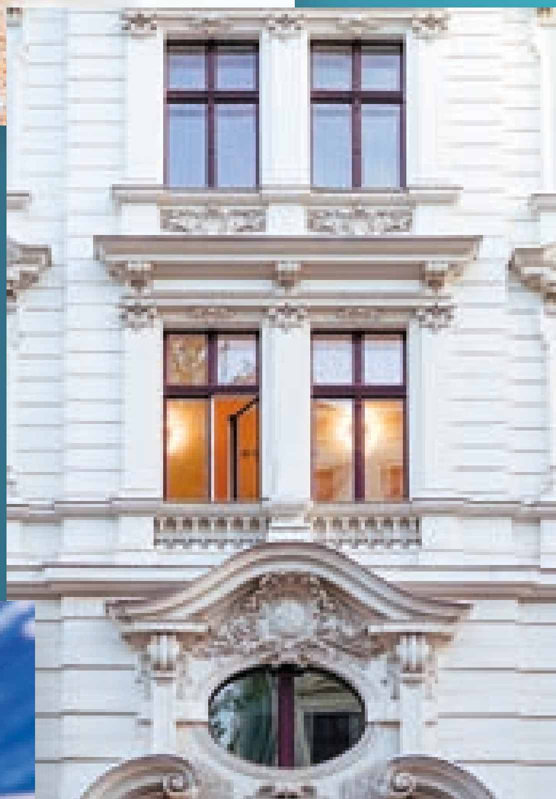
PHOENIX SPREE

Better Futures

Phoenix Spree Annual Report and Accounts 2020



QSIX
Formerly PMM Group

Phoenix Spree Deutschland Limited 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 14 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.

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

Highlights of the Year

Gross rental income (million)

€23.9

Like-for-like valuation growth

6.3%

Invested in modernisation (million)

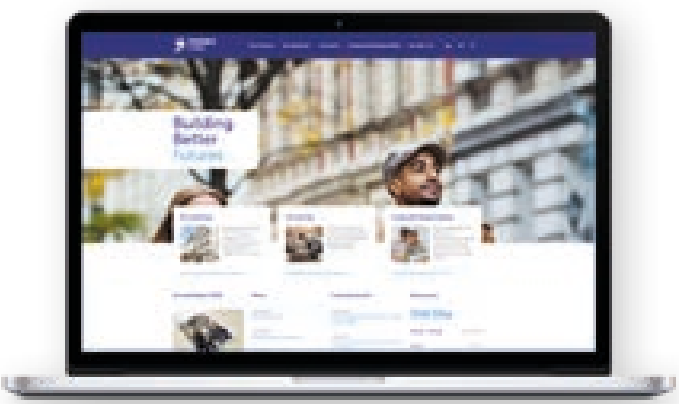
€4.2

Profit before tax (million)

€37.9

Condominium sales notarised (million)

€14.6



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Highlights of the Year continued

EPRA NTA underpinned by significant condominium potential

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

Berlin rent controls ('the Mietendeckel') and COVID-19

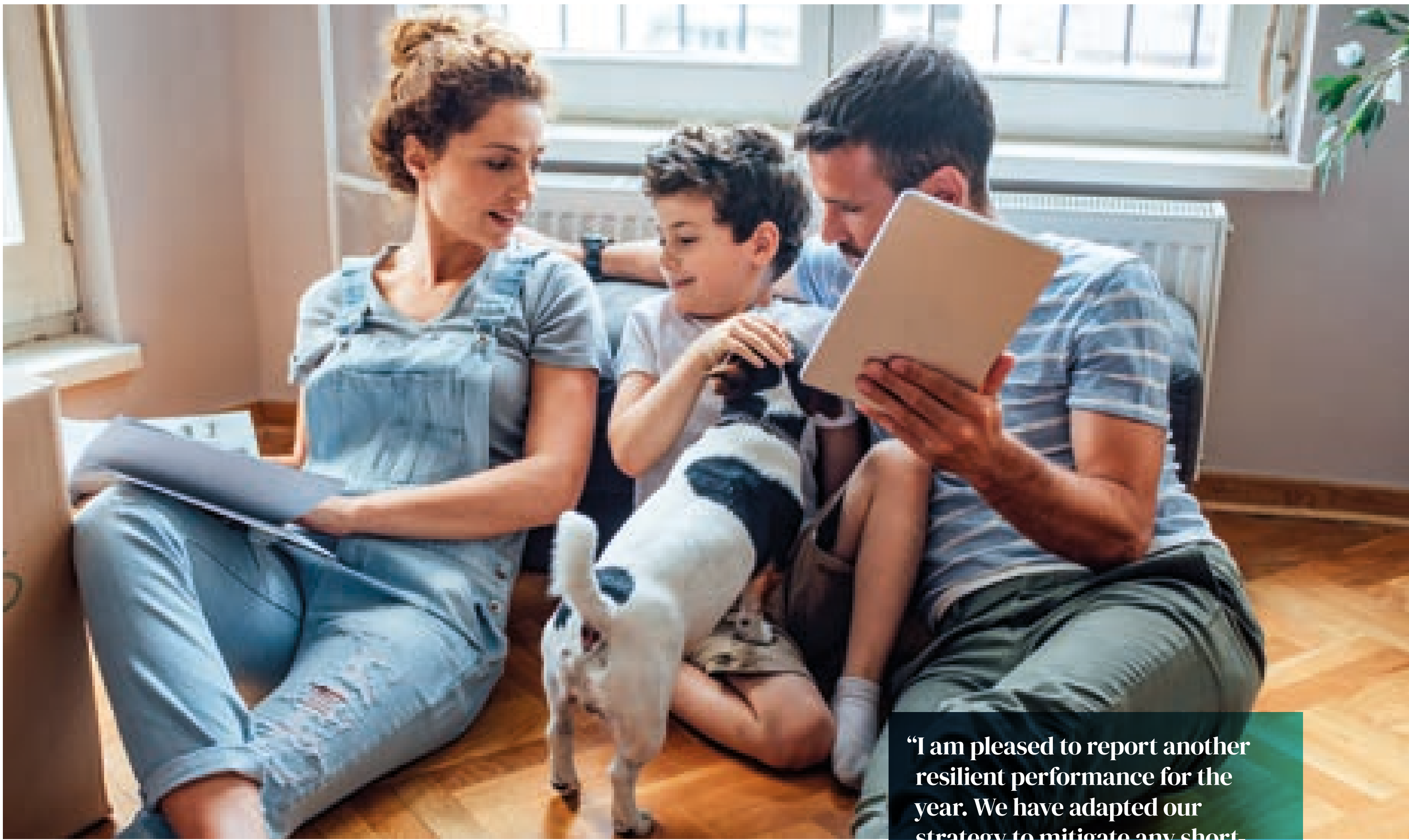
- Collected rental income per sqm as at 31 December 2020 fell by 15.8%, reflecting the implementation of the final phase of the Mietendeckel in November 2020.
- Contracted rental income per sqm as at 31 December 2020 grew by 4.1% year-on-year. The Company may have the right to collect the difference between rents at the contracted level and the rates set by the Mietendeckel in the event that the Mietendeckel is successfully challenged.
- New tenant contracts which provide for the reversion to market rents in the event that the Mietendeckel is ruled to be unlawful.
- Underlying EPRA vacancy of 2.1%, a near record low, reflecting the limited impact of COVID-19 and the Mietendeckel on the supply of available rental property.
- Final legal ruling by the Federal Constitutional Court on the Mietendeckel anticipated in H1 2021. The Company and its legal advisors remain of the view that the Berlin rent cap is unconstitutional and will be removed.
- Limited impact on rent collection from COVID-19. In excess of 99% of rents collected during 2020, with the collection rate remaining consistent in 2021 to date.

