German residential property – an undervalued asset class

Germany has lagged other property markets

- Until 2010, prices were flat for more than a decade, in contrast to other European markets
- Between 2010 and 2014 German property prices increased, on average, by 25% due to lack of supply and growing demand from owner occupiers

Undervalued asset class – relative to both income and rental levels and on a price per sqm basis

Despite recent recovery, prices remain affordable

- Average rent for a two-bed apartment = €400 per month in Berlin
- Average price for buying a Berlin apartment = €2,900 per sqm, approximately €190k for a two-bed apartment

Multi-family property values remain below cost of construction

- Berlin average apartment block value c.€1,800 per sqm
- Rest of portfolio average value c.€1,200 per sqm
- Represents a significant discount to prices for single apartments

Favourable market dynamics

After decades of underperformance, residential property is now seeing strong relative and absolute growth

- Low valuation of existing stock limits supply of new build
- Demand outstripping supply – e.g. Berlin demand for around 30,000 homes per annum versus new supply of c.8,000

Market rents in most locations are rising and are above in placerents

- Existing tenant leases are regulated so average rents lag market prices
- Creates significant reversionary potential within portfolio. In H1 2015 new leases signed at a 25% premium to passing rents.

Germany has one of the lowest home ownership rates in Europe

- EU average: 70%; UK: 65%; Germany: 53%; Berlin is just 16%
- Home ownership now rising, which drives property prices and creates opportunity to unlock value through sale of rental buildings as individual apartments (condominiums)

Fragmented market, scope for industry consolidation

- Ten largest residential housing companies own 5% of total rental stock

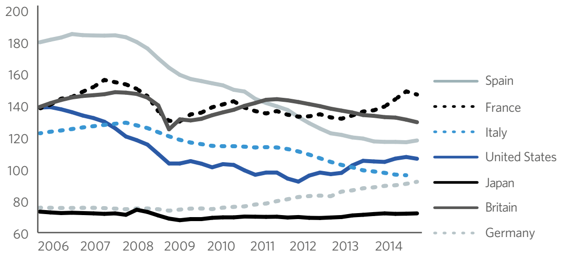
Historically low interest rates reduce cost of debt finance

- Rental yields of around 5% are at a significant premium to long-term interest rates of c.1.5–2.0%, providing scope for further yield compression

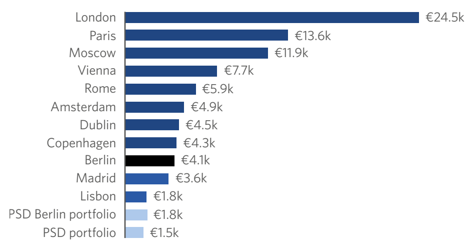
Strong and growing economy

- Unemployment is at a 30-year low
- Weaker Euro supporting Germany's exports

THE ECONOMIST HOUSE PRICE INDEX
PRICES VERSUS RENTS

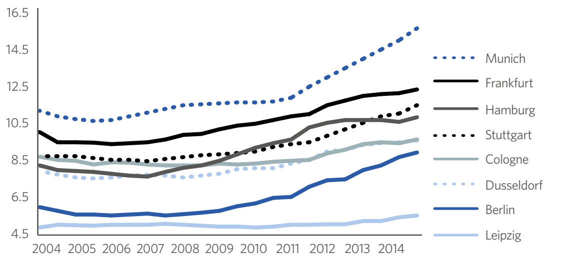


EUROPEAN PRIME PROPERTY PRICES FOR SELECTED CITIES



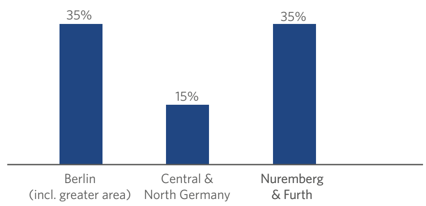
Source: Global Property Guide (June 2014); Jones Lang LaSalle

DEVELOPMENT OF ASKING RENTS IN MAJOR CITIES 2004–2014 (€ PER SQM)



Source: Jones Lang LaSalle

NEW RENTAL PREMIUM VERSUS PORTFOLIO AVERAGE



Source: PMM Partners. Average H1 2015 new residential leases divided by June 2015 average residential rent

Strategy

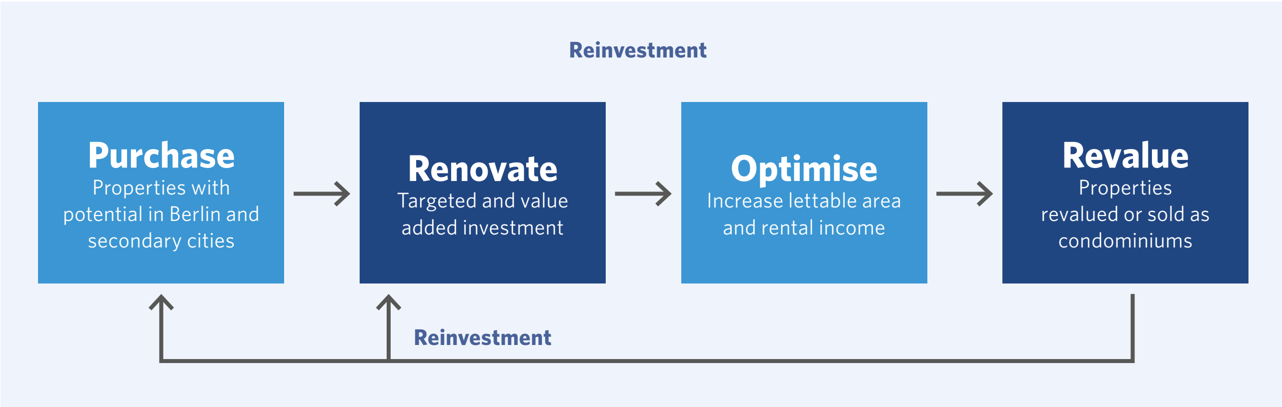
A key component of the Company's strategy is to manage and invest in the portfolio in order to drive capital growth and increase shareholder value. PMM has significant experience in generating rental and capital growth through innovative asset management and value-added investment.

Underpinning this strategy is the potential value uplift PMM believes can be achieved within the portfolio through a natural reversion of current rents to higher market rents.

Additionally, PMM has identified a number of strategies to maximise the rental income and value of properties. These include:

- Renovation of vacated units and reletting at higher rents
- Conversion of commercial and unlettable space to residential use
- Conversion of vacant attic space to residential use
- Modernisation of apartments occupied by long-standing tenants
- Negotiated vacancy programme
- Annual rent increases
- Vetting tenant quality
- Sub-dividing properties into individual properties for resale

How we create shareholder value



Refurbishment
Since 2011, an estimated 23% of units have been refurbished across the Company's portfolio. The typical refurbishment cost is €20,000 for a two-bedroom apartment (€300 per sqm). We aim for 100%+ return on investment.

