PHOENIX SPREE

BUILDING BETTER FUTURES

Interim Report 2019

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 for its customers.

Over the past twelve 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.

BUSINESS REPORT

FINANCIAL STATEMENTS

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HALF-YEAR FINANCIAL HIGHLIGHTS

Portfolio value (€)m
(June 2019)

€665.2m

LFL 3.9%

HY 2019	**€665.2m**
2018	€645.7m

Reported gross rental income (€)m[1]
(Six months to June 2019)

€10.8m

(9.5%)

HY 2019	**€10.8m**
HY 2018	€11.9m

Annual like-for-like rent per sqm growth
(YoY to June 2019)

5.2%

HY 2019	**5.2%**
HY 2018	9.9%

EPRA NAV per share (€)
(June 2019)

€4.73

3.3%

HY 2019	**€4.73**
2018	€4.58

EPRA NAV per share total return
(June 2019)

4.4%

HY 2019	**4.4%**
HY 2018	4.1%

Profit before tax (€)m[2]
(Six months to June 2019)

€12.0m

(37.8%)

HY 2019	**€12.0m**
HY 2018	€19.4m

Net LTV
(June 2019)

26.8%

HY 2019	**26.8%**
HY 2018	25.8%

Dividend €/(£)
(Six months to June 2019)

2.35c (2.1p)

0%

HY 2019	**2.35c/(2.1p)**
HY 2018	2.35c/(2.1p)

Condominium value per sqm achieved on sold residential units (€)
(Six months to June 2019)

€4,334

16.7% to portfolio average value

HY 2019	**€4,334**
2018	€4,466

1 June 2018 reported Gross rental income is restated due to a change in accounting policies (IFRS 15).
2 PBT decline reflects movement in the mark-to-market of interest rate hedges during the period.

Operational Highlights

- Portfolio performed well, reflecting modest rental growth and active management of the Portfolio:
  - Like-for-like Portfolio value, adjusted for acquisitions and disposals, increased by 3.9%.
  - Aggregate reported Portfolio value increased by 3.0% to €665.2 million (31 December 2018: €645.7 million).
- EPRA vacancy declined to 2.5% (31 December 2018: 2.8%).
- New leases in Berlin signed at an average 39.9% premium to passing rents in H1 2019.
- NAV underpinned by condominium potential; average achieved value per sqm on sold condominium units of €4,334, a 16.7% premium to Portfolio average value per sqm at 30 June 2019:
  - Four condominium notarisations during the period totalling €2.5 million (H1 2018: €6.1 million).
  - Seven condominium sale completions during H1 2019 totalling €3.8 million (H1 2018: €5.7 million).
  - A further €3.9 million has been notarised for sale since 30 June 2019.

Update on Mietendeckel – proposed new Berlin rent controls

- First draft of proposals was presented to the Berlin Senate on 30 August 2019, with the aim of preventing private residential rents being set at free market levels.
- Consultation process underway, with final draft expected in October. Implementation planned from January 2020, with retrospective effect to 18 June 2019.
- There remains considerable uncertainty surrounding the content, timing, legality and implementation of the new rental proposals.
- Expect short-term impact on transaction volumes and potentially values for apartment blocks.
- Continued supply/demand imbalance expected, driven by strong job creation, population growth.
- Proposed rent cap likely to affect adversely new construction, exacerbating shortage of available rental stock.
- Evidence from other cities where similar rent controls have been introduced suggests condominium prices likely to benefit in the medium term, in the event the proposed new rules remain in place.

Proactive strategic response to evolving regulatory environment

PSD is well placed to respond to regulatory changes, with considerable strategic flexibility, pending clarity on legality of new rent law proposals:

- Condominium strategy being actively pursued:
  - Currently 55 assets out of 97 in the portfolio are legally registered as condominiums (55% of units), with a further 29 in the planning stage (35% of units).
  - New agreement with Accentro Real Estate AG, one of Germany's leading condominium sales platforms, which provides scope for a significant acceleration of condominium sales.
- New re-letting strategy for vacated rental units; with increased focus on short term furnished apartments, optimising strategic flexibility pending clarification of legality of Mietendeckel rules.
- Planned co-ordinated legal response to Mietendeckel proposal via homeowner associations.
- Completion in September 2019 of new €240 million term loan on improved terms offers the ability to:
  - Pursue any opportunities as a result of market uncertainty.
  - Take advantage of any exceptional weakness in the share price – buy-back of up to 10% of shares is under consideration.

CHAIRMAN'S STATEMENT

As at 30 June 2019, the Portfolio was valued at €665.2 million by Jones Lang LaSalle GmbH, a like-for-like increase of 3.9% since 31 December 2018, driven by modest yield compression and an increase in like-for-like average rents. The EPRA NAV total return per share was 4.4% over the same period.

"I am pleased to report that, during the first half of the financial year, PSD has delivered another resilient performance."

Robert Hingley
Chairman

Notwithstanding the fact that our financial results have demonstrated further progress, the rent controls proposed by the Berlin Senate (the 'Mietendeckel') have created significant uncertainty. This has been reflected in PSD's share price and has resulted in the shares trading at 34% discount to EPRA Net Asset Value as at 30 June 2019. The share price weakness and valuation discount are in line with Berlin-focussed listed peers.

The principal aim of the Mietendeckel is to prevent rents for private non-subsidised rental properties being set at free market levels, despite the fact that Germany and Berlin already have in place tenant protections which rank amongst the strongest in the Western world.

The first draft of these proposals was presented to the Berlin Senate at the end of August and the consultative process, involving experts, owners and trade associations, is ongoing. A Berlin Senate resolution on the final draft is currently scheduled to take place in mid-October, with implementation of the new rules by Berlin's parliament expected during January 2020, with retrospective effect to 18 June 2019.

There remains considerable uncertainty surrounding the content, timing, legality and implementation of the new rental proposals. PSD, and its legal advisors remain firmly of the opinion that the rent proposals are unconstitutional and that State law cannot supersede Federal law. We expect a number of legal challenges should the Berlin Senate pass the bill into law.

Our main priority for the remainder of 2019 is to ensure that PSD optimises its strategic response and significant preparatory work has already taken place. More detail on the Mietendeckel and our strategic response is provided within this statement.

PSD has also recently secured more flexible and cost-efficient financing to support the medium and long-term strategic objectives of the business. It provides liquidity in order to take advantage of opportunities arising from market disruption caused by changes to the rent laws, as well as weaknesses in the share price. We are therefore considering plans to repurchase up to 10% of shares currently in issue.

Since the launch of PSD over 12 years ago, tenant law has continually changed, and we have successfully evolved within the changing regulatory framework. I am confident that this will continue to be the case and our commitment to delivering the best possible service to our tenants remains undiminished. Our 'Better Futures' Corporate Responsibility Plan balances the different interests of all our stakeholders, recognising that our environmental and social impact is intrinsically linked to the success and sustainability of our business. The Board is pleased to declare an unchanged dividend of 2.35 cents (2.1 pence) per share for the first half of the year, which is expected to be paid on or around 25 October 2019 to shareholders on the register on 11 October 2019.

Robert Hingley
Chairman
26 September 2019

STATEMENT ON THE PROPOSED BERLIN RENT CAP

Backdrop
During the past decade, Berlin's economy has flourished and this economic renaissance has been supported by high levels of net inward migration. Between 2013 and 2017, the number of inhabitants grew by between 40,000 and 60,000 per year, increasing by a further 31,000 in 2018. Currently, the City of Berlin estimates the requirement for new housing will be 194,000 units by 2030, and that over 20,000 new housing units will need to be constructed annually to satisfy demand. However, in recent years, the number of building permits and completions has fallen well short of this target and it remains the case that the cost of new-build generally exceeds the cost of acquiring existing rental stock.

It is against this demographic backdrop that the new Berlin rental laws have been proposed. These rules seek to address the effects of housing shortage rather than addressing the cause. PSD believes that the long-term solution to the housing shortage and rent-price inflation lies with incentivising increased supply, which the current proposals fail to address.