Continued shareholder value and robust balance sheet

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

Outlook

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



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

Robert Hingley,
Chairman of Phoenix Spree Deutschland

Highlights for the financial year ended 31 December 2020

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

1 Calculated at FX rate GBP/EUR 1:1.11.
2 New EPRA Best Practices Recommendations from October 2019 introduced three new measures of net asset value: EPRA net tangible assets ('NTA'), EPRA net reinvestment value ('NRV') and EPRA net disposal value ('NDV'). EPRA NTA is calculated on the same basis as EPRA NAV and is the most relevant measure for PSD and therefore now acts as the primary measure of net asset value. Further information can be found on page 19.
3 Net LTV uses nominal loan balances as per note 23 to the financial statements rather than the loan balances on the Consolidated Statement of Financial Position which take into account capitalised finance arrangement fees in the balance.

At a Glance

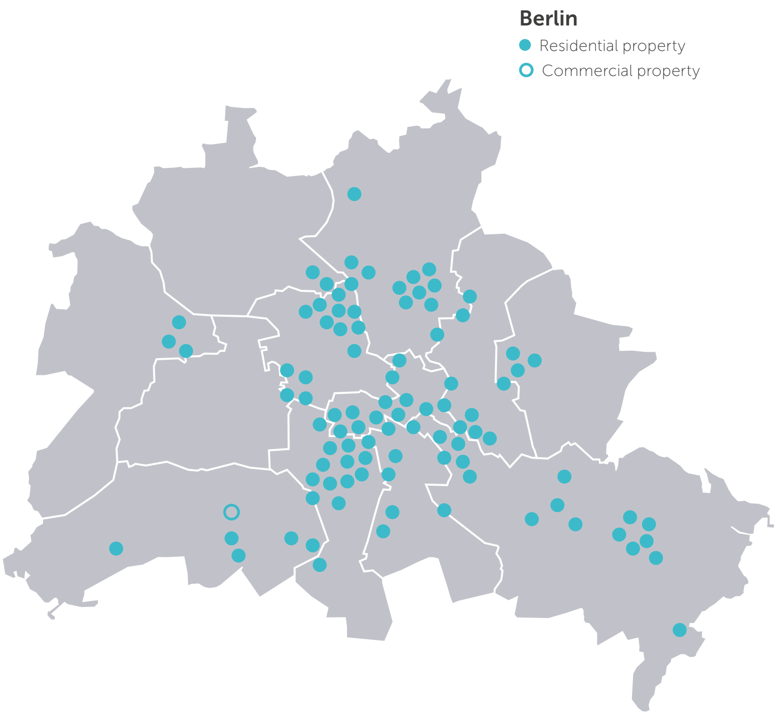
Phoenix Spree Deutschland Limited acquires and manages Berlin residential property

Since 2008, the aggregate value of the Portfolio has risen from €168 million (including the assets of then sister fund PSPF) to €768 million as at 31 December 2020, with each year seeing an increase.

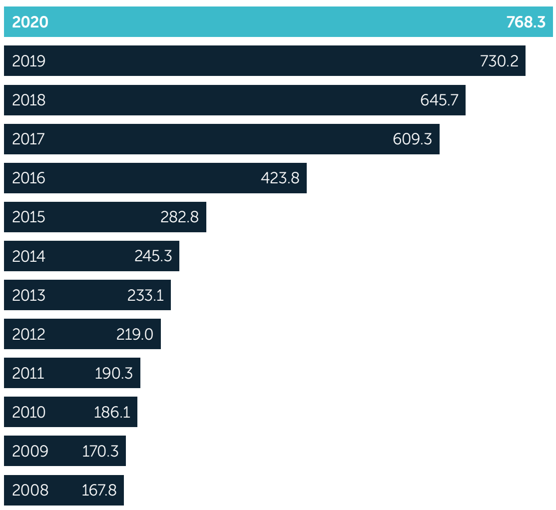
The Portfolio mainly consists of classic 'Altbau' properties which were built before 1914. Typically, these five-storey buildings contain between 20 and 40 units, consisting of one to three-bedroom apartments, often with shops on the ground floor.

QSix Residential Limited (formerly named PMM Residential Limited) has acted as Property Advisor to Phoenix Spree Deutschland since inception and has an experienced team of property and investment professionals with an established record in the German residential property market.

Pure-play Berlin Portfolio – total properties



Reported Portfolio valuation 2008-2020 (€m)



Reported property Portfolio valuation (million)

€768.3

Like-for-like Portfolio value growth 2019-2020

+6.3%

Usable space (sqm '000)

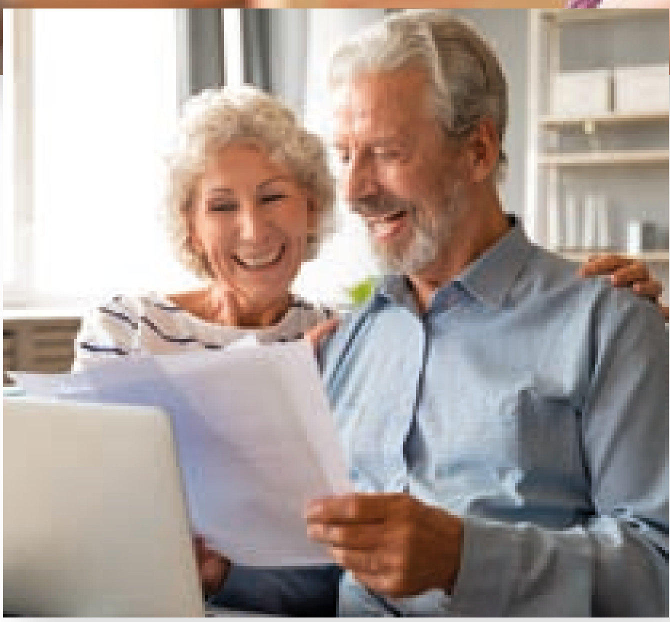
193.2

Residential units

2,555

Commercial units

139



Chairman's Statement

"I am pleased to report that PSD has delivered another resilient performance."

Robert Hingley
Chairman

As at 31 December 2020, the Portfolio was valued at €768.3 million by Jones Lang LaSalle GmbH ('JLL'), a like-for-like increase of 6.3%. The Euro EPRA NTA total return per share was 8.8% over the year and the Sterling return was 16.0%, reflecting a fall in the value of Sterling. The Company has additionally delivered record condominium sales and made further progress in condominium splitting.

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

Adapting our strategy

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

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

The financial impact on the Company and its medium-term strategy are largely dependent on the timing and eventual outcome of the legal ruling on the Mietendeckel.

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

COVID-19

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

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

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

Share buy-backs and dividend

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

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

Property Advisor

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

Governance and compliance

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

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

Quentin Spicer has signalled his intention to retire from the Board at the forthcoming Annual General Meeting. Quentin has overseen the transformation of the Company from inception in 2007, through to listing on the London Stock Exchange in 2015 and its expansion thereafter. On behalf of the entire Board and of QSix, I would like to express our gratitude for his dedicated service over the past 14 years. He has provided invaluable guidance and leadership through a period of considerable change and leaves with all of our very best wishes.

Corporate responsibility

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

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

Protecting our environment

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

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

Outlook

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

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

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

Robert Hingley
Chairman
26 March 2021

Stakeholder Engagement

Working with our stakeholders to secure long-term success

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

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

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

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

The table aims to highlight how we engage with our key stakeholders, why they are important to us and the impact they have on our business which we believe helps to demonstrate the fulfilment of the Board's duties under section 172. Additionally, there is more detail about how PSD and its Property Advisor engage in the corporate responsibility section of this report on pages 22 to 31.