Renovation standards are defined by market conditions. PSD targets the upper tier of the middle market. With careful tenant selection and no requirement for rapid letting, quality and price are key factors. Most contracts are index-linked, thus locking in future rental growth

Creating new residential units
A key focus is developing our asset portfolio through the creation of new residential units. The growth in market prices has made residential conversions economically sensible. PSD focuses on prime geographical locations to maximise the attraction of each property to potential occupants.

Examples of this include converting empty roof space into lettable area; maximising the potential from the existing footprint. PSD has planning applications under way or completed for over 4,000sqm of space (approximately 35 apartments) with a build cost estimated at €1,500/sqm; below replacement cost and below current valuation of the properties. PSD has also converted 2,600sqm of commercial space into residential, with a further 400sqm planned.

Modernisations and rent increases
We focus on improvements rather than maintenance, such as:

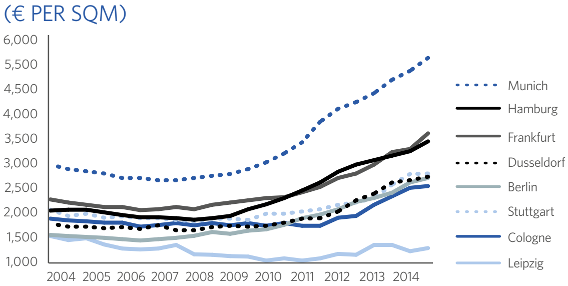
- Installation of central heating and insulation
- Double glazing
- Tiling bathroom walls
- Rewiring and installing new electrical consumer units
- Installation of balconies

There are several potential benefits to this approach. The tenant stays and accepts improvements, and this allows for a permitted rent increase of 11% of the value of modernisations. Modernisation can also move the unit to the higher Mietspiegel (rent table) band. If the tenant leaves, an incentive can be paid to cover moving costs. A vacant apartment can then be modernised and relet at market rents. In Berlin, and some other markets, new contracts include annual indexation (Staffel) of 3.5% for a period of ten years. Rents can be increased by 15% over three years via reference to the local rent table.

Condominiums
Apartment prices in major cities are rising and PMM believes there is significant scope for further price growth. The gap between apartment blocks and condominium valuations is also increasing. In 2014, Berlin average apartment prices increased by 13% to €2,900 per sqm compared to €1,737 per sqm for an apartment block. Buying existing apartment blocks is therefore cheaper than buying land and building new.

The process of partitioning a rental building takes around 12 months and involves a number of legal and planning steps. Typical costs include architect, planning and notary fees, which average in aggregate around €10,000 per property. Properties in conservation areas require additional permissions. A number of potential projects have been identified in Berlin, and Nuremberg & Furth and marketing on the first two projects commenced in July 2015. As at 15 August, all 14 residential units in the first phase were reserved (of which two units have exchanged contracts) at an average per sqm value of €3,840, a significant premium to book value. Marketing of the second phase will commence in September.

CONDOMINIUM PRICE DEVELOPMENT – PRICES IN MAJOR GERMAN CITIES 2004–2014 (€ PER SQM)



Source: Jones Land LaSalle; PMM Partners

Operating and financial review

The Company has delivered a strong set of interim results, demonstrating growth in rents and property values and delivering its target returns.

	6 months to 30 June 2015	6 months to 30 June 2014	12 months to 31 December 2014
Gross rental income €'000	**5,368**	3,379	6,577
Profit before tax €'000	**9,132**	4,877	8,458
Pre-exceptional profit before tax €'000	**10,814**	4,877	8,458
Reported EPS €	**0.13**	0.09	0.16
Investment property value €'000	**258,331**	111,606	115,192
Net debt €'000	**104,922**	47,771	49,928
Net LTV[1]	**40.6%**	42.8%	43.3%
EPRA NAV per share €	**2.19**	2.01	2.06
EPRA NAV per share £[2]	**1.55**	1.59	1.60

1 Debt less cash as a proportion of value of investment property.
2 Exchange rate of 1.41 at 30 June 2015, 1.25 at 30 June 2014, 1.29 at 31 December 2014.

Portfolio valuation grows by 5.3%

The reported property portfolio valuation rose from €115.2 million at 31 December 2014 to €258.3 million at 30 June 2015. On a proforma basis the property portfolio valuation rose by 5.3% to €258.3 million in the first half of 2015 (31 December 2014: €245.3 million), representing a value per sqm of €1,523 and a gross fully occupied yield of 5.9%. Using EPRA methodology, the net yield at as at 30 June was 4.64% (December 2014: 4.85%). All regions showed an increase in value, with the residential properties Nuremberg & Furth, and Berlin showing the largest increases at 7.5% and 6%, respectively.

EPRA NAV increases by 6.3%

EPRA NAV per share rose by 6.3% in the first half of 2015 to €2.19 (£1.55) (31 December 2014: €2.06 (£1.60)).

NAV growth in the first half of 2015 was impacted by a number of exceptional items relating to the acquisition of PSPF, the refinancing of long-term debt facilities and the listing on the London Stock Exchange. Excluding these one off items EPRA NAV per share grew by 8.1% to €2.23 (£1.58).

Financial results

The financial results for the period include the consolidation of PSPF from the date of its acquisition. PSPF was acquired in a cash and share transaction for €41.5 million on 9 March 2015. During the period, the Company also refinanced the majority of its long-term borrowings, releasing an additional €18.5 million of cash to fund further acquisitions and investment into the portfolio.

On an IFRS basis, profit before taxation for the period to June 2015 was €9.1 million (June 2014: €4.9 million). The results were positively affected by a revaluation gain of €9.0 million (June 2014: €1.96 million). Excluding the revaluation, the Company reported a profit before tax of €0.2 million (gain of €2.9 million in June 2014) on an IFRS basis. The profit before taxation is after charging exceptional items relating to the acquisition of PSPF and subsequent stock market listing of €1.7 million (6 months to June 2014: €0 million). Further one-off costs of €0.99 million relating the early cancellation of loans as part of the wider Company refinancing were recorded as finance charges.

Reported earnings per share for the period were 13c (June 2014: 9c).

The Board has declared a dividend of 1.3p per share, which is expected to be paid on or around 9 October 2015 to shareholders on the register at close of business on 18 September 2015, with an ex-dividend date of 17 September 2015.

Balance sheet

As at 30 June 2015, the Company had borrowings of €121.8 million and cash balances of €16.9 million giving net debt of €104.9 million and a net loan to value of 40.6%. In February 2015, the Company entered into a €68 million seven-year loan facility with DG Hyp at a fixed interest rate of 1.8%, of which €65.8 million has been drawn. The majority of the proceeds were used to refinance existing borrowing facilities.

On 17 August 2015, the Company drew an additional €14.7 million of debt against properties within its PSPF subsidiary under the terms of an additional loan facility signed in May 2015. Interest rates were fixed for seven years using swap contracts at a rate of 1.92%. Following the drawdown, the Company currently has approximately €32 million of cash balances, with further undrawn banking facilities of €2.2 million. Cash balances will be used to finance further acquisitions and upgrade existing buildings.