Outline of the proposed new rules
The key elements of the new proposals as currently drafted are as follows:

- for new leases, a range of upper limits or 'Permissible Rents' or 'Permissible Level' depending on building age, rather than location or condition.
- any in-place rent above this level is frozen for five years.
- provided that the Permissible Level is not exceeded, annual rent increases of 1.3% are allowed and the Permissible Level could be raised to take into account annual price inflation.
- the Permissible Rent limits can be increased by up to €1.40 per sqm if the apartment has been modernised during the last 15 years.
- rental uplifts on future modernisations are limited to €1.00 per sqm.
- the rent cap rules also apply to furnished apartments.
- for existing tenants, any rent over the Permissible Level can be lowered, subject to appeal, if the tenant can demonstrate that their in-place rent is more than 30% of net household income.
- for existing tenants applying for relief under the 30% rule, the rent cap is subject to the size of the property, limiting any reduction to a specified square meterage linked to individual household size.
- properties built after 2014 are excluded from these proposals.

Legality of the new rules
PSD and its legal advisors remain firmly of the view that the rent proposals as currently drafted are not lawful and are unconstitutional. In Germany, residential tenant law is governed by the German Civil Code and is therefore a matter for the Federal and not State Government. There is mounting legal opinion supporting this view, including the legal research department of the Bundestag, the Federal Housing Minister and the former head of the Federal Constitutional Court.

Timing of the new rules
Following the publication of the draft law for the introduction of the local Berlin rent freeze, relevant interest groups were able to submit their objections until 13 September. On 15 October, the Berlin Senate has stated it will decide on the final version of the law, which will be followed by two readings and votes in the Berlin parliament on 31 October and 12 December. The implementation of the rent freeze is scheduled for 11 January 2020, effective retroactively to 18 June 2019.

Likely impact of the new rules on the Berlin rental market
There is a significant body of evidence from other markets, including Stockholm, San Francisco and Vienna, that the effect of stringent rent controls which seek to limit rent levels to below those set by the market, has been to reduce the supply of quality rental property rather than grow it.

The impact in these markets has been:

- to reduce the construction of new-build rental apartments.
- lower levels of tenant churn, which reduces choice for tenants.
- an increase in the number of rental apartments sold to owner occupiers as condominiums.
- a reduction in the existing stock of rental properties.
- the creation of waiting lists for available rental properties.
- rising demand for condominiums, short-term lets and illegal subletting as a direct consequence of a reduction of available rental stock.

PSD believes that should the new Berlin rental regulations proceed, many of these themes will be repeated in Berlin. Developers could be reluctant to commit to new-build in an environment where future rental streams and returns are uncertain. Smaller landlords may seek to exit the housing market and sell apartments to owner occupiers, further reducing the supply of rental apartments. Property owners will also become reluctant to invest in the fabric of existing properties, resulting in an overall deterioration in the quality of housing stock at a time when the need for sustainable, environmentally friendly housing has become ever more apparent. The renovations, modernisations and improvements that have transformed the quality of housing stock in Berlin during the past decade were made possible because they were financially viable in an environment where rents for newly modernised apartments were set at free market levels.

As existing tenants realise that rent controls worsen rather than alleviate the housing shortage, it is likely that fewer properties will be returned to the rental market, further exacerbating the supply shortage. Meanwhile demand is forecast to continue to increase given continued expected inward migration to the City. This has the potential to discriminate against the most vulnerable tenants, an issue that has already been raised by Berlin's cooperative housing associations and municipal housing companies.

Faced with an acute shortage of rental accommodation, and with interest rates at or near record lows, demand for condominiums is likely to rise.

Impact of new rental laws for PSD

There remains considerable uncertainty surrounding the implementation of the proposed new rules. Moreover, likely tenant behaviour in the event the new rent proposals are introduced is difficult to predict. Given the possible range of outcomes, it is likely that PSD will be in a better position to assess accurately the impact of the proposed law on rental income by the middle of 2020. However, based on the proposals as they currently stand, the Property Advisor considers likely consequences are as follows:

- PSD will lose the ability to obtain step rents or Mietspiegel rent increases for over half of existing tenants.
- the Permissible Rent will effectively cap rents for new lettings at levels below currently market levels, ending PSD's ability to pursue its current reversionary rent strategy.
- theoretically, most tenants who occupied their unit in the last three or four years will have an incentive to give notice and seek a cheaper apartment. However, the lack of available supply post the implementation of the new rules is likely to make this very difficult in practice.
- tenants will be entitled to make an application to the District Office for a rent reduction in circumstances where their rent is above the Permissible Level and where net cold rent represents more than 30% of household net income. PSD has historically set stringent rent multiple limits for new tenants at the time of application, significantly reducing the risk of rent reduction claims. The fact that the amount of relief is limited by the size of the property further mitigates the impact.

PSD STRATEGIC RESPONSE

Although the new rules will almost certainly be subject to legal challenge, it is likely that, even if successfully repealed, there will be a period during which PSD will have to work within the regulatory framework that is currently being proposed. During the period of challenge, which is expected to last until at least early 2021, PSD intends to modify its strategy.

Acquisitions
Notwithstanding the fact that PSD has the financial capacity to acquire and will keep opportunities under close review, it is expected that future acquisitions will be limited until the impact of the proposals on tenant behaviour and market values is clearer.

Renovation expenditure
PSD remains committed to maintaining a portfolio of homes for tenants that are both comfortable and compliant with all health and safety standards. However, in the light of the proposed new rental laws, careful consideration is being given to certain elements of discretionary capital expenditure that are no longer financially justifiable. It is therefore expected that the strategy of renovating vacant apartments to current market standards will be reviewed. Regrettably, the maximum €1 rent per sqm premium (€600-700 per annum) on future modernisations that the new rules permit will not justify the typical investment of €20-30k that was possible when reletting was permissible at free market levels. This may reduce planned capital expenditure by up to €5 million per annum.

New condominium construction
PSD has building permits approved, or in process, for around 100 units. Approximately 76% of these units are attic conversions with the remainder representing a new apartment block in the footprint of an existing property. PSD believes future construction costs could decline, reflecting lower levels of reinvestment into the fabric of existing properties across Berlin. This has the potential to create near-term overcapacity in the construction sector, which in turn could be reflected in lower labour and material costs. The Property Advisor intends to appraise future projects on the basis of condominiums for sale, as opposed to rental properties.

Furnished lettings
Notwithstanding the fact that the new rent laws prohibit charging a premium for furniture, it is expected that new lettings by PSD could be offered as short-term furnished apartments until the legal question surrounding the new law is resolved. The rules permit short-term lettings (for example up to 12 months) where tenants are required to work or study in Berlin, a demographic that complements PSD's reletting activity in recent years. If, as expected, the law is overturned, PSD will be able to re-let these apartments, thereby avoiding establishing open ended tenancies at potentially sub-market levels. Should the law remain in place for the longer term, PSD will retain the option to sell these apartments as vacant condominiums.

Condominiums
PSD believes that there is significant unlocked value within PSD's potential condominium portfolio and intends to increase condominium sales activities during 2020.

In order to ensure strategic flexibility, PSD has sought to split as many multi-family properties as possible into individual condominium units at the Land Registry, a prerequisite to selling each apartment separately. As at 25 September, 55% of all units had been registered as condominiums. Applications are underway for a further 35% and, by the end of 2019, it is expected that approximately 70% could be registered as condominiums. Four buildings are actively being marketed for sale. Until they are actively marketed, those properties split into condominiums are still valued on a multi-family rental basis, which has typically been around 15-20% lower than the expected condominium sales value.

The Property Advisor has an in-house capability for condominiums which focuses on selling vacant units, rather than occupied units. Occupied units are typically acquired by investors seeking income or by buyers prepared to wait before taking possession (and in the meantime benefiting from rental income). In order to sell occupied units in volume, PSD has extended the scope of its agreement with Accentro, one of Germany's leading condominium sales platforms. This had previously been limited to the remaining unsold units of a single building, Boxhagener Strasse.

The new Cooperation Agreement with Accentro potentially covers the entire portfolio of condominium projects owned by PSD. The key features of his agreement are:

- PSD can, at its discretion, offer properties for sale as condominiums to Accentro to market and sell at an agreed minimum price per condominium unit.
- on acceptance, Accentro will have an exclusivity period of 18 to 24 months during which they will be eligible to receive commission for completed sales.