Key issues

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

The COVID-19 pandemic has presented a period of unprecedented disruption and the Company's overriding priority is the health and wellbeing of its tenants.

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

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

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

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

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

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

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

How the Company engages	Highlights
• The Property Advisor partners with, and monitors the activities of, Core Immobilien ('Core'), who have the responsibility of interacting with and managing the tenants. • By interacting in the day-to-day business with tenants, Core builds up a picture of relevant issues and concerns that tenants wish us to consider. These are reported to the PSD Board via the Property Tenant Survey issued by Core to invite constructive feedback. • Health and Safety is central to all our business activities. It is our responsibility to ensure that we provide and promote a healthy, safe and secure environment for our tenants. • The Property Advisor has introduced and monitors a vulnerable tenant policy to provide procedures to assist tenants who may require additional protection.	• The Property Advisor conducted its 2020 Tenant Survey for incoming tenants to gain better insight on the issues that they regard as important to them. • The Company incurred capital expenditure of €4.2 million during 2020 to enhance properties within the Portfolio. • The Company has supported its tenants, both residential and commercial, throughout the COVID-19 pandemic. Where necessary, it has agreed, on a case-by-case basis, the payment of monthly rents or deferring rental payments.
• Through our investor relations programme with regular written updates, meetings and roadshows. • Through our Annual General Meeting, to which all investors are invited; investors are updated on the Company and encouraged to share their views. • The Company provides relevant, timely communications on its Company website. • The Property Advisor's Investor Relations department is always on hand to deal with investor queries. • The Property Advisor organises (when feasible) bespoke investor trips to Berlin to view PSD's Portfolio of assets, meet regulators and valuers and other industry practitioners.	• The Company engaged Edison to produce regular, in-depth research on the Company. The intention is to raise the visibility of the Company and enable investors to develop an improved understanding of the business. • The Company was able to provide shareholders with reassurance in relation to the impact of COVID-19 on the business. • The Property Advisor conducted over 50 investor conference calls in 2020. • The Property Advisor regularly attends industry conferences and webcasts.
• The Property Advisor has a close working relationship with all of the Company's business partners and advisors and regularly engages with all parties. • The PSD Board regularly monitors the performance and reviews the terms of each service contract. • The Property Advisor ensures suppliers meet the Company's high level of conduct. All suppliers are required to confirm on an annual basis, in the form of a questionnaire, that they have adequate policies and procedures in place. • Affirmation letters requesting confirmation of alignment with PSD's key policies and standards signed by key partners of PSD and by the Property Advisor.	• The Board, at its meeting held on 22 March 2021, reviewed the performance, and considered the continued appointment, of the Company's service providers. • The continued appointment of all service providers was approved by the Board.
• Our Company Values (Responsible, Fair, Excellent, Respectful) underpin our commitment to acting responsibly. They set guidelines for the way we conduct our business. • The Property Advisor is committed to having an inclusive working environment. Employees are offered a variety of training programmes to develop personally and professionally. • The Property Advisor is committed to rewarding performance, offering competitive base salaries and benefit packages. Its reward philosophy is based on team performance and its incentive schemes aim to focus everyone on the achievement of its strategic objectives. • The Property Advisor provides leading health and welfare benefits including access to medical advice.	• The Property Advisor runs weekly online employee town hall meetings to update on the business and share its culture and values. • Results from the Property Advisor's 2021 employee survey suggest that the employees are treated with respect and are provided with equal opportunities. 94% of employees rate QSix as an excellent/good employer. • The Property Advisor has adapted to accommodate COVID-19 restrictions in 2020, with extra health and safety measures put in place in their offices, systems set up to accommodate employees working from home and extra support and flexibility provided to employees to help their productivity and wellbeing.
• Our 'Better Futures' Corporate Responsibility Plan has structured our charitable giving through our Community Policy. • PSD supports The Intercultural Initiative, a Berlin refuge that helps women and children affected by domestic violence. • The Property Advisor supports two charities in London, SPEAR and SHP, working with homeless people. • Funding is given to SPEAR to run an outreach service, helping rough sleepers in the Wandsworth area into accommodation and helping them to address health and wider social care problems. • Funding provided to SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income.	• In 2020, PSD's support to the Intercultural Initiative helped with the operational costs of a support apartment which provides accommodation for families who no longer need to live in a refuge, but still require protection and support to build an independent life. We also helped fund education therapy sessions for children and family counselling support. • PSD has committed to supporting an additional Berlin charity, Laughing Hearts, in 2021. This charity supports children living in children's homes and social care. • The Property Advisor's work with SPEAR provided assistance to 450 homeless people in Wandsworth during 2020. • The Property Advisor's involvement with SHP during 2020 allowed 154 additional people to benefit from SHP's employability programme.
• The Property Advisor liaises with non-governmental organisations ('NGOs') and industry bodies to enhance the positive impact we have on the communities in which we operate. • The Property Advisor takes a constructive, positive approach to working with local authorities to ensure high quality planning applications are submitted. • The Property Advisor has reviewed and continues to monitor the new Mietendeckel laws to ensure PSD continues to operate within the regulatory framework.	• The Company has complied with, and fully implemented, the various components of the Mietendeckel. All tenants have been notified as to how they will be affected by the new rules and, where necessary, rent reductions have been implemented in accordance with the new rent tables.

Board Decision-Making

Examples of topics where the Board considered the interests of its key stakeholders when making decisions include rent collection during COVID-19 pandemic, charitable giving, environmental reporting, shareholder engagement and capital management.

Board decision-making and stakeholder considerations

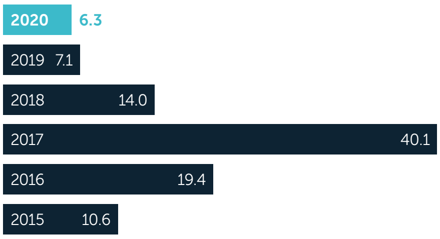
Key decision/item	Stakeholder	How stakeholders' views were taken into account	Actions taken as a result of this engagement	Long-term effects of decision
Rent collection during COVID-19 pandemic	Tenants	The Board has received regular updates from the Property Advisor on rent arrears and tenants in difficulty as a result of the COVID-19 pandemic.	Where necessary, the Company provided support to its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.	The Board better understands adverse circumstances as they impact on tenants and potential remedies.
Charitable giving	All stakeholders	Through its Community Investment Policy, the Board is committed to supporting charities where there is a connection with either 'homelessness' or 'families'.	In addition to continuing to support a Berlin women and children's refuge (The Intercultural Initiative) that helps women and children affected by domestic violence, the Board took the decision in 2020 to support the Laughing Hearts charity in 2021. This charity helps children living in children's homes and social care.	Breaking the cycle of disadvantage by providing support to women and children affected by domestic violence, and broadening children's experiences to give them a more positive outlook for the future.
Environmental reporting	All stakeholders	The Board has strengthened the Company's ESG monitoring and reporting by introducing EPRA's Sustainability Best Practice Recommendations and capturing our ESG measurements within their framework.	The Company has started measuring all buildings that use oil-based and district heating energy, and will increase coverage in the coming years to include buildings using gas heating in the analysis.	Improved monitoring of the Portfolio's environmental impact and future reduction in the Company's environmental footprint. Creating more attractive homes for tenants, that benefit the environment and society as a whole.
Shareholder engagement	Shareholders	The Board considered feedback from shareholders, the Property Advisor, and the Company's corporate broker in relation to the level of shareholder contact and research coverage.	Edison, a respected equity research company, was engaged to produce regular, in-depth research on PSD. During 2020, Edison initiated research, with two additional research notes published in the first quarter of 2021.	Raising the visibility of the Company to enable investors to develop an improved understanding of the business.
Share buy-backs	Shareholders	Throughout the year the Chairman of the Company undertook a number of engagements to discuss buy-back policy and provided investors the opportunity to share their views.	Every quarter, the Board assessed the continuation of the share buy-back programme as well as the ongoing payment and rate of dividend per share payable to shareholders. The share buy-back was suspended following the onset of the COVID-19 pandemic, and reinstated in September 2020, by which time rent collection levels and tenant impact could be more accurately assessed.	Balanced capital management in the light of prevailing economic and regulatory backdrop.