Operational performance
Rental income grew by 68% compared to H2 2014, with the majority of the increase reflecting the acquisition of PSPF in March 2015. Excluding this acquisition, rental growth was 2%, with increases in rent per sqm being offset by higher vacancies due to the ongoing apartment upgrade programme. On a pro forma basis, as at 30 June 2015 rent per let sqm stood at €7.23, up 4% compared to June 2014.

Using EPRA methodology, which excludes properties that are undergoing redevelopment (or identified for sale as condominiums), the vacancy rate as at June 2015 was 5.6%. This compares to a reported vacancy rate of 10.3%.

Operational data included in the subsequent paragraphs is calculated on a pro forma basis (i.e. as if PSPF was fully owned for the entire period under review) unless otherwise stated. The Directors believe this gives a better assessment of the operational performance of the property portfolio.

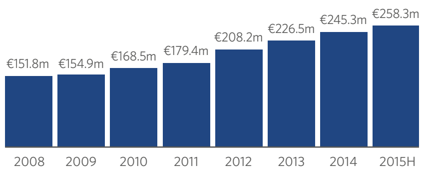
Regional overview
Berlin experienced strong rental growth, with average rent per let sqm increasing by 4.3% over the last 12 months. The majority of this growth was driven by a strong reletting performance, with new leases signed in the first half of 2015 achieving a 35% premium to average in-place rents.

Since the 1 June 2015, individual administrative regions across Germany have had the right to implement a rent cap ('Mietpreisbremse') on the maximum rent that may be charged by landlords on new tenancies. The law allows landlords to charge either the rent paid by the previous tenant, or a rent of a maximum of 10% over the local rent reference tables ('Mietspiegel'). The cap is designed to alleviate the rising costs of rental accommodation for German tenants and has been adopted by the Berlin Senate on a city-wide basis. Importantly, units which have been comprehensively modernised are exempt from the new rent controls and PSD believes that the majority of its refurbishments fall into this category. In May and June, we witnessed a slight market slowdown in new letting activity, with some tenants awaiting the effect of the new legislation. As a result the EPRA vacancy rate rose to 4.1% compared with 2.5% in December 2014. After this initial period of uncertainty, rental activity has normalised and new lettings during the last two months have been encouraging. However, it is too early to judge the overall impact on the market and we continue to monitor developments in this area.

Like Berlin, Nuremberg represents a significant reversionary rental story. The region produced the strongest rental performance, with new leases also signed at an average of a 35% premium to in place rents. Average rent per sqm grew by 8.3% over the 12-month period. EPRA vacancy rose to 9.0% from 7.9% in December 2014, reflecting the fact that a number of newly refurbished apartments were brought to the market at the end of June which have been subsequently relet. Approximately 10% of the portfolio's lettable space in this region is either undergoing refurbishment or reserved for resale, and during the period planning consent was achieved to convert a former commercial property into residential. We are now in the process of costing the work and a decision will then be taken whether to sell the property or build out. On 25 June it was announced that the Mietpreisbremse was to be implemented in this region with effect from 1 August 2015. As with the Berlin region, it is too early to assess the impact on the market. However, units which have undergone substantial refurbishment will be exempt from the new rental controls.

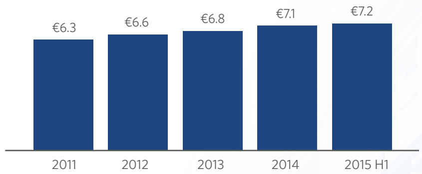
Central and North Germany includes Kiel and Oldenburg and also the university cities of Bremen and Hannover. Occupier demand was healthy with more than 70 new leases signed across the region (8% of units). The portfolio experienced some reversionary rent inflation, with new lettings signed at an average of €7.43 per sqm, a 15% premium to in-place rents. However, this did not translate into material rental growth across the portfolio with rent per sqm increasing by just 1.8% on an annual basis and EPRA vacancy showing an increase from 6.2% in December 2014 to 8%.

PORTFOLIO VALUATION 2008–H1 2015



Source: Phoenix Spree

PORTFOLIO RENT 2011–H1 2015
(€ PER SQM)

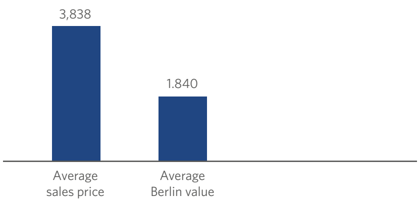


Source: Phoenix Spree

Operating and financial review

continued

CONDOMINIUM SALES PRICE VS AVERAGE PORTFOLIO VALUE (€ PER SQM)



Source: Jones Lang LaSalle/PSD June 2015 valuation

Baden-Württemberg includes a mixed-use property in Pforzheim and an office building in Holzgerlingen. Rent per sqm grew by 1.3% year-on-year to €9. EPRA vacancy stood at 0.9%. The property in Holzgerlingen is now fully let and a lease extension was signed with a significant tenant. The market continues to improve and we believe these properties still offer significant scope for yield compression given they are independently valued on approximately 12 times rental income. Although these properties are regarded as non-core by the Company, we expect market prices to improve and in the meantime they offer an attractive return on equity and high cash generation.

Value-added strategies

The core strategy of the Company is to upgrade its existing property stock and relet at higher rents. In the period, 168 units (7.2% of units) were relet across the portfolio, with average achieved reletting rent of €8.91 per sqm, a 25% premium to the average in place rents. In Berlin, 70 units (6% of units) were relet at an average rent per sqm of €10.14, a 35% premium to existing rents.

In the first half, €1.3 million was spent on refurbishments. Prior to its acquisition PSPF spent €0.8 million on refurbishments, taking the total investment on a pro forma basis in the first half of 2015 to €2.2 million

Berlin published its biannual Mietspiegel (rent table) in May 2015. The table governs the reference rent which landlords can charge existing tenants. The increase since 2013 was calculated to be 5.4% on average, a rate of growth which is considerably below published market growth rates and which can be explained by the fact that the City of Berlin takes a very narrow sample of leases. The legitimacy of the index was recently successfully challenged in a Berlin court, but the decision was later overturned on appeal. During the period, around 150 statutory rent increases were sent to PSD tenants in the period, with an average increase of €400 per annum.

During the period 200sqm of commercial space was converted to residential use. Planning consent has been granted for over 2,400sqm of new space within the attics of the existing Berlin portfolio and planning applications to create a further 2,000sqm are underway. Two projects are due to commence in the first half of 2016 following a tender process, which is expected to conclude by the end of the year. The projects are located in Wilmersdorf and Prenzlauerberg and will create six new apartments with a combined living space of 730sqm and a gross development value of approximately €2.2 million.