- the amount of commission is to be negotiated between the parties and will, in principle, be based on additional proceeds from the sale in excess of the minimum price.
- for condominiums not sold by Accentro during the exclusivity period, Accentro will make PSD an irrevocable offer to conclude a purchase agreement corresponding to the previously assigned minimum purchase price.

This Cooperation Agreement provides access to a successful, European-wide, distribution platform which should allow PSD to accelerate significantly sales of apartments. Additionally, key benefits for PSD include:

- a guaranteed minimum value for the assets.
- a guaranteed sale of all condominiums within a building regardless of how difficult they might be to sell.
- no obligation on PSD to sell condominiums through Accentro or to accept any particular offer on a condominium sale.
- Accentro markets the properties at its own expense.
- PSD retains all rights and benefits of the condominium assets while they remain unsold.

Share buybacks

Following a strategic review of PSD's liability structure, a new €240 million term loan on improved terms was completed on 12 September 2019.

This has provided significant additional liquidity while retaining a prudent gross loan to value of 39.2% or 28.6% when taking into account cash balances. The additional liquidity of approximately €70 million could be further supplemented by the proceeds of condominium sales.

Since the new rent proposals were announced PSD's share price has declined by 16%, valuing the shares at a 30% discount to the EPRA Net Asset Value as at 30 June 2019. The current share price therefore implies a 19% decline in the portfolio value.

Given the current valuation discount, PSD is considering acquiring up to 10% of its shares in issue.

FINANCIAL HIGHLIGHTS

FOR THE SIX-MONTH PERIOD TO 30 JUNE 2019

€ million (unless otherwise stated)	6 months to 30 June 2019	6 months to 30 June 2018	Year to 31 December 2018
Gross rental income [1]	10.8	11.9	22.7
Investment property fair value gain	21.6	21.7	66.1
Profit before tax (PBT)	12.0	19.4	56.4
Reported EPS (€)	0.11	0.16	0.46
Investment property value	665.2	583.7	645.7
Net debt	178.0	150.5	168.4
Net LTV (%)	26.8	25.8	26.1
IFRS NAV per share (€)	4.11	3.74	4.05
IFRS NAV per share (£)	3.68	3.31	3.54
EPRA NAV per share (€)	4.73	4.23	4.58
EPRA NAV per share (£)	4.24	3.74	4.11
Dividend per share (€ cents)	2.35	2.35	7.5
Dividend per share (£ pence)	2.1	2.1	6.7
EPRA NAV per share total return for period (€%)	**4.4**	**4.1**	**13.2**
EPRA NAV per share total return for period (£%)	**4.3**	**3.8**	**11.4**

1 June 2018 reported Gross rental income was restated due to change in accounting policies (IFRS 15).

Financial results
Reported revenue for the six-month period was €10.8 million (six months to 30 June 2018 (restated): €11.9 million). Profit before taxation was €12.0 million (six months to 30 June 2018: €19.4 million) which was positively affected by a revaluation gain of €21.6 million (30 June 2018: €21.7 million). The fall in profit before tax reflects the movement in mark-to-market on the interest rate hedges. Reported earnings per share for the period were 11 cents (six months to 30 June 2018: 16 cents).

Reported EPRA NAV per share rose by 3.3% in the first half of 2019 to €4.73 (£4.24) (31 December 2018: €4.58 (£4.11)). After taking into account the 2018 final dividend of 5.15 cents (4.6 pence), which was paid in June 2019, the EPRA NAV total return in the first half of 2019 was 4.4% (H1 2018: 4.1%).

The Board is pleased to declare an unchanged interim dividend 2.35 cents per share (2.1 pence per share) for the first half of the year (six months to 30 June 2018: 2.35 cents, 2.1 pence).

The dividend is expected to be paid on or around 25 October 2019 to shareholders on the register at close of business on 11 October 2019, with an ex-dividend date of 10 October 2019.

Portfolio breakdown

	30 June 2019	30 June 2018
Buildings	96	93
Residential units	2,378	2,322
Commercial units	143	152
Total units	**2,521**	**2,474**

Like-for-like portfolio value increase of 3.9%

	30 June 2019	30 June 2018	31 December 2018
Valuation (€m)	665.2	583.7	645.7
Value per sqm (€)	3,716	3,275	3,527
Like-for-like valuation growth (%)	3.9	5.4	14.0
Fully occupied gross yield (%)	2.9	3.1	3.0

As at 30 June 2019, the Portfolio was valued at €665.2 million (31 December 2018: €645.7 million) by Jones Lang LaSalle GmbH. This represents a 3.0% increase over the six-month period.

On a like-for-like basis, excluding the impact of acquisitions net of disposals, the Portfolio value increased by 3.9% in the six-month period. This increase reflects modest market growth in rental values, assisted by PSD's active asset management strategy.

The valuation as at 30 June 2019 represents an average value per square metre of €3,716 (31 December 2018: €3,527), a gross fully occupied yield of 2.9% (31 December 2018: 3.0%) and a net yield, using EPRA methodology, of 2.5% (31 December 2018: 2.4%). Included within the Portfolio are condominium properties with an aggregate value of €19.0 million (31 December 2018: €22.3 million).

After considering the impact of acquisitions and disposals, like for like rental income per square metre grew 5.2% compared with 30 June 2018. Like-for-like rental income grew 5.8% over the same period, reflecting the fall in vacancy over the year.

Gross in-place rent was €8.7 per sqm as at 30 June 2019, an increase of 4.8% compared with 30 June 2018 for the Berlin portfolio.

Reported vacancy at 30 June 2019 was 4.2% (30 June 2018: 5.6%). On an EPRA basis, which adjusts for units undergoing development and made available for sale, the vacancy rate was 2.5% (30 June 2018: 2.8%).

During the first six months of 2019, 144 new leases were signed, representing a first-half letting rate of approximately 6% of units. The average rent achieved on new lettings was €12.2 per sqm, a 4.3% increase on the same period in 2018.

PSD was able to re-let units at levels set by the free market. During the first six months of 2019, new leases were signed at an average premium of 39.9% to passing rents. The proposed Berlin rent-cap did not affect the first half reversionary re-letting premium.

Strong rental growth, falling vacancy

	30 June 2019	30 June 2018	31 December 2018
Total sqm ('000)	179.4	178.2	183.1
Gross in place rent per sqm[1] (€)	8.7	8.4	8.6
Like-for-like rent per sqm growth	5.2%	9.9%	7.4%
Vacancy %	4.2	5.6	4.8
EPRA Vacancy %	2.5	2.8	2.8

1 Gross in place rent per sqm was €8.3 for the Berlin portfolio as at 30 June 2018.

Acquisitions & disposals

During the first six months of 2019, two buildings with an aggregate valuation of €5.5 million were notarised for acquisition. In total, these buildings represent 26 units (23 residential and 3 commercial), at an average price per sqm of €2,987. The acquired properties complement the existing Portfolio, adding an initial 1% to rental income.

Acquisitions have been financed using a combination of debt and equity, with an achieved loan-to-value ratio of approximately 50%.

Portfolio enhancements

During the first half of 2019, a total of €3.0 million was invested across the Portfolio (H1 2018 €3.4 million). These items are recorded as capital expenditure in the Financial Statements and a further €0.8 million incurred on repairs and maintenance has been expensed through the profit and loss account.

Condominium sales

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

FINANCIAL HIGHLIGHTS
Continued

During the first half of 2019, four condominiums units were notarised for sale totalling €2.5 million (H1 2018: €6.1 million). Seven unit sales completed, with an aggregate value of €3.8 million (30 June 2018: €5.7 million). The average achieved value per sqm for the residential units was €4,334, representing a 16.7% premium to the average 30 June 2019 residential portfolio value.

Since June 2019, ten additional apartments have been notarised for sale for an aggregate value of €3.9 million.

As at 25 September 2019, 55% of the Portfolio had been registered as condominiums, providing opportunities for the implementation of further projects where appropriate. Planning applications for a further 35% of the portfolio are at varying stages of completion.