Key Performance Indicators

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

Like-for-like Portfolio annual value growth

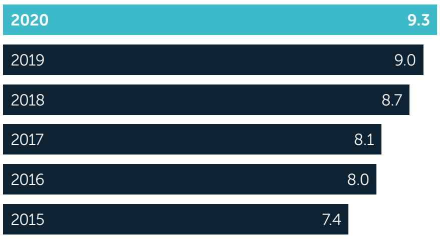
6.3%



- The value of the property Portfolio grew by 6.3% on a like-for-like basis during the financial year to 31 December 2020 (2019: 7.1%). This increase was driven by yield compression, the process of splitting assets in the land registry, and a reduction in vacancy across the Portfolio.

Like-for-like Portfolio rent per sqm

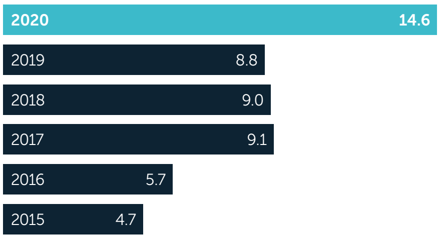
+4.1%



- Contracted like-for-like Portfolio rent per sqm increased by 4.1% in the year (31 December 2019: 5.6%). The Company may have the right to collect the difference between rents at the Contracted level and the rates set by the Mietendeckel in the event that the Mietendeckel is successfully challenged.

Condominium sales – notarised

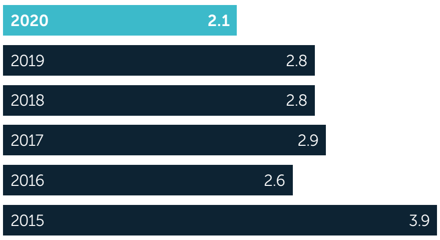
€14.6m



- The Company continued with its targeted condominium sales programme, notarising sales of €14.6 million in the year to 31 December 2020 (2019: €8.8 million).

EPRA vacancy

2.1%



- The EPRA vacancy rate of the Portfolio stood at 2.1% as at 31 December 2020 (31 December 2019: 2.8%).

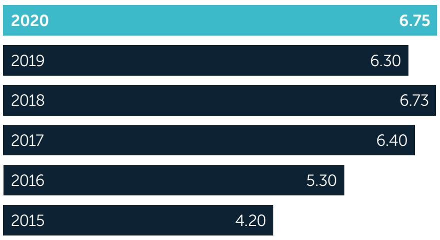
EPRA NTA per share

€5.28

- EPRA NTA per share increased by 7.3% to €5.28 as at 31 December 2020 (31 December 2019: €4.92).

Dividend per share

6.75p



- The total annual dividend for the year 2020 was 7.50 cents (€) (6.75 pence (£)) per share.

Report of the Property Advisor

The Property Advisor's priority throughout 2020 has been to protect and support the Company's tenants, colleagues and communities throughout a period of disruption caused by the COVID-19 pandemic. The Property Advisor has also continued to manage the impact on the Portfolio of the introduction of the Mietendeckel (outlined in further detail below) and the successful acceleration of the condominium strategy, reaching record levels in 2020.

The Berlin Mietendeckel

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

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

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

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

Legal developments

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

In May 2020, the opposition in the Berlin House of Representatives and a quorum of Federal Parliament MPs lodged cases in Berlin's Regional Constitutional Court and the Federal Constitutional Court. Additionally, in June 2020, 12 constitutional complaints from private owners were filed with the Federal Supreme Court.

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

Maintaining strategic flexibility

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

New tenancy agreements

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

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

Measures introduced to comply with the Berlin Mietendeckel

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

Post 23 February 2020:

- First time letting and reletting: New rents may not exceed the prescribed upper rent limit. In some instances, PSD has had to lower the rent to a level below the rent paid by the previous tenant.
- Rent freeze on existing leases: For existing leases, a rent freeze initially applied, but with no requirement to lower rents, provided the rent level set at 18 June 2019 had not been increased since that date. In instances where there had been a rent increase, PSD reduced rental payments to the June 2019 level.

Post 23 November 2020:

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

Financial impact

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

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

Report of the Property Advisor continued

Financial highlights for the 12 month period to 31 December 2020

€ million (unless otherwise stated)	Year to 31 December 2020	Year to 31 December 2019
Gross rental income	**23.9**	22.6
Investment property fair value gain	**41.5**	41.5
Profit before tax ('PBT')	**37.9**	28.6
Reported EPS (€)	**0.31**	0.22
Investment property value	**768.3**	730.2
Net debt (nominal balances)[1]	**254.4**	237.8
Net LTV (%)	**33.1**	32.6
IFRS NAV per share (€)	**4.48**	4.23
IFRS NAV per share (£)[2]	**4.04**	3.58
EPRA NTA per share (€)	**5.28**	4.92
EPRA NTA per share (£)	**4.76**	4.16
Dividend per share (cents (€))	**7.5**	7.5
Dividend per share (pence (£))[2]	**6.75**	6.30
€ EPRA NTA per share total return for period (%)[3]	**8.8**	9.1
£ EPRA NTA per share total return for period (%)[2]	**16.0**	2.9

1 Nominal loan balances as per note 23 to the financial statements rather than the loan balances on the Consolidated Statement of Financial Position which consider capitalised finance arrangement fees in the balance as per IAS 23.
2 Calculated at FX rate GBP/EUR 1:1.11.
3 Further EPRA net asset measures can be found in note 31 to the financial statements.

Financial results

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

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

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

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

Dividend

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

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

Like-for-like increase in Portfolio valuation of 6.3%

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

As at 31 December 2020, the total Portfolio was valued at €768.3 million by JLL, an increase of 5.2% over the 12 month period (31 December 2019: €730.2 million).

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

Gross rental income (million)

€23.9

Profit before tax ('PBT') (million)

€37.9

Investment property value (million)

€768.3

Dividend per share (pence (£))

6.75[2]

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

Portfolio valuation and breakdown

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

1 Unit increase year-on-year due to units in the new acquisition in Brandenburg being available for rent while being under construction in prior year.
2 Calculated at FX rate GBP/EUR 1:1.11.

Report of the Property Advisor continued

Rental income and vacancy rate

	31 December 2020 Collected[1]	31 December 2020 Contracted[1]	31 December 2019	30 June 2020 Collected[1]	30 June 2020 Contracted[1]
Total sqm ('000)	**193.2**	**193.2**	195.2	**194.5**	**194.5**
Annualised rental income (€m)	**16.4**	**20.3**	19.7	**19.3**	**19.7**
Gross in place rent per sqm (€)	**7.5**	**9.3**	9.0	**8.9**	**9.1**
Like-for-like rent per sqm growth (%)	**-15.8**	**4.1**	5.6	**1.8**	**4.1**
Vacancy (%)	**6.8**	**6.8**	6.7	**8.0**	**8.0**
EPRA vacancy (%)	**2.1**	**2.1**	2.8	**4.3**	**4.3**

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

'Collected' like-for-like rental income per sqm decreased by 15.8%
Collected rental income includes the impact of the Mietendeckel measures that have now been fully implemented. It includes only rental income that can be legally 'Collected' under the terms of the new Mietendeckel regulations.