Condominium sales

Over the past two years, the Company has laid the foundations for a programme of selectively reselling apartment blocks as individual units. The strategy is designed to take advantage of the significant arbitrage that exists in the market between the average value of a Berlin apartment block of around €1,800 per sqm and the resale value of an individual apartment at between €2,500 and €5,000 per sqm.

Marketing of the first two condominium projects commenced in June 2015. In the first phase, 14 of the 47 units were offered for sale. Both projects are located in Berlin, Kreuzberg and were acquired by PSPF in 2006.

We are pleased to report that the sales response has been excellent. Since 30 June all apartments released for sale in the first phase have been either reserved or notarised for sale, and just one commercial unit remains available. The average sale price for the apartments is €3,838 per sqm, a significant premium to both book value and the average value per sqm for the Berlin portfolio of €1,840, generating potential sales revenue of €3.7 million. A second phase will be placed on the market in September and it is expected that all the remaining units of the two properties will be sold by mid-2017. The estimated aggregate net proceeds of these two projects is approximately €10 million and, as the properties are unlevered, all sales proceeds can be used to fund further investment in the portfolio.

Two further condominium projects have been identified. The first property, Berlichingen/Wittstockerstrasse is located in Berlin Mobait and has been comprehensively modernised over the past two years. Currently, 35 of the 40 apartments are vacant and we expect to offer them to the market in early 2016. Total sale proceeds from the project are expected to be in the region of €7 million. The other project is at an earlier stage and it is expected to be brought to market during 2017.

Acquisitions and disposals
Following the refinancing in February 2015, the Company had approximately €30 million of equity which was available to finance acquisitions. When matched with debt, this should give capacity to acquire around €60 million of property. Acquisitions will be made in areas which have potential to meet the Company's target of achieving an IRR of 8% to 10% through a combination of income and capital growth.

On 29 July the Company announced that it had exchanged contracts on an apartment complex located in Berlin, Friedrichshain. The consideration was €16 million, excluding acquisition costs. This represented a prospective gross yield of 4.8% and it is expected to increase the Company's rental income by approximately 6%. The property is located in one of Berlin's most 'in-demand' locations: Boxhagener 'Kiez'. The land registry has already been split into individual condominiums which are ready for sale to owner occupiers or investors. PMM believes that in this desirable location units can be sold over the medium term at a premium to the acquisition price. This transaction is expected to complete in the Autumn, following which the Company's Berlin properties will represent approximately 66% of gross assets. The property was constructed in 1996, has c.6,200 sqm of net leasable area representing 63 residential units and four commercial units, the largest of which is occupied by denn's Biomarkt, a national supermarket chain. The acquisition will initially be financed by existing cash resources, but it is expected that the Company will refinance the acquisition and it has received indicative offers of finance from German lending banks.

The Company also completed the disposal of commercial property Hünxerstrasse 155, Dinslaken. The property was sold for €1.44 million and the majority of proceeds will be used to repay loans outstanding on the property. The disposal value was in line with book value.

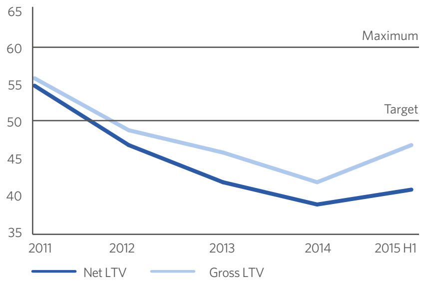
Market outlook
The outlook for the German residential market remains strong, supported by low interest rates, a robust economic backdrop and limited supply of new build property.

Despite the relative fragility of the political and economic environment in parts of Europe and Asia, Germany's economy has remained relatively robust, with a combination of low interest rates and weaker exchange rates proving to be supportive factors. Unemployment remains at 4.7%, its lowest level since 1981 and GDP is expected to grow by around 1.5% in 2015. The Bundesbank recently predicted a solid second half of the year with growth fuelled by external and domestic demand.

The residential market has experienced a record six months in terms of transaction levels according to Jones Lang LaSalle. More than €17.5 billion of deals were concluded in the first half, a level higher than any full year since 2006 and close to the value of apartments traded during the whole of 2014. Average prices per unit were up 12.3% from €56.700 to €63.600, and 22% of all transactions were in Berlin (16.7% in H1 14). Overall, the Bundesbank estimated property prices grew an average of 7% last year in the 7 largest cities versus 3% country wide.

The positive market trends have also translated into rising demand from individual owner-occupiers and private investors looking to purchase single apartments or condominiums. According to the Association of German Mortgage Banks it is estimated that prices in Berlin for individual apartments grew to an average of €3,400 per sqm in 2014 (7% annual increase). This represents around €240k for a 70sqm apartment in a central part of the city. Other regions such as Nuremberg and Furth have seen a similar price development.

NET LOAN TO VALUE
(%)



Source : Phoenix Spree

There is also further evidence of a growing supply and demand imbalance in urban areas. For example recent data shows that in 2014 Berlin's population grew by an estimated 44,000 as the process of urbanisation and net inward migration gained pace. This contrasts to an annual increase of just 8,637 homes according to the Berlin-Brandenburg statistical office. In particular, Berlin's popularity amongst younger people continues to grow, reflecting relatively low rents and increasing opportunities for employment especially in the media and technology sectors. Although population increases have in turn led to rising rents, affordability still remains good. According to The Economist, an average of around 23% of take home pay is spent on housing in Germany, one of the lowest levels in any developed economy and a figure which has remained relatively unchanged during the past 20 years.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2015

	Notes	**Six months ended 30 June 2015 (unaudited) €'000**	Six months ended 30 June 2014 restated (unaudited) €'000	Year ended 31 December 2014 (unaudited) €'000
Continuing operations				
Revenue	6	**5,368**	3,379	6,577
Property expenses	7	**(2,901)**	(2,575)	(5,818)
Gross profit		**2,467**	804	759
Other operating income		**73**	170	57
Administrative expenses	8	**(723)**	(462)	(1,568)
Gain on exchange		**31**	24	31
Investment property revaluation gain	15	**8,979**	1,957	4,509
Operating profit before exceptional costs		**10,827**	2,493	3,788
Exceptional costs	9	**(1,682)**	–	–
Operating profit		**9,145**	2,493	3,788
Net finance charge	10	**(1,381)**	(530)	(1,157)
Gain on financial asset	11	**1,368**	2,914	5,827
Profit before taxation		**9,132**	4,877	8,458
Taxation	12	**(1,096)**	(828)	(1,112)
Profit after taxation		**8,036**	4,049	7,346
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**8,036**	4,049	7,346
Total comprehensive income attributable to:				
Owners of the parent		**7,899**	4,049	7,346
Non-controlling interests		**137**	–	–
		8,036	4,049	7,346
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	20	**0.13**	0.09	0.16
Diluted (€)	20	**0.13**	0.08	0.15