Condominium agreement with Accentro Real Estate AG to sell remaining Boxhagener Strasse units

Since the start of sales in Boxhagener Strasse, PSD's largest condominium project to date, PSD has successfully sold a total of 42 residential units and 4 commercial units to owner-occupiers, tenants and investors. The remaining 21 units are currently occupied, five of which are currently notarised for disposal.

In order to accelerate the sales process of the remaining Boxhagener Strasse units, as previously announced, PSD concluded an agreement in August with Accentro Real Estate AG, one of Germany's leading condominium sales platforms.

Under the terms of this agreement, Accentro will market the remaining Boxhagener Strasse units through their extensive network on behalf of PSD. After 18 months, Accentro is contracted to purchase any unsold units from the fund for a cash consideration, guaranteeing revenues on completion of contract.

Debt and gearing

As at 30 June 2019, PSD had gross borrowings of €190.4 million (31 December 2018: €195.3 million) and cash balances of €12.4 million (31 December 2018: €26.9 million), resulting in net debt of €178.0 million (31 Dec 2018: €168.4m) and a net loan to value on the portfolio of 26.8% (31 December 2018: 26.1%).

The decrease in gross debt in the period partly results from debt repayments of €3.8 million associated with the sale of condominiums in the first half of the year, the remainder being amortisation repayments. This was offset by the disbursement of €0.9 million of debt secured against new acquisitions. The decrease in cash balances, and resulting rise in net loan to value, arise from acquisitions during the first half of the year, alongside payment of dividends.

Nearly all PSD's debt has interest rates which have been fixed through hedging and, as at 30 June 2019, the blended interest rate of PSD's loan book was 2.1% (30 June 2018: 2.1%). The average remaining duration of the loan book at 30 June 2019 had decreased to 7.2 years (30 June 2018: 8.1 years).

Following a strategic review of PSD's liability structure, a new €240 million term loan on improved terms was completed on 12 September. The new facility was agreed with Natixis Pfandbriefbank AG and comprises of two tranches, being a refinancing facility for €190 million and a further facility for €50 million. As well as increasing the gross loan-to-value on the Portfolio to a level closer to the stated goal in the listing prospectus, the refinancing provides more flexibility.

The Refinancing Facility, which was partly used to refinance existing indebtedness of c.€119 million, is a seven-year, interest-only loan (eliminating the previous amortisation obligations) with a margin of 115bp over 3-month Euribor, floored at zero. The outstanding swap portfolio was restructured to provide interest rate hedging to match the new loan maturity. This facility was drawn on 13 September 2019, after which PSD's gross Loan to value (excluding cash held on balance sheet) increased from 28.6% to 39.2%, while the overall cost of the refinanced debt decreased from 2.19% to 2.13%. The weighted average financing term remained unchanged at c.7 years. The remainder of the Refinancing Facility will be used to fund working capital, capital expenditure, potential opportunities that may arise from any market dislocation and potential share buy-backs.

The additional €50 million facility is available for drawdown over a period of 24 months and carries a commitment fee of 57.5bp. On utilisation, the drawn amounts will be subject to the same terms as the Refinancing Facility.

Outlook
Changes to rental regulations are not a new phenomenon but the Mietendeckel proposals have very wide-ranging implications, as discussed above.

The new proposals will be legally challenged and PSD believes they are likely to be proven to be unlawful. However, in the near term the uncertainty surrounding the current proposals will inevitably affect market dynamics as owners prepare for the new regulatory environment. Notwithstanding the fact that there was no discernible slowdown in market transactions in the first six months of 2019, there has been a reduction in transaction activity in the second half as investors wait for more clarity on potential investment returns. Equity markets have also placed a significant discount on the valuations of listed Berlin residential businesses, reflecting current uncertainty, much of which should be removed in the event that the new rules are successfully challenged.

Pending finalisation and implementation of the proposed new rent proposals, the industry-wide response of property owners and tenants remains uncertain. However, although further growth in rental income will be difficult to achieve, PSD considers it unlikely that there will be a material adverse impact on total rental income in 2020.

Change of administrator
With effect from on or around 4 October 2019, the fund administrator will change from Estera Fund Administrators (Jersey) Limited to Apex Financial Services (Alternative Funds) Limited.

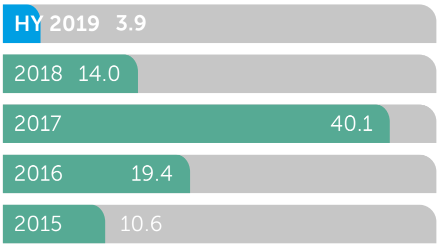
"PSD has taken proactive steps as part of its strategic response to the Mietendeckel proposal. These actions will help alleviate the short-term impact of the new rental laws if they are introduced, whilst maintaining strategic optionality within the portfolio if they fail to take effect or are subsequently repealed."

KEY PERFORMANCE INDICATORS

PSD has chosen a number of Key Performance Indicators (KPI's), which the Board believes may help investors understand the performance of the Company and the underlying property portfolio.

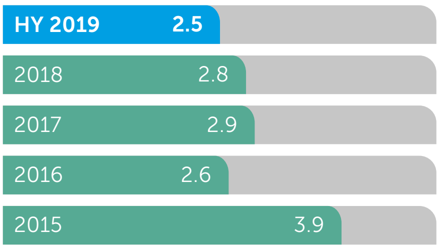
Like-for-like property Portfolio value growth 2015-HY2019

3.9%



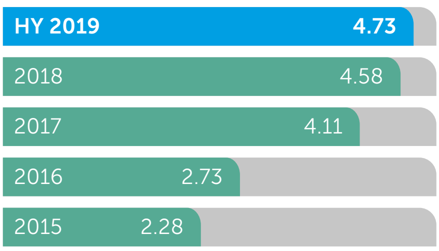
EPRA vacancy 2015-HY2019

2.5%



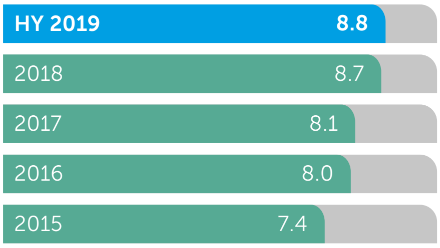
EPRA NAV per share 2015-HY2019

€4.73



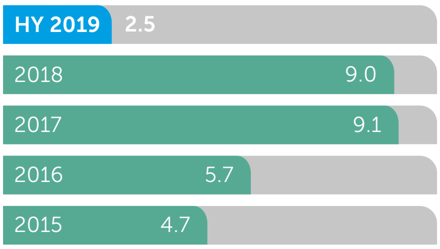
Like-for-like Portfolio rent per sqm 2015-HY2019

€8.8



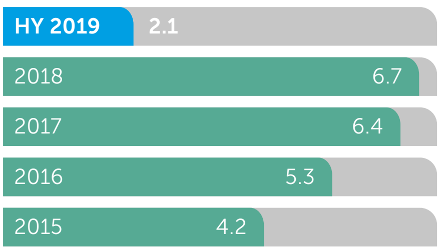
Condominium sales notarised 2015-HY2019

€2.5m



Dividend per share 2015-HY2019

2.1p



- The value of the property portfolio grew by 3.9% on a like-for-like for basis. This increase was driven by modest yield compression and an increase in like-for-like average rent per let sqm of 5.2% (H1 2018: 9.9%).
- The EPRA vacancy of the Portfolio stood at 2.5% (30 June 2018: 2.8%).
- The Group continued with its targeted condominium programme, agreeing sales of €2.5 million in the half year to 30 June 2019 (H1 2018: €6.1 million).
- EPRA NAV per share increased by 3.3% to €4.73 as at 30 June 2019 (31 December 2018: €4.58).
- The declared dividend for the half year 2019 was €2.35 cents (£2.1 pence) per share.