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

On an annualised basis, Collected rental income for the month of December 2020 was €16.4 million, a decrease of 16.7% compared with the prior year.

On a like-for-like basis, excluding the impact of acquisitions and disposals, Collected like-for-like rental income was down 16.1% over the same period.

'Contracted' like-for-like rental income per sqm increased by 4.1%
Including any higher contractual rents permissible under the German Civil Code, Contracted like-for-like rental income per sqm was €9.3 as at 31 December 2020, an increase of 4.1% compared with the prior year.

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

Table: EPRA net initial yield ('NIY') and 'topped up' NIY

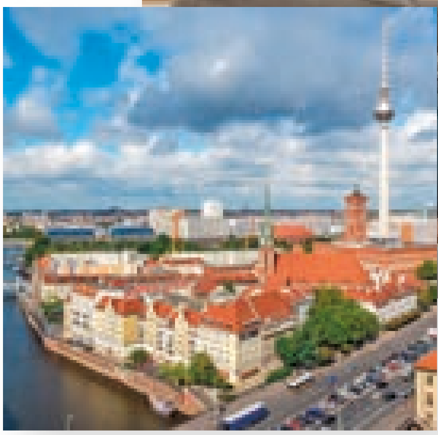
All figures in €million unless otherwise stated	2020	2019
Investment property	**768.3**	730.1
Reduction for NCI share and property under development	**(11.3)**	(10.9)
Completed property Portfolio	**757.0**	719.2
Estimated purchasers' costs	**62.7**	57.8
Gross up completed property Portfolio valuation	**819.7**	777.0
Annualised cash passing collected rental income	**16.4**	19.7
Property outgoings	**(2.8)**	(3.3)
Annualised collected net rents	**13.6**	16.4
Expected increase from the Mietendeckel rent cap expiry[1]	**3.2**	0
'Topped up' annualised net rents	**16.8**	16.4
EPRA NIY (%)	**1.7**	2.1
EPRA 'topped up' NIY (%)	**2.1**	2.1

1 Under EPRA guidelines, legally allowed lease incentives and contracted step rents are included in the 'topped up' NIY calculation, since the expectation is that the Mietendeckel is declared unconstitutional in 2021, the difference between annualised Contracted rents and annualised Collected rents has been included in this line.

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

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

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



Following the introduction of the final phase of the Mietendeckel on 23 November 2020, which required an automatic rent reduction to all tenants in line with the new prescribed Mietendeckel levels, the average reletting rental level on a Collected basis for the Berlin portfolio was €7.6 per sqm, a reversionary discount of 7.7%. The Property Advisor believes this rent level is little more than half the current market rent and is required to be applied City-wide, regardless of apartment micro location, size or condition. For this reason, the Property Advisor believes the policy primarily benefits wealthier households, in contrast to the main policy intention which was to make housing more affordable for low-income households.

Limited impact from COVID-19 on rent collection

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

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

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

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

EPRA capital expenditure

All figures in €000 unless otherwise stated	**31 December 2020**	31 December 2019
Acquisitions	**0**	62
Like-for-like Portfolio	**3,645**	5,948
Development	**274**	0
Other	**252**	511
Total capital expenditure	**4,171**	6,459

Report of the Property Advisor continued

Portfolio investment

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

Record condominium sales

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

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

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

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

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

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

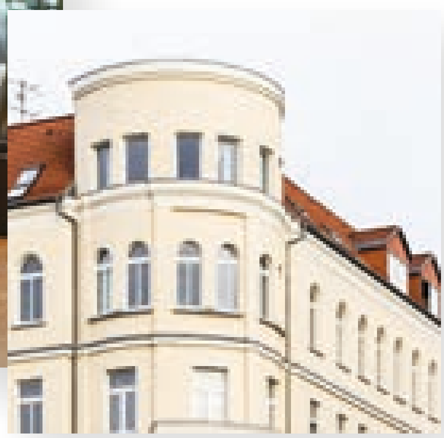
Condominium construction

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

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

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

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



Debt and gearing

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

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

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

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

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

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

EPRA Best Practices Recommendations metrics

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

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

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

Gross borrowing (million)

€291.4

Cash balances (million)

€37.0

Net loan-to-value on the Portfolio

33.1%

EPRA metrics

Metric	Balance	Page reference	Note reference
EPRA earnings (€m)	(4.5)	94	30
EPRA NTA/share	5.28	95	31
EPRA NRV/share	5.93	95	31
EPRA NDV/share	4.44	95	31
EPRA capital expenditure (€m)	4.2	86	N/A
EPRA NIY (%)	1.7	16	N/A
EPRA 'topped up' NIY (%)	2.1	16	N/A
EPRA vacancy (%)	2.1	16	N/A
EPRA like-for-like rental income (%)	(15.8)	16	N/A

Report of the Property Advisor continued

Outlook

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

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

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

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

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

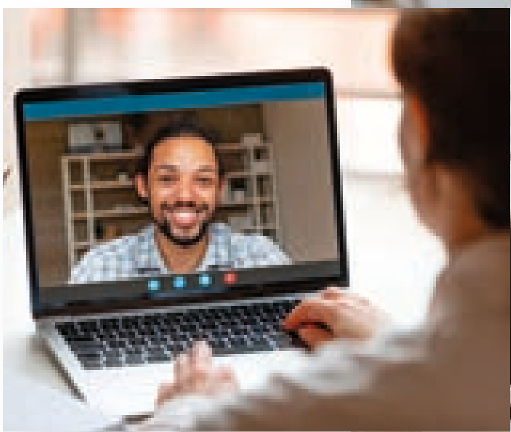
Demographic trends to date in Berlin's private rental market have shown some signs of change in the wake of the Mietendeckel and COVID-19. Scarcity of supply of high-quality rental property, coupled with a growing realisation that working remotely is a viable alternative to a daily city centre commute,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

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

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

If the Mietendeckel were to be ruled to be legal then the Property Advisor believes that there is unlikely to be an immediate impact on the EPRA NTA of the Company but it may impact future market volumes and ultimately prices of market transactions. The Company, however, remains well-positioned since it expects condominium prices to continue to rise.

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



Committed to Acting Responsibly

The Company believes that taking a sustainable and socially responsible approach to our business delivers long-term success and benefits for all of our stakeholders.

Our approach to Corporate Responsibility

Recognising that it needs to make an important contribution to society, the Company focuses on providing homes for people that are both comfortable and affordable whilst providing good customer service to our tenants.

To secure our long-term success, we are committed to taking account of what is important to all of our key stakeholders, balancing these different interests and addressing our environmental and social impacts. This commitment is captured within our Company Values, business model and 'Better Futures' Corporate Responsibility ('CR') Plan. We recognise the importance of a strong corporate governance structure and operating with integrity, transparency and clear accountability towards all of our key stakeholders.

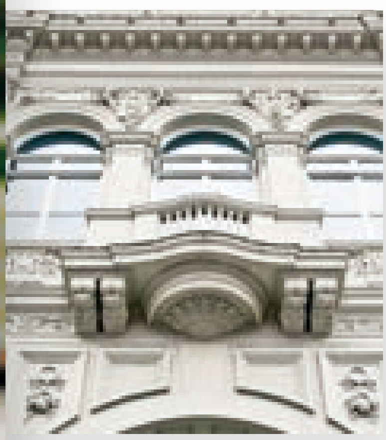
As a member of EPRA, we want to contribute to greater transparency in reporting. Therefore in 2020, we strengthened our commitment to delivering against our environmental and social impacts by introducing EPRA's Sustainability Best Practices Recommendations and capturing our ESG measurements within their framework. Although we recognise that there is still more to do, we are pleased with the progress we are making.