Condensed consolidated statement of financial position

As at 30 June 2015

	Notes	As at 30 June 2015 (unaudited) €'000	As at 30 June 2014 restated (unaudited) €'000	As at 31 December 2014 (audited) €'000
ASSETS				
Non-current assets				
Goodwill	14	**4,493**	–	–
Investment properties	15	**258,331**	111,606	115,192
Property, plant and equipment		**31**	–	–
Deferred tax	12	**284**	387	237
Financial assets	11	**1,355**	33,946	36,859
		264,494	145,939	152,288
Current assets				
Trade and other receivables		**2,051**	4,842	4,093
Cash and cash equivalents		**16,876**	6,478	3,583
		18,927	11,320	7,676
Total assets		**283,421**	157,259	159,964
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	16	**4,327**	22,906	50,350
Trade and other payables		**1,732**	1,256	1,434
Current tax		**-**	19	19
		6,059	24,181	51,803
Non-current liabilities				
Borrowings	16	**117,471**	31,342	3,161
Derivative financial instruments	17	**1,843**	2,459	1,496
Deferred tax	12	**9,198**	3,064	3,211
		128,512	36,865	7,868
Total liabilities		**134,571**	61,046	59,671
Equity				
Share capital	19	**115,150**	67,708	67,708
Share based payment reserve	18	**-**	8,166	8,949
Retained earnings		**31,539**	20,343	23,640
Equity attributable to owners of the parent		**146,689**	96,217	100,297
Non-controlling interest		**2,161**	(4)	(4)
Total equity		**148,850**	96,213	100,293
Total equity and liabilities		**283,421**	157,259	159,964

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2015

	Attributable to the owners of the parent					
	Share capital €'000	Retained earnings €'000	Share-based payment reserve €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2014	**67,708**	**16,294**	**6,898**	**90,900**	**(4)**	**90,896**
Comprehensive income:						
Profit for the period	–	4,049	–	4,049	–	4,049
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	4,049	–	4,049	–	4,049
Transactions with owners – recognised directly in equity:						
Performance fee	–	–	1,242	1,242	–	1,242
Synthetic equity fee	–	–	26	26	–	26
Balance at 30 June 2014 (restated)	**67,708**	**20,343**	**8,166**	**96,217**	**(4)**	**96,213**
Comprehensive income:						
Profit for the period	–	3,297	–	3,297	–	3,297
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	3,297	–	3,297	–	3,297
Transactions with owners – recognised directly in equity:						
Performance fee	–	–	783	783	–	783
Balance at 31 December 2014	**67,708**	**23,640**	**8,949**	**100,297**	**(4)**	**100,293**
Comprehensive income:						
Profit for the period	–	7,899	–	7,899	137	8,036
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	7,899	–	7,899	137	8,036
Transactions with owners – recognised directly in equity						
Issue of share capital	39,052	–	–	39,052	–	39,052
Performance fee	8,390	–	(8,390)	–	–	–
Synthetic equity fee	–	–	(559)	(559)	–	(559)
Acquisition of subsidiary	–	–	–	–	2,028	2,028
Balance at 30 June 2015	**115,150**	**31,539**	**-**	**146,689**	**2,161**	**148,850**

Condensed consolidated statement of cash flows

For the six months ended 30 June 2015

	Six months ended 30 June 2015 (unaudited) €'000	Six months ended 30 June 2014 restated (unaudited) €'000	Year ended 31 December 2014 (unaudited) €'000
Profit before tax	**9,132**	4,877	8,458
Adjustments for:			
Net finance charge	**1,381**	530	1,157
Investment property revaluation gain	**(8,979)**	(1,957)	(4,509)
Gain on financial asset	**(1,368)**	(2,914)	(5,827)
Performance fee charge	**–**	1,242	2,025
Synthetic equity fee	**–**	26	26
Operating cash flows before movements in working capital	**166**	1,804	1,330
(Increase)/Decrease in receivables	**(323)**	(380)	1,297
(Decrease)/Increase in payables	**(3,533)**	107	741
Cash (used in)/generated from operating activities	**(3,690)**	1,531	3,368
Income tax paid	**(19)**	(11)	–
Net cash generated from operating activities	**(3,709)**	1,520	3,368
Cash flow from investing activities			
Proceeds on disposal of investment property	**–**	1,356	–
Acquisition of subsidiary	**1,165**	–	–
Bank interest received	**13**	2	5
Capital expenditure on investment property	**(1,253)**	(817)	(1,851)
Net cash (used in)/generated from investing activities	**(75)**	541	(1,846)
Cash flow from financing activities			
Interest paid on bank loans	**(2,228)**	(1,464)	(3,057)
Repayment of bank loans	**(46,000)**	(2,172)	(2,942)
Drawdown on bank loan facilities	**65,833**	–	–
Cash settled Synthetic equity fee	**(559)**	–	–
Net cash generated from/(used in) financing activities	**17,046**	(3,636)	(5,999)
Net increase/(decrease) in cash and cash equivalents	**13,262**	(1,575)	(4,477)
Cash and cash equivalents at beginning of period	**3,583**	8,029	8,029
Exchange losses on cash and cash equivalents	**31**	24	31
Cash and cash equivalents at end of period	**16,876**	6,478	3,583

Notes to the condensed consolidated financial statements

For the six months ended 30 June 2015

1. General information

Phoenix Spree Deutschland Limited is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in Jersey, and operating out of Jersey and Germany. The Group's principal activity is the holding of investment properties located in Germany. The Company's ordinary shares were admitted to trading on the London Stock Exchange on 15 June 2015.

The registered office of the company is 13–14 Esplanade, St. Helier, Jersey JE1 1BD.

2. Basis of preparation

The interim condensed set of consolidated financial statements has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2014.

The comparative figures for the financial year ended 31 December 2014 are extracted from, but do not comprise, the Group's annual financial statements for that financial year.

The condensed interim financial statements were authorised and approved for issue on 27 August 2015.

The condensed interim financial statements are neither audited nor reviewed.

Identification of business risks

The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31 December 2014 being compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments and interest rate movements on bank borrowings. The Directors consider that the significant areas of judgement made by management that have significant effect on the Group's performance and estimates with a significant risk of material adjustment in the second half of the year are unchanged from those identified in the Annual Report for the year ended 31 December 2014.

Going concern

The interim condensed financial statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future. The directors have prepared cash flow forecasts which show that the cash generated from operating activities will provide sufficient cash headroom for the foreseeable future.

3. New accounting policies

Goodwill

The Group will apply the principles of IFRS 3 (Business Combinations) and IAS 36 (Impairment) to Goodwill for the first time following the recognition of Goodwill on acquisition of Phoenix Spree Property Fund Limited and Co.KG

Goodwill will be tested annually for impairment (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill will be based on value in use calculations.

Exceptional costs

Exceptional costs have been defined as those costs directly attributable to the listing on the London Stock Exchange and any costs directly associated with the acquisition of subsidiaries.

4. Critical accounting judgements and estimates

The preparation of condensed 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 recognised in the condensed consolidated financial statements.