FORWARD LOOKING AND RESPONSIBILITY STATEMENTS

Forward looking statements

The interim management report contains certain forward looking statements in respect of Phoenix Spree Deutschland Limited and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

Responsibility statement

We confirm that to the best of our knowledge;

(a) the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, included in the consolidation as a whole as required by DTR 4.2.4R;

(b) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(c) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and their impact on the condensed set of financial statements and description of principal risks and uncertainties for the remaining six months of the year); and

(d) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board of Directors

Robert Hingley
Non-executive Director and Chairman
26 September 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2019 to 30 June 2019

	Notes	**Six months ended 30 June 2019 (unaudited) €'000**	Six months ended 30 June 2018 (restated) (unaudited) €'000	Year ended 31 December 2018 (audited) €'000
Continuing operations				
Revenue		**10,767**	11,900	22,681
Property expenses	5	**(7,476)**	(7,294)	(15,763)
Gross profit		**3,291**	**4,606**	**6,918**
Administrative expenses	6	**(1,483)**	(1,315)	(3,194)
Gain on disposal of investment property (including investment property held for sale)	8	**202**	592	1,026
Investment property fair value gain	11	**21,648**	21,677	66,146
Performance fee due to property advisor	21	**(719)**	(103)	(4,010)
Non-recurring costs	7	**(278)**	(785)	(966)
Operating profit		**22,661**	**24,672**	**65,920**
Net finance charge	9	**(10,620)**	(5,314)	(9,491)
Gain on financial assets	14	**–**	–	–
Profit before taxation		**12,041**	**19,358**	**56,429**
Income tax expense	10	**(979)**	(3,861)	(11,071)
Profit after taxation		**11,062**	**15,497**	**45,358**
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**11,062**	**15,497**	**45,358**
Total comprehensive income attributable to:				
Owners of the parent		**10,923**	15,352	45,094
Non-controlling interests		**139**	145	264
		11,062	**15,497**	**45,358**
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	23	**0.11**	0.16	0.46
Diluted (€)	23	**0.11**	0.16	0.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 (unaudited) €'000	As at 30 June 2018 (unaudited) €'000	Year ended 31 December 2018 (audited) €'000
ASSETS				
Non-current assets				
Investment properties	13	654,229	557,930	632,933
Property, plant and equipment		66	96	88
Deferred tax asset	10	2,206	708	948
Other financial assets at amortised cost	15	865	2,380	2,406
		657,366	561,114	636,375
Current assets				
Investment properties – held for sale	14	10,981	25,740	12,747
Other financial assets at amortised cost	15	1,563	–	–
Trade and other receivables	16	12,079	12,697	7,531
Cash and cash equivalents		12,416	40,872	26,868
		37,039	79,309	47,146
Total assets		**694,405**	**640,423**	**683,521**
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	17	3,325	3,115	3,642
Trade and other payables	18	9,092	7,513	10,429
Derivative financial instruments	19	–	–	1,354
Current tax	10	1,406	2,874	1,387
Other financial liabilities	20	7,490	–	–
		21,313	13,502	16,812
Non-current liabilities				
Borrowings	17	187,103	188,247	191,632
Derivative financial instruments	19	13,935	4,474	4,637
Other financial liabilities	20	–	6,509	7,135
Non-current tax	10	–	3,721	–
Deferred tax liability	10	55,666	45,472	53,458
		256,704	248,423	256,862
Total liabilities		**278,017**	**261,925**	**273,674**
Equity				
Stated capital	22	196,578	196,578	196,578
Share based payment reserve	21	4,729	103	4,010
Retained earnings		212,953	179,947	207,270
Equity attributable to owners of the parent		414,260	376,628	407,858
Non-controlling interest		2,128	1,870	1,989
Total equity		**416,388**	**378,498**	**409,847**
Total equity and liabilities		**694,405**	**640,423**	**683,521**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2019 to 30 June 2019

	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 2018	**162,630**	**33,953**	**169,634**	**366,217**	**1,725**	**367,942**
Comprehensive income:						
Profit for the period	–	–	15,352	**15,352**	145	**15,497**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**15,352**	**15,352**	**145**	**15,497**
Transactions with owners – recognised directly in equity:						
Issue of shares	33,948	(33,948)	–	**–**	–	**–**
Dividends paid	–	–	(5,039)	**(5,039)**	–	**(5,039)**
Performance fee	–	103	–	**103**	–	**103**
Adjustment to performance fee	–	(5)	–	**(5)**	–	**(5)**
Balance at 30 June 2018 (unaudited)	**196,578**	**103**	**179,947**	**376,628**	**1,870**	**378,498**
Comprehensive income:						
Profit for the period	–	–	29,742	**29,742**	119	**29,861**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**29,742**	**29,742**	**119**	**29,861**
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(2,419)	**(2,419)**	–	**(2,419)**
Performance fee	–	3,907	–	**3,907**	–	**3,907**
Balance at 31 December 2018 (audited)	**196,578**	**4,010**	**207,270**	**407,858**	**1,989**	**409,847**
Comprehensive income:						
Profit for the period	–	–	10,923	**10,923**	139	**11,062**
Other comprehensive income	–	–	–	**–**	–	**–**
Total comprehensive income for the period	**–**	**–**	**10,923**	**10,923**	**139**	**11,062**
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(5,240)	**(5,240)**	–	**(5,240)**
Performance fee	–	719	–	**719**	–	**719**
Balance at 30 June 2019 (unaudited)	**196,578**	**4,729**	**212,953**	**414,260**	**2,128**	**416,388**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2019 to 30 June 2019

	Six months ended 30 June 2019 (unaudited) €'000	Six months ended 30 June 2018 (unaudited) €'000	Year ended 31 December 2018 (audited) €'000
Profit before taxation	**12,041**	**19,358**	**56,429**
Adjustments for:			
Net finance charge	**10,620**	5,314	9,491
Gain on disposal of investment property	**(202)**	(592)	(1,026)
Investment property revaluation gain	**(21,648)**	(21,677)	(66,146)
Depreciation	**8**	8	16
Performance fee charge	**719**	103	4,010
Operating cash flows before movements in working capital	**1,538**	**2,514**	**2,774**
(Increase)/decrease in receivables	**(4,548)**	(4,710)	6,492
(Decrease)/increase in payables	**(1,337)**	5,421	3,908
Cash (used in)/generated from operating activities	**(4,347)**	**3,225**	**13,174**
Income tax paid	**(10)**	(6)	(4,678)
Net cash (used in)/generated from operating activities	**(4,357)**	**3,219**	**8,496**
Cash flow from investing activities			
Proceeds on disposal of investment property	**7,574**	84,263	86,021
Interest received	**38**	–	54
Capital expenditure on investment property	**(3,029)**	(3,403)	(7,943)
Property additions	**(2,225)**	(31,180)	(47,329)
Disposals of property, plant and equipment	**14**	(12)	(12)
Net cash used in investing activities	**2,372**	**49,668**	**30,791**
Cash flow from financing activities			
Interest paid on bank loans	**(2,381)**	(3,221)	(5,118)
Repayment of bank loans	**(5,772)**	(50,723)	(54,680)
Drawdown on bank loan facilities	**926**	19,791	27,660
Dividends paid	**(5,240)**	(5,039)	(7,458)
Net cash generated from financing activities	**(12,467)**	**(39,192)**	**(39,596)**
Net increase in cash and cash equivalents	**(14,452)**	**13,695**	**(309)**
Cash and cash equivalents at beginning of period/year	**26,868**	**27,182**	**27,182**
Exchange losses on cash and cash equivalents	**–**	(5)	(5)
Cash and cash equivalents at end of period/year	**12,416**	**40,872**	**26,868**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

For the period from 1 January 2019 to 30 June 2019

	Six months ended 30 June 2019 €'000	Six months ended 30 June 2018 €'000	Year ended 31 December 2018 €'000
Cashflow from decrease in debt financing	**(4,846)**	(30,932)	(27,020)
Change in net debt resulting from cash flows	**(4,846)**	(30,932)	(27,020)
Movement in debt in the period/year	**(4,846)**	**(30,932)**	**(27,020)**
Debt at the start of the period/year	**195,274**	222,294	222,294
Debt at the end of the period/year	**190,428**	191,362	195,274

Dividends paid during the six months to 30 June 2019 represent the final year dividend relating to the year end 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

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. Basis of preparation

The interim set of condensed 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 consolidated 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 2018.