Stakeholder engagement

To maximise value and secure long-term success, we must take account of what is important to all of our key stakeholders. These encompass our tenants, shareholders, business partners, regulators and local communities. We proactively engage with our stakeholders to ensure we understand their differing viewpoints and take these into consideration when making business decisions. We strive to strike a meaningful balance between providing a return to our investors and addressing our social and environmental impacts.

This has never been more important than it was in 2020, with the COVID-19 pandemic affecting many of our stakeholders' lives. Throughout the year, the Company's overriding priority has been the health and wellbeing of our tenants, work colleagues and wider stakeholders. Where required, we supported tenants (both residential and commercial) through agreeing, on a case-by-case basis, the payment of monthly rents, deferring rental payments and agreeing workable repayment schedules.

The increased demand for affordable housing, particularly in large cities, has led to widespread and controversial public debate around rental rates, leading to the introduction of the Mietendeckel legislation in Berlin. PSD has engaged with our key stakeholders on this matter, through communicating with tenants on the impact on their rents, with shareholders on the impact on our business model and results and with industry bodies and local government on the long-term impact on housing quality and stocks.



Our Company Values

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

Responsible

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

Fair

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

Excellence

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

Respectful

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

Our ‘Better Futures’ CR Plan

Our ‘Better Futures’ CR Plan provides a framework to guide our activities and improve our overall sustainability by being integrated throughout our business operations. This year, we have evolved our CR pillars to align with EPRA’s ESG reporting.

Environmental

Protecting our Environment

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

Read more page 26

Social

Respecting People

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

Read more page 27

Valuing our Customers

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

Read more page 28

Investing in our Communities

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

Read more page 29

Governance

Governing Responsibly

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

Read more page 30

Environmental

Protecting our Environment

We strive to reduce our environmental impact during the property refurbishment process and encourage our tenants to minimise their utility use.

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

Throughout the property refurbishment process, we work with our contractors to minimise the amount of waste by reusing materials, where feasible. In line with our Sustainable Procurement Policy, we aim to use products and materials that have a low environmental impact, so long as their technical performance meets the required standards and they are economically viable for refurbished properties. This includes items such as energy and water-efficient fittings and paint that has a Blue Angel award.

However, the greatest environmental impact from our property Portfolio is from the utilities used by our tenants in their homes. As a landlord, we do not have direct control over the majority of the properties' utility usage and waste, since it is up to tenants how much they consume. However, where we can, we encourage our tenants to reduce their utility usage by providing them with helpful hints and advice and we ensure that all the electricity supplied to our buildings is from renewable sources. We have also modernised the heating system in some buildings across 2020, converting them from oil fuel to gas.

To better manage tenants' waste, we ensure that tenants are kept well informed about how to properly recycle their rubbish, through periodic letters and visible signage in the bin areas. We work with our waste providers on the disposal routes and many of our properties have been awarded recycling awards.

Given the majority of the day-to-day running of PSD's operations is undertaken by QSix and PSD itself does not have offices, we encourage QSix to minimise their environmental impact. Both QSix's Berlin and London offices are fitted with energy saving products, and they have an Environment Champion for each office to encourage employees to reduce their utility usage, improve recycling and reduce the amount of paper used within the business.

Notwithstanding that we have no direct control over the majority of the utility usage in our properties and the majority of our tenants have a direct contract with the electricity provider which limits our visibility and oversight, our aim is to strengthen our ESG monitoring and reporting by introducing EPRA's Sustainability Best Practices Recommendations and capturing our ESG measurements within their framework. We recognise the amount of resources required to do this, so we have started the measurement reporting for all our buildings that use oil-based and district heating energy and will increase the coverage over the next couple of years to include the buildings using gas heating. Given QSix is a separate legal entity, their office impact is not included within our EPRA ESG reporting.

Social

Respecting People

The success of our business is based on the expertise, experience and dedication of our partners' employees who undertake the day-to-day operations for PSD.

Our Property Advisor is our key partner and has an experienced team of property professionals with long-standing experience of the German residential property market and is de facto the face of PSD. We therefore believe it is important that QSix's and PSD's Company Values are aligned and how QSix treats their employees is consistent with our People Policy.

QSix is committed to having an inclusive working environment that encourages all employees to develop both personally and professionally through having access to a variety of training programmes, receiving on the job support and coaching and having annual development reviews. The culture is to have a strong work-life balance, with the Company and QSix being committed to the health and wellbeing of all employees. Leading health and welfare benefits are provided, including access to medical and legal advice. QSix has risen to the challenge of working through COVID-19 restrictions in 2020, with extra health and safety measures put in place in their offices, systems set up to accommodate employees working from home and extra support and flexibility provided to employees to help their productivity and wellbeing.

Results from QSix's recent Employee Survey demonstrate that it is meeting its aims despite the difficulties imposed by COVID-19 restrictions across 2020:

- 94% of employees rate QSix as an excellent/good employer.
- 88% of employees agree that QSix encourages an inclusive working environment and a positive work-life balance.
- 87% of employees believe they have a good work-life balance.

Employees who are satisfied with QSix's response to the Coronavirus situation

90%

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

Neither PSD nor QSix meets the criteria requiring the publication of a Modern Slavery Statement. Nevertheless, both companies fully support the intentions of the Act and are committed to implementing systems and controls aimed at minimising the risk of modern slavery taking place anywhere within our organisations or in our supply chains. We have an Anti-Slavery and Human Trafficking Policy which is shared with key business partners, who are asked to verify that they have acted in accordance with the policy.

"I have been working at QSix for nearly four years. I started as an Administrator and was promoted to an Accounts Assistant a year ago. I am in the middle of my final AAT Level, which QSix has funded, given me time off to study and take the assessments and provided me with any help that I have required. My manager has been very supportive, providing me with stretching assignments and giving me on the job coaching to develop my skills and experience and build on what I have learned on my course."

Rachael Ford, Accounts Assistant, QSix

Social

Valuing our Customers

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

We are continually working to ensure long-term tenant loyalty as this safeguards our long-term commercial success. Our tenants regard their apartment as their home and, to that end, we aim to make a positive contribution to their living standards and to ensure that their apartment is a place in which they enjoy living. We seek to provide a healthy, safe and secure environment for our tenants and improve the standard of accommodation through renovation and regular inspections to ensure that we identify and eliminate any hazards.

Providing a reliable friendly rental service and responding to any concerns in a timely manner are important to building our tenant satisfaction. Through the close contact our management agent has with our tenants and tenant surveys, we are able to build a clear picture of what is important to our tenants so that we can deliver a high standard of service.

New tenants survey 2020

In 2020 the Property Advisor carried out a satisfaction survey for new tenants. This has been invaluable, particularly in the last year with the implications of COVID-19, where we have supported tenants, on a case-by-case basis, deferring rental payments if necessary. We have also engaged closely with tenants on the introduction of the Mietendeckel legislation to make sure they understand the full implications of the rental changes. Our survey responses showed that 95% of tenants were satisfied with their apartment and 93% of tenants were satisfied with the rental process.

We recognise that some tenants may be more vulnerable than others and our Vulnerable Tenant Policy provides guidance on procedures that should be followed when dealing with tenants who are vulnerable to provide them with additional protection.

Number of tenants who said they were satisfied with their apartment

95%

We are committed to providing a highly professional service to our investors through strong corporate governance and providing timely, frequent and clear business updates.

Working with the right partners is key to ensuring we deliver the best results for our tenants and investors. We require our partners to share our commitment to high standards of responsibility and treating customers fairly, as outlined in our Suppliers Code of Conduct. Our key policies and Company Values are shared with our business partners annually and they are asked to affirm that they are operating in a manner consistent with them.