4. Critical accounting judgements and estimates continued

i) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease 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) 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.
b) 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.
c) 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.

ii) Principal assumptions for management's estimation of fair value of investment property

If information on current or recent prices or assumptions underlying the discounted cash flow approach is not available, the fair values of investment properties are determined using discounted cash flow techniques. The Group uses its third party independent experts and assumptions that are mainly based on market conditions existing at each reporting date. The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

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 focussed on the different revenue streams that exist within the Group. The Group's principal reportable segments under IFRS 8 are therefore as follows:

- Residential
- Commercial

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

31 December 2014 (audited)

	Residential €'000	Commercial €'000	Unallocated corporate assets and liabilities €'000	Total €'000
Investment property	106,942	8,250	–	115,192
Financial asset	–	–	36,859	36,859
Other asset	7,126	550	237	7,913
Liabilities	(51,012)	(3,935)	(4,724)	(59,671)
Net assets	**63,056**	**4,865**	**32,372**	**100,293**

Notes to the condensed consolidated financial statements continued

For the six months ended 30 June 2015

5. Segmental information continued

	Residential €'000	Commercial €'000	Unallocated corporate expenses €'000	Total €'000
Revenue	6,106	471	–	**6,577**
Property expenses	(5,401)	(417)	–	**(5,818)**
Other operating income	–	–	57	**57**
Administrative expenses	–	–	(1,568)	**(1,568)**
Loss on exchange	–	–	31	**31**
Investment property revaluation	4,186	323	–	**4,509**
Operating profit	**4,891**	**377**	**(1,480)**	**3,788**
Exceptional Items				**–**
Net finance charge				**(1,157)**
Gain on financial asset				**5,827**
Tax charge				**(1,112)**
Profit for the year				**7,346**

30 June 2014 – (unaudited)

	Residential €'000	Commercial €'000	Unallocated corporate assets and liabilities €'000	Total €'000
Investment property	103,613	7,993	–	**111,606**
Financial asset	–	–	33,946	**33,946**
Other asset	10,509	811	387	**11,707**
Liabilities	(51,529)	(3,975)	(5,542)	**(61,046)**
Net assets	**62,593**	**4,829**	**28,791**	**96,213**

	Residential €'000	Commercial €'000	Unallocated corporate expenses €'000	Total €'000
Revenue	3,137	242	–	**3,379**
Property expenses	(2,391)	(184)	–	**(2,575)**
Other operating income	–	–	170	**170**
Administrative expenses	–	–	(462)	**(462)**
Loss on exchange	–	–	24	**24**
Investment property revaluation	–	–	1,957	**1,957**
Operating profit	**746**	**58**	**1,689**	**2,493**
Net finance charge				**(530)**
Gain on financial asset				**2,914**
Tax charge				**(828)**
Profit for the period				**4,049**

5. Segmental Information continued
30 June 2015 (unaudited)

	Residential €'000	Commercial €'000	Unallocated corporate assets and liabilities €'000	**Total €'000**
Goodwill	–	–	4,493	**4,493**
Investment property	214,415	43,916	–	**258,331**
Financial asset	–	–	1,355	**1,355**
Other asset	15,709	3,218	315	**19,242**
Liabilities	(102,530)	(21,000)	(11,041)	**(134,571)**
Net assets	**127,594**	**26,134**	**(4,878)**	**148,850**

	Residential €'000	Commercial €'000	Unallocated corporate expenses €'000	**Total €'000**
Revenue	4,455	913	–	**5,368**
Property expenses	(2,408)	(493)	–	**(2,901)**
Other operating income	–	–	73	**73**
Administrative expenses	–	–	(723)	**(723)**
Loss on exchange	–	–	31	**31**
Investment property revaluation	–	–	8,979	**8,979**
Operating profit	**2,048**	**419**	**8,360**	**10,827**
Exceptional Items				**(1,682)**
Net finance charge				**(1,381)**
Gain on financial asset				**1,368**
Tax charge				**(1,096)**
Profit for the period				**8,036**

6. Revenue

	30 June 2015 (unaudited) €'000	30 June 2014 (unaudited) €'000	31 December 2014 (audited) €'000
Rental income	**5,368**	3,379	6,577

7. Property expenses

	30 June 2015 (unaudited) €'000	30 June 2014 (unaudited) €'000	31 December 2014 (audited) €'000
Property management expenses	**419**	165	480
Repairs and maintenance	**426**	294	652
Doubtful debt expense	**(46)**	–	150
Other property expenses	**1,030**	158	815
Property advisers' fees and expenses	**1,072**	690	1,670
Property advisers' performance fee	**–**	1,242	2,025
Property advisers' synthetic fee	**–**	26	26
	2,901	2,575	5,818

Notes to the condensed consolidated financial statements continued

For the six months ended 30 June 2015

8. Administrative expenses

	30 June 2015 (unaudited) €'000	30 June 2014 (unaudited) €'000	31 December 2014 (audited) €'000
Secretarial and administration fees	**82**	141	250
Legal and professional fees	**493**	271	1,055
Regulatory fund permit fee	**–**	2	4
Directors' fees	**–**	–	19
Accountancy fees	**96**	1	107
Audit fees	**37**	34	115
Bank charges	**15**	13	18
	723	462	1,568

9. Exceptional costs

	30 June 2015 (unaudited) €'000	30 June 2014 (unaudited) €'000	31 December 2014 (audited) €'000
Professional fees associated with stock market listing and acquisition of PSPF	**1,682**	–	–
	1,682	–	–

Exceptional costs has been defined as those costs directly attributable to the listing on the London Stock Exchange and any costs directly associated with the acquisition of subsidiaries, in the accounts for the year ended 31 December 2014 these costs were disclosed as part of Administrative expenses and amounted to €390,000.

10. Net finance charge

	Six months ended 30 June 2015 (unaudited) €'000	Six months ended 30 June 2014 (unaudited) €'000	Year ended 31 December 2014 (audited) €'000
Interest income	**(13)**	(2)	(5)
Gain on interest rate swap	**(834)**	(932)	(1,895)
Interest payable on bank borrowings	**1,213**	1,464	3,057
Finance arrangement fees	**28**	–	–
Early termination fee	**987**	–	–
	1,381	530	1,157

11. Financial asset

	As at 30 June 2015 (unaudited) €'000	As at 30 June 2014 (unaudited) €'000	As at 31 December 2014 (audited) €'000
Financial assets at fair value through profit and loss			
Phoenix Spree Property Fund GmbH and Co.KG: variable rate loan			
Balance at the beginning of the period	**36,859**	31,032	31,032
Gain on financial asset	**1,368**	2,914	5,827
Acquisition of subsidiary	**(38,227)**	–	–
Loans and advances – amortised cost			
Balance at the beginning of the period	**–**	–	–
Loans issued – initial recognition at fair value	**1,338**	–	–
Movement in fair value	**17**	–	–
	1,355	33,946	36,859