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 2018.

The comparative figures for the financial year ended 31 December 2018 are extracted from but do not comprise, the Group's annual financial statements for that financial year. The auditor's report on those financial statements was unqualified and did not contain statements where the auditor is required to report by exception.

The interim condensed consolidated financial statements were authorised and approved for issue on 25 September 2019.

The interim condensed consolidated financial statements are neither reviewed nor audited, and do not constitute statutory accounts within the meaning of Section 105 of the Companies (Jersey) Law 1991.

2.1 Change of accounting policy

In 2018, 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 from the 2018 interim period onward. For the 2018 interim period the effect has been to recognise service charge revenue of €2.772 million, and property expenses of €2.772 million, and to increase trade and other receivables, and therefore assets, by €5,178 million, and service charges payable, and therefore liabilities, by €5.178 million. The change of policy has no effect on reported profit or net assets.

2.2 Going concern

The interim condensed consolidated 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

2. Basis of preparation continued

2.3 New standards and interpretations

The following new standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2019 have been adopted and had no impact on the Group:

Title
IFRS 16 – Leases
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
Amendments to IFRS 9: Prepayment Features with Negative Compensation
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
Amendments to IAS 28: Long-term interests in associates and joint ventures
Annual Improvements 2015-2017 Cycle

3. Critical accounting estimates and judgements

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 within the financial period;

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.

For further information with regard to the movement in the fair value of the Group's investment properties, refer to the management report on page 9.

ii) Judgment 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.

4. Segmental information

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

- Residential; and
- Commercial.

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

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

Management have applied the above criteria to the commercial segment which has resulted in the commercial segment not being more than 10% of any specific requirements as set out therein. The Group does not own any commercial buildings nor does it report directly on the commercial results. Therefore, the Group has not included any further segmental analysis within these condensed consolidated unaudited interim financial statements.

5. Property expenses

	30 June 2019 (unaudited) €'000	30 June 2018 (restated) (unaudited) €'000	31 December 2018 (audited) €'000
Property management expenses	551	517	1,024
Repairs and maintenance	831	897	1,710
Impairment charge – trade receivables	44	101	29
Other property expenses (restated – see note 2.1)	3,096	3,050	7,053
Property advisors' fees and expenses	2,954	2,729	5,947
	7,476	**7,294**	**15,763**

6. Administrative expenses

	30 June 2019 (unaudited) €'000	30 June 2018 (restated) (unaudited) €'000	31 December 2018 (audited) €'000
Secretarial & administration fees	369	402	880
Legal & professional fees	612	658	1,160
Costs associated with refinancing	250	–	–
Directors' fees	123	88	300
Audit and accountancy fees	208	231	840
Bank charges	9	10	54
Profit/(loss) on foreign exchange	(16)	1	133
Depreciation	8	8	16
Other income	(80)	(83)	(189)
	1,483	**1,315**	**3,194**

Costs associated with the refinancing have arisen due to a valuation undertaken by a prospective financing candidate. The candidate was not subsequently chosen as the preferred lender.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

7. Non-recurring costs

Non-recurring costs relate to legal and professional fees incurred during a significant transaction which was considered by the Board but not pursued totalling €278,000 (December 2018: €966,000, June 2018: €785,000).

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

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Net proceeds	7,687	82,707	86,959
Book value of disposals	(7,372)	(81,847)	(84,995)
Disposal costs	(113)	(268)	(938)
	202	**592**	**1,026**

Net proceeds relating to condominium sales amount to €3,766,900 and it includes a sale of a large commercial unit in Boxhagener str for its book value before disposal cost. Sales of residential condominiums resulted in a profit over the average value per square metre for the buildings of €402,000 before transaction costs.

The net book value of the asset sold is calculated on a per square metre rate, based on the prior period valuation.

9. Net finance charge

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Interest income	(38)	(27)	(54)
Interest from partners' loans	(22)	(57)	(83)
Loss on interest rate swap	7,944	1,141	2,658
Interest payable on bank borrowings	2,381	3,221	5,118
Finance arrangement fee amortisation	–	190	381
Finance charge on redemption liability	355	846	1,471
	10,620	**5,314**	**9,491**

10. Income tax expense

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
The tax charge for the period is as follows:			
Current tax charge	29	3,687	3,151
Adjustment in respect of prior year	–	–	–
Deferred tax charge – origination and reversal of temporary differences	950	174	7,920
	979	**3,861**	**11,071**

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

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Profit before tax on continuing operations	12,041	19,358	56,429
Tax at German income tax rate of 15.8% (2018: 15.8%)	1,902	3,059	8,916
Income not taxable	(31)	(94)	(162)
Tax effect of losses brought forward	(1,258)	–	–
Tax effect of expenses that are not deductible in determining taxable profit	366	896	2,317
Total tax charge for the period/year	**979**	**3,861**	**11,071**

10. Income tax expense continued

Reconciliation of current tax liabilities

	30 June 2019 €'000	30 June 2018 €'000	31 December 2018 €'000
Balance at beginning of period/year	1,387	2,914	2,914
Tax paid during the period/year	(10)	(6)	(4,678)
Current tax charge	29	3,687	3,151
Balance at end of period/year	**1,406**	**6,595**	**1,387**

Reconciliation of deferred tax

	Capital gains on properties €'000 Asset	Interest rate swaps €'000 Asset	Total €'000
Balance at 1 January 2018	(45,117)	527	(44,590)
Charged to the statement of comprehensive income	(355)	181	(174)
Deferred tax (liability)/asset at 30 June 2018	(45,472)	708	(44,764)
Charged to the statement of comprehensive income	(7,986)	240	(7,746)
Deferred tax (liability)/asset at 31 December 2018	(53,458)	948	(52,510)
Charged to the statement of comprehensive income	(2,208)	1,258	(950)
Deferred tax (liability)/asset at 30 June 2019	**(55,666)**	**2,206**	**(53,460)**

11. Investment property fair value gain

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Investment property fair value gain	**21,648**	**21,677**	**66,146**

Further information on investment properties is shown in note 13.

12. Dividends

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Dividends on participating shares proposed for approval (not recognised as a liability at 30 June 2019)			
Proposed interim dividend for the year ended 31 December 2019 of €2.35 cents (2.10p) (2018: €2.35c (2.10p)) per share	2,368	2,368	–
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
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
Final dividend for the year ended 31 December 2018 of €5.15c (4.62p) (2017: €5.00c (4.4p)) per share	5,189	5,039	–

The proposed dividend has not been included as a liability in these condensed consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 11 October 2018. The total estimated dividend to be paid is 2.1p per share. The payment of this dividend will not have any tax consequences for the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

13. Investment properties

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Fair value			
Balance at beginning of period/year	645,680	609,257	609,257
Capital expenditure	3,029	3,403	7,943
Property additions	2,225	31,180	47,329
Disposals	(7,372)	(81,847)	(84,995)
Fair value gain	21,648	21,677	66,146
Investment properties at fair value – as set out in the report by JLL	665,210	583,670	645,680
Assets considered as "Held for Sale" (Note 14)	(10,981)	(25,740)	(12,747)
Balance at end of period/year	**654,229**	**557,930**	**632,933**

The property portfolio was valued at 30 June 2019 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 condensed 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 25) as the inputs to the discounted cash flow methodology which have a significant effect on the recorded fair value are not observable.

The unrealised fair value gain in respect of investment property is disclosed in the condensed 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 as follows:

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.

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 condensed 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 14. The additional value is reflected by using a lower discount rate under the DCF Methodology. Properties which do not have the benefit of all relevant permissions are described as valued using a standard 'rental scenario'. Included in properties valued under the condominium scenario are properties not yet released to held for sale as only a portion of the properties are forecast to be sold in the coming 12 months.

Disposal scenario
Where properties have been notarised for sale prior to the reporting date, but have not completed; they are held at their notarised disposal value. These assets are considered held for sale under IFRS 5 and can be seen in note 14.