Number of tenants who said they were satisfied with the rental process

93%

Social

Investing in our Communities

We help contribute to thriving communities by investing in homes for people that are both comfortable and affordable and supporting local charities.

In addition to investing in communities by providing homes that people want to live in at affordable rents, we look to improve the external façade of the buildings and other outdoor areas. For our tenants, the look and feel of a neighbourhood play an important role in how they feel about their home and the community they live in. In 2020, €4.2 million was reinvested in building improvement programmes across the Portfolio.

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

We have continued to support a women's refuge (The Intercultural Initiative) that helps women and children affected by domestic violence, providing emergency shelter, advice and counselling to the women and their children. 2020 was a particularly challenging year for the charity, with domestic violence increasing due to COVID-19 lock-down restrictions, coupled with the challenges of supporting these vulnerable women when social distancing measures had to be in place.

In 2020, our donation helped with the operational costs of a support apartment which provides accommodation for families who no longer need to live in the refuge, but still require protection and support to build an independent life. We also helped fund education therapy sessions for children and family counselling support. These services have been especially critical this year due to the families feeling even more isolated due to the COVID-19 pandemic.

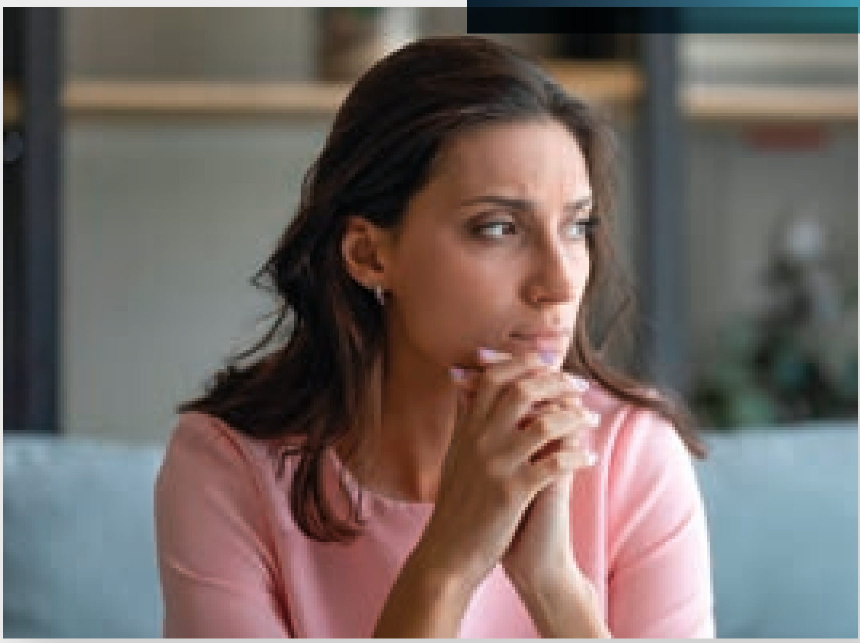
In 2021, PSD has committed to supporting an additional charity which aids children living in children's homes and social care.

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

QSix continued to support two charities in London, SPEAR and SHP, that work with homeless people or those at risk of becoming homeless. Funding is given to SPEAR to run an outreach service, helping rough sleepers in the Wandsworth area into accommodation and helping them to address health and wider social care problems. 450 homeless people were helped in Wandsworth across 2020. The funding with SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income that enables them to afford housing. In 2020, 154 people participated in the programme.

"The support apartments are a very important offer for women, allowing them to move out of the women's shelter after the initial crisis, whilst providing the support they need to adjust to a new independent life and build the necessary skills and confidence. This is a crucial prevention so that women do not give up and return to the abusive relationship because of bureaucratic hurdles and other barriers such as social isolation."

Dr Lehmann, Managing Director, The Intercultural Initiative



Governance

Governing Responsibly

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

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

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

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

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

Additional information on our governance is contained within our EPRA ESG reporting and the Corporate Governance Report.

EPRA Sustainability Best Practices Recommendations

PSD is an investment company, founded in 2007, and is a long-term investor in Berlin rental property. We focus on providing homes for people that are both comfortable and affordable and providing good customer service to our tenants. The asset Portfolio consists mainly of classic 'Altbau' properties which were built before 1914 and are typically five-storey buildings containing between 20-40 units of one to three-bedroom apartments, often with shops on the ground floor.

EPRA Sustainability Best Practices Recommendations continued

We are committed to making an annual publication based on EPRA Sustainability Best Practices Recommendations (sBPR). The following report consists of two parts: the Overarching Recommendations and the Sustainability Performance Measures.

Overarching Recommendations

Organisational Boundaries

PSD's property Portfolio, consisting of 98 buildings, is all based in Germany, in the city and surrounding area of Berlin. The key sustainability figures in this EPRA Report focus on 27 of these buildings as explained below in the Coverage section.

We use an operational control approach for our organisational boundary in respect of all of our assets in accordance with the principles of the Greenhouse Gas Protocol. Unless otherwise indicated, the key figures relate to the financial year 2020.

Coverage

The sustainability figures presented for 2020 cover 27 buildings, consisting of 594 units, covering a total area of 47,421 sqm. This equates to 25% of the total Portfolio's floor area.

Measurement systems were established within the business for the first time in 2020 to conform with EPRA Environmental performance measures and as such is our base year of reporting as there are no like-for-like comparison versus 2019.

Most of the utility data is only available in paper format and it takes considerable resources to compile the information required by EPRA. We have therefore focused in 2020 on measuring and reporting the environmental performance of the 27 buildings using oil fuel (11 buildings) and district heating (16 buildings). The properties covered in this report represent 90% of our Portfolio that uses district heating and 100% of our Portfolio using oil heating. We continue to work with our utility suppliers to access the detailed actual consumption billing data (versus estimates) across all of our Portfolio in a timely manner, consistent with our financial reporting. Our objective is to increase the number of buildings we include within our EPRA coverage over the next two years, as we receive more accurate and timely data from the relevant utilities, and gain experience in reporting these.

Please see our EPRA performance tables for individual coverage of each performance measure.

Estimation of landlord-obtained utility consumption

The environmental data provided is based on the most current landlord-obtained utility bills, including electricity, oil, water and waste. All the utility bills are supported by meter readings at set intervals through the year, apart from the waste bills. These are based on the size of the containers emptied and the frequency of collection per week.

Both the annual consumption for electricity, district heating and water are consolidated once the final meter readings have been taken and processed. Given this time lag, the majority of the electricity (landlord only), district heating and water consumption data represented, is based on a mix of 2019 and 2020 bills. These numbers will be updated in the 2021 EPRA Report.

The oil data are based on stock taken at the start and end of each year and are combined with the deliveries throughout the year, to give actual consumption figures across the property. The oil data volume is given in litres and is converted to delivered energy (kWh) and associated greenhouse gas (GHG) emissions using conversion factors available from the Umweltbundesamt (UBA) and the Institut Wohnen und Umwelt (IWU). The same applies to the district heating consumption, provided in kWh. The GHG emissions factor is given as CO_2 equivalent, which takes account of direct and indirect emissions in relation to energy generation, transport losses and use. The energy data are supported by additional information collated from the mandatory energy certificates (demand or consumption certificates), providing average annual consumption figures per sqm, as well as a way to calculate the breakdown of floor space between the residential and communal floor area.

The utility bills for oil and water cover residential, commercial and communal areas, as the properties are not sub-metered. Water consumption is based on billing data from the supplier, which are reconciled at the end of each year based on meter readings throughout the year. The costs are included in the operating and ancillary charges passed onto the private and commercial tenants, based on their respective floor area. Some apartments include water meters and those tenants are billed based on actual consumption.