12. Taxation

	Six months ended 30 June 2015 (unaudited) €'000	Six months ended 30 June 2014 (unaudited) €'000	Year ended 31 December 2014 (audited) €'000
The tax charge for the period is as follows:			
Current tax charge	**8**	32	19
Deferred tax charge	**1,088**	796	1,093
Current tax charge for the year	**1,096**	828	1,112

The movement in respect of deferred taxation is as follows:

	Capital gains on properties	Interest rate swaps	Total
Balance at 1 January 2014	(2,416)	535	(1,881)
Increase in liability	(648)	(148)	(796)
Deferred tax at 30 June 2014	**(3,064)**	**387**	**(2,677)**
Increase in liability	(147)	(150)	(297)
Deferred tax at 31 December 2014	**(3,211)**	**237**	**(2,974)**
Acquisition of subsidiary	(5,011)	159	(4,852)
Increase in liability	(976)	(112)	(1,088)
Deferred tax at 30 June 2015	**(9,198)**	**284**	**(8,914)**

13. Dividends

	As at 30 June 2015	As at 30 June 2014	As at 31 December 2014
Dividends on participating shares proposed for approval (not recognised as a liability at 30 June 2015)			
1.3p per share	**£908,339**	–	–

14. Business combination

On 9 March 2015, the Group acquired 94.8% of Phoenix Spree Property Fund Limited and Co.KG ('PSPF'), a partnership incorporated in Germany, for a fair value consideration of €41.5 million. This consideration was made up of €2.4 million paid in cash and €39.1 million in shares of the Company valued on the day of the acquisition.

In addition to the 94.8% acquired, the Group also entered into an option agreement to acquire the remaining 5.2% interest in PSPF from the remaining partners. The options are to be exercised on the fifth anniversary of the majority interest acquisition for a period of three months thereafter.

The consideration for the options are equal to the remaining partners' proportion of the EPRA NAV of PSPF based on the most recent interim or full year accounts, plus any tax liabilities incurred in connection with the disposal.

Notes to the condensed consolidated financial statements continued

For the six months ended 30 June 2015

14. Business combination continued

The fair value of the net assets acquired is detailed below.

	Provisional fair value €'000
Investment properties	132,907
Property, plant and equipment	12
Trade and other receivables	6,203
Trade and other payables	(95,117)
Deferred tax	(5,011)
Net assets	**38,995**
Non-controlling interest	(2,028)
Goodwill	4,493
Fair value of consideration	**41,460**
Cash consideration	(2,407)
Cash acquired	3,572
Cash inflow arising on acquisition	**1,165**

Goodwill arises from the expected benefit of the merger of the two property portfolios and from the embedded potential of value creation in the acquired portfolio.

Compared to the previously published table, the provisional fair values include proportional property gains from 1 January to the date of acquisition, deferred tax arising on the acquisition and the variable rate loan liability.

PSPF contributed revenue of €1.56 million and operating profit of €4.85 million to the results of the Group since acquisition. If the acquisition had been completed at the beginning of the year, management estimate that Group revenue for the period would have been €6.48 million and Group operating profit would have been €9.04 million.

15. Investment properties

	€'000
Fair Value	
At 1 January 2014	108,832
Capital expenditure	817
Disposals	–
Revaluation gain	1,957
At 30 June 2014	**111,606**
Capital expenditure	1,034
Disposals	–
Revaluation gain	2,552
At 31 December 2014	**115,192**
Capital expenditure	1,253
Disposals	–
Additions on acquisition	132,907
Revaluation gain	8,979
At 30 June 2015	**258,331**

The property portfolio was valued at 30 June 2015 by Jones Lang LaSalle GmbH on a basis consistent with that disclosed in the group's annual financial statements. Full details will be given in the next annual financial statements.

16. Borrowings

	As at 30 June 2015 (unaudited) €'000	As at 30 June 2014 (unaudited) €'000	As at 31 December 2014 (audited) €'000
Current liabilities			
Bank loans – Hypothekenbank Frankfurt AG	**4,327**	22,906	50,350
Bank loans – Kreissparkasse Boblingen District Savings Bank	**–**	–	–
	4,327	22,906	50,350
Non-current liabilities			
Bank loans – Hypothekenbank Frankfurt AG	**–**	31,342	–
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	**104,662**	–	–
Bank loans – Deutsche Hypothekenbank AG	**9,721**	–	–
Bank loans – Kreissparkasse Boblingen District Savings Bank	**3,088**	–	3,161
	117,471	31,342	3,161
	121,798	54,248	53,511

During the period the Group refinanced its bank borrowings and drew down €65,833,000 in the period. The terms of the loan are interest paid at a rate of three-month EURIBOR plus a margin and the final maturity date is on 31 January 2022. Interest rate risk is hedged by the use of interest rate swaps.

17. Derivative financial instruments

	As at 30 June 2015 (unaudited) €'000	As at 30 June 2014 (unaudited) €'000	As at 31 December 2014 (audited) €'000
Interest rate swaps – carried at fair value through profit or loss			
Balance at start of period	**1,496**	3,391	3,391
From acquisition	**1,181**	–	–
Gain in movement in fair value through profit or loss	**(834)**	(932)	(1,895)
Balance at end of period	**1,843**	2,459	1,496

Notes to the condensed consolidated financial statements continued

For the six months ended 30 June 2015

18. Share-based payment reserves

	Synthetic equity fee €'000	Performance fee €'000	Share-based payment total €'000
Balance at 1 January 2014	533	6,365	6,898
Fee charge for the period	26	1,242	1,268
Balance at 30 June 2014	**559**	**7,607**	**8,166**
Fee charge for the period	–	783	783
Balance at 31 December 2014	**559**	**8,390**	**8,949**
Equity settled during the period	–	(8,390)	(8,390)
Cash settled during the period	(559)	–	(559)
Balance at 30 June 2015	**–**	**–**	**–**

19. Share capital

	As at 30 June 2015 (unaudited) €'000	As at 30 June 2014 (unaudited) €'000	As at 31 December 2014 (audited) €'000
Issued and fully paid:			
100 management shares of no par value, issued at a consideration of GBP1 each	**–**	–	–
40,522,264 participating shares of no par value, issued at a consideration of GBP1 each	**60,027**	60,027	60,027
5,896,369 participating shares of no par value, issued at a consideration of GBP1.11 each	**7,681**	7,681	7,681
19,237,484 participating shares of no par value, issued at a consideration of GBP1.46 each	**39,052**	–	–
4,216,080 participating shares of no par value, issued at a consideration of GBP1.44 each	**8,390**	–	–
	115,150	67,708	67,708

20. Earnings per share

	Year ended 30 June 2015 (unaudited)	Year ended 30 June 2014 (unaudited)	Year ended 31 December 2014 (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**7,899**	4,049	7,346
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	**59,635,559**	46,418,633	46,418,633
Effect of dilutive potential ordinary shares	**–**	4,216,080	4,216,080
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	**59,635,559**	50,634,713	50,634,713
Earnings per share (€)	**0.13**	0.09	0.16
Diluted earnings per share (€)	**0.13**	0.08	0.15

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

	30 June 2015	30 June 2014	31 December 2014
Net assets (€'000)	**146,689**	96,217	100,297
Number of participating ordinary shares	**69,872,197**	46,418,633	46,418,633
Net asset value per share (€)	**2.10**	2.07	2.16

	30 June 2015	30 June 2014	31 December 2014
EPRA net asset value			
Net assets (€'000)	**146,689**	96,217	100,297
Add back deferred taxes, derivative financial instruments, goodwill and share based payment reserves	**6,264**	(3,030)	(4,479)
EPRA net asset value (€'000)	**152,953**	93,187	95,818
EPRA net asset value per share (€)	**2.19**	2.01	2.06

22. Financial instruments

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 December 2015 and March 2022.