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

	30 June 2019 €'000	30 June 2018 €'000	31 December 2018 €'000
Rental scenario	646,210	557,930	619,430
Condominium scenario	19,000	25,740	22,330
Disposal scenario	–	–	3,920
Total	**665,210**	**583,670**	**645,680**

14. Investment properties – held for sale

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Fair value – held for sale investment properties			
At beginning of period/year	12,747	106,897	106,897
Transferred from investment properties	5,048	–	5,850
Transferred (to) investment properties	–	–	(15,434)
Capital expenditure	267	–	–
Properties sold	(7,372)	(81,846)	(84,995)
Valuation gain/(loss) on apartments held for sale	291	689	429
At end of period/year	**10,981**	**25,740**	**12,747**

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

14. Investment properties – held for sale continued

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 13) as appropriate. The table below sets out the respective categories:

	30 June 2019 €'000	30 June 2018 €'000	31 December 2018 €'000
Rental scenario	1,930	–	1,931
Condominium scenario	9,051	25,740	6,896
Disposal scenario	–	–	3,920
	10,981	**25,740**	**12,747**

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.

15. Other financial assets at amortised cost

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Current			
Balance at beginning of period/year	–	–	–
Accrued interest	–	–	–
Transferred from non-current assets	1,563	–	–
Balance at end of period/year	**1,563**	**–**	**–**
Non-current			
Balance at beginning of period/year	2,406	2,323	2,323
Accrued interest	22	57	83
Transferred to current assets	(1,563)	–	–
Balance at end of period/year	**865**	**2,380**	**2,406**

The Group entered into loan agreements with Mike Hilton and Paul Ruddle, then Directors of PMM Partners (UK) Limited, in connection with the acquisition of PSPF. The loans bear interest at 4% per annum and has a maturity of less than one year at 30 June 2019 and were transferred to current assets during the period. Mike Hilton remains a Director of PMM Residential Limited.

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.

16. Trade and other receivables

	30 June 2019 (unaudited) €'000	30 June 2018 (restated) (unaudited) €'000	31 December 2018 (audited) €'000
Current			
Trade receivables	651	464	1,045
Less: impairment provision	(357)	(241)	(313)
Net receivables	294	223	732
Prepayments and accrued income	3,923	4,130	549
Investment property disposal proceeds receivable	490	408	1,167
Service charges receivable (30 June 2018 restated – see note 2.1)	6,372	7,078	4,766
Other receivables (30 June 2018 restated – see note 2.1)	1,000	858	317
	12,079	**12,697**	**7,531**

17. Borrowings

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Current liabilities			
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	2,150	2,134	2,596
Bank loans – Berliner Sparkasse	1,175	981	1,046
	3,325	3,115	3,642
Non-current liabilities			
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	117,283	124,578	122,054
Bank loans – Berliner Sparkasse	69,820	63,669	69,578
	187,103	188,247	191,632
	190,428	**191,362**	**195,274**

For further information on borrowings, refer to the management report on page 12.

18. Trade and other payables

	30 June 2019 (unaudited) €'000	30 June 2018 (restated) (unaudited) €'000	31 December 2018 (audited) €'000
Trade payables (30 June 2018 restated – see note 2.1)	247	1,805	1,808
Accrued liabilities	2,517	530	4,592
Service charges payable (30 June 2018 restated – see note 2.1)	6,328	5,178	4,028
Deferred income	–	–	1
	9,092	**7,513**	**10,429**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

19. Derivative financial instruments

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Interest rate swaps – carried at fair value through profit or loss			
At beginning of period/year	5,991	3,333	3,333
Loss in movement in fair value through profit or loss	7,944	1,141	2,658
At end of period/year	**13,935**	**4,474**	**5,991**

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2019 were €207,559,000 (December 2018: €206,690,000, June 2018: €200,165,000). At 30 June 2019 the fixed interest rates vary from 0.625% to 1.01% (December 2018: 0.625% to 1.07%, June 2018: 0.402% to 1.07%) above the main factoring Euribor rate.

Maturity analysis of interest rate swaps

	30 June 2019 €'000	30 June 2018 €'000	31 December 2018 €'000
Less than 1 year	–		1,354
Between 1 and 2 years	–	–	–
Between 2 and 5 years	–	–	–
More than 5 years	13,935	4,474	4,637
	13,935	**4,474**	**5,991**

20. Other financial liabilities

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Current			
Balance at beginning of period/year	–	–	–
Transferred from non-current liabilities	7,490	–	–
Balance at end of period/year	**7,490**	**–**	**–**
Non-current			
Balance at beginning of period/year	7,135	5,663	5,663
Profit share attributable to NCI in PSPF	355	846	1,472
Transferred to current liabilities	(7,490)	–	–
Balance at end of period/year	**–**	**6,509**	**7,135**

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.

A portion of the liability (€1,175k, December 2018: (€1,124k), June 2018: (€980k)) is recognised to cover the tax charge of the minority in PSPF on the proceeds received if the put option is exercised.

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 condensed consolidated statement of changes in equity for the recognition accounting.

21. Share based payment reserve

	Performance fee €'000
Balance at 1 January 2018	33,953
Transfer to stated capital – settled by issue of shares	(33,948)
Adjustment to performance fee	(5)
Fee charge for the period	103
Balance at 30 June 2018	103
Fee charge for the period	3,907
Balance at 31 December 2018	4,010
Fee charge for the period	719
Balance at 30 June 2019	**4,729**

Property advisor fees (from 1 January 2019)
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.

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

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.

Performance fee (from 1 January 2019)
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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

21. Share based payment reserve continued

The Company's EPRA NAV performance for the three year's ending 31 December 2017 had resulted in a performance fee due 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) shall 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.

(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; and
(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.

Details of the fees paid to the Property Advisor are set out in note 26.

22. Stated capital

	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Issued and fully paid:			
At 1 January	196,578	162,630	162,630
Issued during the period/year at EUR4.11 per share	–	33,948	33,948
	196,578	**196,578**	**196,578**

The number of shares in issue at 30 June 2019 was 100,751,409 (31 December 2018: 100,751,409, 30 June 2018: 100,751,409).

23. Earnings per share

	30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 December 2018 (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	10,923	15,352	45,094
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	100,751,409	95,046,876	97,945,250
Effect of dilutive potential ordinary shares (Number)	1,159,594	26,421	1,014,078
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	101,911,003	95,073,297	98,959,328
Earnings per share (€)	0.11	0.16	0.46
Diluted earnings per share (€)	0.11	0.16	0.46

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

	30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 December 2018 (audited)
Net assets (€'000)	414,260	376,628	407,858
Number of participating ordinary shares	100,751,409	100,751,409	100,751,409
Net asset value per share (€)	4.11	3.74	4.05

EPRA net asset value	30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 December 2018 (audited)
Net assets (€'000)	414,260	376,628	407,858
Add back deferred tax assets and liabilities, derivative financial instruments and share based payment reserves (€'000)	62,666	49,135	53,137
EPRA net asset value (€'000)	476,926	425,763	460,995
EPRA net asset value per share (€)	**4.73**	**4.23**	**4.58**

25. 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 condensed consolidated 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:

	30 June 2019 (unaudited) €'000	30 June 2018 (restated) (unaudited) €'000	31 December 2018 (audited) €'000
Loans and receivables			
Trade and other receivables – current (30 June 2018 restated – see note 2.1)	8,156	8,567	6,982
Cash and cash equivalents	12,416	40,872	26,868
Loans and receivables	2,428	2,380	2,406
	23,000	**51,819**	**36,256**

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

	30 June 2019 (unaudited) €'000	30 June 2018 (restated) (unaudited) €'000	31 December 2018 €'000 (audited)
Held at amortised cost			
Borrowings payable: current	3,325	3,115	3,642
Borrowings payable: non-current	187,103	188,247	191,632
Other financial liabilities	–	6,509	7,135
Trade and other payables (30 June 2018 restated – see note 2.1)	9,092	7,513	10,429
	199,520	**205,384**	**212,838**
Fair value through profit or loss			
Derivative financial liability – interest rate swaps	13,935	4,474	4,637
Excess hedge due to property disposal	–	–	1,354
	13,935	**4,474**	**5,991**
	213,455	**209,858**	**218,829**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

25. Financial instruments continued

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.