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.

23. Re-statement of the results for the six months ended 30 June 2014

The results for the six months ended 30 June 2014 have been restated for the following reasons:

i) The obligation for the performance management fee due to PMM was previously only disclosed as a contingent liability. The obligation falls to be recognised as a share based payment however, because the obligation relates to services provided to the Group calculated by reference to a measure of equity;

ii) The Directors have reviewed the treatment of the Synthetic Equity Participation Fee and considered it appropriate to recognise the obligation as a share based payment; and

iii) The scope of IAS 12, 'Income Taxes' is wider than the corresponding UK GAAP standards, and requires deferred tax to be provided on all temporary differences rather than just timing differences under UK GAAP. As a result, a deferred tax liability has been recognised in respect of the difference between the carrying amount of the investment properties in the statement of financial position and their tax base and the difference between the carrying amount of the derivate financial instruments (in relation to the interest rate swaps) in the statement of financial position and their tax base. Under IAS 12 current income tax payable is disclosed on the face of the consolidated statement of financial position.

Notes to the condensed consolidated financial statements continued

For the six months ended 30 June 2015

23. Re-statement of the results for the six months ended 30 June 2014 continued

The effect of the re-statements was as follows:

		As previously reported €'000	Adjustments €'000	As restated €'000
ASSETS				
Non-current assets				
Goodwill		–	–	–
Investment properties		111,606	–	111,606
Property, plant and equipment		–	–	–
Deferred tax	iii	–	387	387
Trade and other receivables		3,000	(3,000)	–
Financial assets		33,936	–	33,946
		148,542	**(2,613)**	**145,939**
Current assets				
Trade and other receivables		1,412	3,430	4,842
Cash and cash equivalents		6,478	–	6,478
		7,890	**3,430**	**11,320**
Total assets		**156,432**	**817**	**157,259**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings		22,906	–	22,906
Trade and other payables		826	430	1,256
Current tax		19	–	19
		23,751	**430**	**24,181**
Non-current liabilities				
Borrowings		31,342	–	31,342
Derivative financial instruments		2,459	–	2,459
Deferred tax	iii	2,677	387	3,064
Provisions	ii	559	(559)	–
		37,037	**(172)**	**36,865**
Total liabilities		**60,788**	**258**	**61,046**
Equity				
Share capital		67,708	–	67,708
Share based payment reserve	i, ii	–	8,166	8,166
Retained earnings		27,940	(7,597)	20,343
Equity attributable to owners of the parent		95,648	569	96,217
Non-controlling interest		(4)	–	(4)
Total equity		**95,644**	**569**	**96,213**
Total equity and liabilities		**156,432**	**827**	**157,259**

23. Re-statement of the results for the six months ended 30 June 2014 continued

		As previously reported €'000	Adjustments €'000	As restated €'000
Continuing Operations				
Revenue		3,379	–	3,379
Property expenses	i	(1,359)	(1,216)	(2,575)
Gross profit		**2,020**	**(1,216)**	**804**
Other operating income		170	–	170
Administrative expenses		(426)	(36)	(462)
Gain on exchange		24	–	24
Investment property revaluation gain		1,957	–	1,957
Operating profit before exceptional costs		**3,745**	**(1,252)**	**2,493**
Exceptional costs		–	–	–
Operating profit		**3,745**	**(1,252)**	**2,493**
Net finance charge		(543)	13	(530)
Gain on financial asset		2,914	–	2,914
Profit before taxation		**6,116**	**(1,239)**	**4,877**
Taxation		(828)	–	(828)
Profit after taxation		**5,288**	**(1,239)**	**4,049**
Other comprehensive income		–	–	–
Total comprehensive income for the year		**5,288**	**(1,239)**	**4,049**
Total comprehensive income attributable to:				
Owners of the parent		5,288	(1,239)	4,049
Non-controlling interests		–	–	–
		5,288	**(1,239)**	**4,049**
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	i	0.11	(0.02)	0.09
Diluted (€)	i	–	0.08	0.08

24. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

R Prosser and A Weaver are directors of Appleby Fund Administrators (Jersey) Limited and Appleby Securities (Channel Islands) Limited. R Prosser and A Weaver are also ultimate owners of Appleby Fund Administrators (Jersey) Limited. A Weaver is a partner at Appleby, law firm.

During the six month period ended 30 June 2015, an amount of €432,160 (June 2014: €124,344 and December 2014: €263,038) was payable to Appleby Fund Administrators (Jersey) Limited for accounting, administration and secretarial services. At June 2015, €370,680 (June 2014: €47,040 and December 2014: €170,991) was outstanding.

During the six month period ended 30 June 2015, an amount of €348,770 (June 2014: €Nil and December 2014: €6,114) was payable to Appleby, law firm for legal and professional services. At June 2015 €Nil (June 2014: €Nil and December 2014: €Nil) was outstanding. M Northover is a Director and shareholder of PMM Partners (UK) Limited, the Company's appointed Property Advisor. During the six month period ended 30 June 2015, an amount of €1,072,000 (June 2014: €574,027 and December 2014: €1,670,349) was payable to PMM Partners (UK) Limited. At June 2015 €Nil (June 2014: €271,438 and December 2014: €247,088) was outstanding.

Notes to the condensed consolidated financial statements continued

For the six months ended 30 June 2015

24. Related party transactions continued

The Group also entered into an option agreement to acquire the remaining 5.2% interest in 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.

The Group entered into a loan agreement with M Hilton and P Ruddle in connection with the acquisition of PSPF. At the period end an amount of €677,500 each was owed to the Group. The loans bear interest of 4% per annum.

25. Subsequent events

On 29 July 2015, the Group announced the exchange of contracts on an apartment complex located in Friedrichshain, Berlin for consideration of €16 million excluding acquisition cost. It is expected that the deal will complete in the autumn.

On 17 August 2015 the Group drew down an additional €14.7 million of debt against properties within the PSPF subsidiary under the terms of an additional facility signed in May 2015. Interest rates were fixed for 7 years using swap contracts at a rate of 1.92%.

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