Group fair values	30 June 2019 (unaudited) €'000	30 June 2018 (unaudited) €'000	31 December 2018 (audited) €'000
Financial liabilities			
Interest rate swaps – Level 2 – current	–	–	(1,354)
Interest rate swaps – Level 2 – non-current	(13,935)	(4,474)	(4,637)
	(13,935)	**(4,474)**	**(5,991)**

The valuation basis for the investment properties is disclosed in note 13.

26. Statement of voting at the Annual General Meeting on 21 June 2019

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the AGM Resolutions at the AGM held on Friday 21 June 2019.

AGM Resolutions	Votes for/ Discretionary	% of vote	Against	% of vote	Withheld
Ordinary Resolution 1 To receive the report of the directors and the financial statements for the year end 31 December 2018, together with the report of the auditors	43,911,236	99.89	0	0.00	0
Ordinary Resolution 2 To approve the Directors' Remuneration Report	36,441,755	82.90	7,469,480	16.99	0
Ordinary Resolution 3 To declare a final dividend of €5.15 cents (GBP: 4.62p) per share	43,911,236	99.89	0	0.00	0
Ordinary Resolution 4 To re-elect Robert Hingley as a director	36,345,109	86.66	5,544,657	13.22	2,021,469
Ordinary Resolution 5 To re-elect Quentin Spicer as a director	32,580,546	74.15	11,308,189	25.74	22,500
Ordinary Resolution 6 To re-elect Charlotte Valeur as a director	33,956,368	79.17	8,881,748	20.71	1,073,119
Ordinary Resolution 7 To re-elect Jonathan Thompson as a director	33,957,055	79.17	8,881,061	20.71	1,073,119
Ordinary Resolution 8 To re-elect Monique O'Keefe as a director	33,957,055	79.17	8,881,061	20.71	1,073,119
Ordinary Resolution 9 To resolve that RSM UK Audit LLP be, and is hereby, re-appointed auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company	43,886,243	99.89	0	0.00	24,993
Ordinary Resolution 10 To resolve that the Audit Committee determine the remuneration of the auditors on behalf of the Board	43,891,243	99.89	0	0.00	19,993
Special Resolution 11 To resolve that the Company be authorised to make market purchases of up to 15,112,711 of its shares	43,349,306	98.66	542,062	1.23	19,868
Special Resolution 12 To resolve that the Directors be empowered to issue up to 10,075,141 shares for cash as if the members' pre-emption rights contained in the Articles of Association did not apply to any such issue	31,441,935	78.98	8,316,137	20.89	4,153,163

All resolutions were passed by the requisite majority, although the Board notes that Resolutions 5, 6, 7, 8 and 12 have been passed with more than 20% of votes cast against. In accordance with the AIC 2019 Code requirement, the Company has actively sought to engage with significant shareholders who voted against these resolutions. This dialogue has been initiated in order to better understand their voting decision.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the period from 1 January 2019 to 30 June 2019

26. Statement of voting at the Annual General Meeting on 21 June 2019 continued

The Board understands that the main issue of concern which ultimately led some investors to vote against resolutions 5,6,7 and 8 related to the levels of disclosure surrounding the variable component of Director remuneration as set out in the 2018 Annual Report. Following productive and positive engagement, the Board is reassured that the same vote would not have breached the 20% threshold now that it has had the opportunity to more fully engage with shareholders.

With respect to resolution 12 (disapplication of pre-emption rights for the issuance of up to 10% of issued share capital) the feedback received indicated that some investors, as a matter of principle, consider that a share issue greater than 5% involving the disapplication of pre-emption rights should be the subject of shareholder consultation and approval on a case-by-case basis. The Board has considered this feedback and reiterates that, in accordance with the commitment set out in the listing prospectus, the Company is not permitted to issue share capital at a discount to Net Asset Value without prior shareholder approval.

The Board appreciates the feedback it has received to date on the above matters and will continue its policy of proactive engagement with its shareholders. In line with the UK Corporate Governance Code, a final summary of the Board's response to the AGM results will be set out in the FY 2019 Annual Report and Accounts.

27. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

During the six month period ended 30 June 2019, an amount of €369,000 (December 2018: €973,000, June 2018: €402,000) was payable to Estera Fund Administrators (Jersey) Limited and Estera Trust (Guernsey) Limited for accounting, administration and secretarial services. At 30 June 2019, €178,000 (December 2018: €134,000, June 2018: €189,000) Estera Fund Administrators (Jersey) Limited only) was outstanding.

During 2019, PMM Residential Limited (Formerly PMM Partners (UK) Limited) acted as the Property Advisor to the Company. For the six month period ended 30 June 2019, an amount of €2,954,000 (€2,871,000 Management Fees and €83,000 Other expenses and fees) (December 2018: €5,947,000 (€5,858,000 Management fees and €88,000 Other expenses and fees), June 2018: €2,963,000 (€2,467,000 Management fees and €496,000 Other expenses and fees)) was payable to PMM Residential Limited. At 30 June 2019 €nil (December 2018: €7,450, June 2018: €nil) was outstanding.

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 €719,000 (December 2018: €3,995,000, June 2018: €103,000). Please refer to note 21 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 entered into an option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund GmbH & Co.KG from the Limited Partners, M Hilton, a director of PMM Residential Limited and P Ruddle. 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.

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 €781,500 (December 2018: €768,195, June 2018: €770,119) 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 €1,195 (December 2018: €1,740, June 2018: €1,160).

28. Events after the reporting date

During the first half of 2019, the Company exchanged contracts for the acquisition of two properties in Berlin for the purchase price of €5.5 million neither of which had completed at the balance sheet date. Both transactions have subsequently completed in July and August respectively.

In August 2019 the Company exchanged contracts for the sale of one property in the outer Berlin suburb of Eichwalde with proceeds of €2 million. The transaction is still awaiting completion.

The Company had exchanged contracts for the sale of one condominium in Berlin for the proceeds of €0.1 million prior to the reporting date. The sale of that unit subsequently completed in Q3 2019.

In Q3 2019 the Company exchanged contracts for the sale of ten condominiums in Berlin for the aggregated consideration of €3.9 million. The transactions are still awaiting completion.

In August, the Company concluded an agreement with Accentro Real Estate AG, one of Germany's leading condominium sales platforms. Under the terms of this agreement, Accentro will market the remaining Boxhagener Strasse units through their extensive network on behalf of PSDL. After 18 months, Accentro is contracted to purchase any unsold units from the fund for a cash consideration, guaranteeing revenues on completion of contract.

In September 2019 the Company announced the signing of a new €240 million facility with Natixis Pfandbriefbank AG, repaying the €119 million facility held with DZ Hyp. The facility comprises two tranches, one being for €190 million (the "Refinancing Facility") and the other for €50 million (the "Additional Facility").

The Refinancing Facility is a seven-year, interest-only loan with a margin of 115bp over 3-month Euribor, floored at zero. The outstanding swap portfolio was restructured to provide interest rate hedging to match the new loan maturity. The Company's LTV (excluding cash held on balance sheet) following drawdown increased from 28.6% to 39.2%, while the overall cost of financing decreased from 2.19% to 2.13%.

The Additional Facility is available for drawdown over a period of 24 months and carries a commitment fee of 57.5bp. On utilisation, the drawn amounts will be subject to the same terms as the Refinancing Facility.

With effect from on or around 4 October 2019, the fund administrator will change from Estera Fund Administrators (Jersey) Limited to Apex Financial Services (Alternative Funds) Limited.

NOTES

NOTES

PROFESSIONAL ADVISORS

Property Advisor	PMM Residential Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator Company Secretary and Registered Office (To 4 October 2019)	Estera Fund Administrators (Jersey) Limited Estera Secretaries (Jersey) Limited 13-14 Esplanade St. Helier Jersey JE1 1EE
Administrator Company Secretary and Registered Office (From 4 October 2019)	Apex Financial Services (Alternative Funds) Limited 12 Castle Street St. Helier Jersey JE2 3QA
Registrar	Link Market 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
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Jersey Legal Advisor	Appleby 13-14 Esplanade St. Helier Jersey JE1 1BD
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 Hamburg 20354 Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Independent Property Valuer	Jones Lang LaSalle Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

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