The buildings' waste volumes are calculated on the costs incurred, based on the weekly collection frequency and size of waste containers. The bills cover general household waste, compostable waste and paper recycling. The costs are passed on to private tenants and some commercial tenants via the operating and ancillary costs. Commercial tenants that have a higher volume of waste or special waste requirements are responsible for their own waste collection and bills.

Third Party Assurance

The EPRA sBPR is not audited by third parties. However, all the properties are certified by mandatory energy certificates based on heating and hot water use or demand and the carbon emissions are calculated by an external service provider.

Boundaries – Reporting on landlord and tenant consumption

We only report on landlord-obtained utility data, although the bills we receive include consumption for communal, private and commercial tenant areas. Utility data for tenant consumption (private and commercial), where they have a contract directly with the supplier and receive their own bills, is excluded from the EPRA reporting as we have no oversight or control over this. This covers the electricity use by our private and commercial tenants, within their apartments and business areas. It also excludes household waste recycled via schemes, such as the 'Gelber Sack' and communal glass collection points, as well as the majority of commercial waste.

The reported values reflect real consumption, based on the buildings' energy requirements and the tenants' individual consumption, which is outside our direct control. The Portfolio data therefore covers the following areas:

- Heating oil and district heating: residential, commercial and communal areas.
- Electricity: communal areas.
- Water: residential, commercial and communal areas.
- Waste: living areas, excluding residential waste recycled by the tenant via relevant council schemes and commercial waste.

Analysis – Normalisation
Intensity indicators are calculated where possible, using the floor area (sqm) for the whole building. Electricity consumption figures relate to communal area, whereas the heating oil and water bills cover the entire building. The size of the communal area is based on the property's energy certificate, which applies a factor of 1.2 to calculate the total residential space including the communal areas, such as staircases and cellars. This is in line with the relevant current Energy Efficiency regulations (EnEV 2014 Section 19(2)). The calculated intensity indicators for energy consumption and greenhouse gas (GHG) emissions, include the demand for heating oil and communal electricity but exclude electricity used by private and commercial tenants.

Segmental analysis (by property type, geography)
PSD's asset Portfolio of 98 buildings (193,440 sqm) is located entirely in Germany, with 97 of them within the city of Berlin and one south of Berlin in the municipality Blankenfelde Mahlow. Therefore, a segmental analysis by geography is not applicable. Residential accounts for 91% of the Portfolio (176,799 sqm) with 2,555 units and commercial is 9% of the Portfolio (16,641 sqm) with 139 units. Given the commercial assets are mainly 'commercial units with residential attributes', which do not differ greatly from the residential units in terms of infrastructure, floor space or consumption data, segmental analysis is not applicable. This approach taken in non-financial reporting is in line with that of our financial reporting.

We have excluded any condominium properties where the sales process is in place.

Disclosure on own offices
PSD does not operate from any offices given it does not have any employees, only a majority independent Non-executive Board. The day-to-day running of the business is managed by QSix and the Property Manager, which are separate legal entities.

Narrative on performance

A summary of the energy certificate grades is given in Table 1 below. The energy certificates cover individual addresses, hence the total number of energy certificates (32) is higher than the number of PSD properties (27) covered in this report.

The performance indicators (kWh/yr) calculated for each property are in line with the ones provided in the property's energy certificate. Any lower-than-average figures are accounted for by lower vacancy levels for these properties.

Table 1: Breakdown of energy certificates levels for the 27 buildings included in the EPRA reporting period for 2020.

			Number of certificates per heating system		Total number of certificates
Energy efficiency grade	kWh/m²/a	Description – level of energy efficiency	Oil	District Heating (DH)	
A+	<30	Energy efficiency improvements meet KfW 40+ or Passivhaus levels	0	0	0
A	<50	Energy efficiency improvements meet 2016 building regulations	0	0	0
B	40-60	Energy efficiency improvements meet 2014 building regulations	0	2	2
C	60-80	Energy efficiency improvements exceed 1995 building regulations	0	5	5
D	80-110	New build residential property or building stock pre-1949 – energy efficiency improvements meet current building regulations	4	6	10
E	<160	Residential property – energy efficiency improvements meet 1982 building regulations or building stock pre-1949 – high level of energy efficiency improvements	5	6	11
F	<200	Building stock pre-1949 – medium level of energy efficiency improvements	3	1	4
G	<250	Building stock pre-1949 – energy efficiency improvements meet 1977 building regulations	0	0	0
H	>250	Building stock pre-1949 – no energy efficiency improvements	0	0	0
Total			**12**	**20**	**32**

EPRA Sustainability Best Practices Recommendations continued

75% of the PSD total Portfolio floor area uses gas, followed by district heating, which covers 18%. The EPRA reporting covers all of the properties using oil and the majority of the district heating properties, apart from one. This represents 47,421 sqm or 25% of PSD's total Portfolio. Four residential properties were converted to central gas heating in 2019/20, representing 7% of the total Portfolio floor area.

Table 2: Type of heating and hot water system across the PSD Portfolio, showing the number of flats and associated floor area (sqm). This covers the total Portfolio of 98 buildings.

	Residential				Commercial				Total			
Heating system	Number of units	Square metres (m^2)	% units	$\%m^2$	Number of units	Square metres (m^2)	% units	$\%m^2$	Number of units	Square metres (m^2)	% units	$\%m^2$
District heating	452	32,242	92%	87%	37	4,932	8%	13%	489	37,175	18%	18%
Gas heating	1,964	133,608	95%	93%	95	9,319	5%	7%	2,059	142,928	77%	75%
Oil heating	139	10,948	95%	82%	7	2,389	5%	18%	146	13,337	5%	7%
Total	**2,555**	**176,799**	**95%**	**91%**	**139**	**16,641**	**5%**	**9%**	**2,694**	**193,440**		

Table 3: Type of heating and hot water system for the PSD Portfolio covered in this report, showing the number of flats and associated floor area (sqm). This covers the 27 buildings included in this EPRA Report.

	Residential				Commercial				Total			
Heating system	Number of units	Square metres (m^2)	% units	$\%m^2$	Number of units	Square metres (m^2)	% units	$\%m^2$	Number of units	Square metres (m^2)	% units	$\%m^2$
District heating	411	29,151	92%	86%	37	4,932	8%	14%	448	34,083	75%	72%
Gas heating	N/A	N/A			N/A	N/A			N/A	N/A		
Oil heating	139	10,948	95%	82%	7	2,389	5%	18%	146	13,337	25%	28%
Total	**550**	**40,099**	**93%**	**85%**	**44**	**7,322**	**7%**	**15%**	**594**	**47,421**		

There are additional explanatory notes at relevant points of the EPRA reporting tables to substantiate the key figures provided. The like-for-like analysis will be completed in the next reporting period.

The company's environmental, social and responsible corporate governance matters are covered in more detail in the Stakeholder Engagement section, pages 8 to 9 and the ESG section, pages 22 to 30 of this Annual Report.

Location of EPRA best practice performance measures in the Company's 2020 Annual Report
EPRA Best Practice performance measures for our environmental, social and governance indicators can be found in the ESG section and Directors' Report section of the 2020 Annual Report.

Reporting period
The reporting period is the 2020 calendar year (i.e. 1 January to 31 December) in line with the Annual Report.

Materiality
The PSD Board's ESG Committee and the Property Advisor's ESG Task Force have identified the key issues that the company should be focusing on as part of its ESG strategies. Based on their respective materiality these are prioritised and included in the 'Better Futures' CR Plan.

Own offices
Not applicable since PSD does not operate from any offices given it does not have any employees, only a majority independent Non-executive Board. The day-to-day running of the business is managed by QSix and the Property Manager, which are separate legal entities.

Sustainability Best Practices Recommendations Performance Measures (EPRA Tables)

Table 4: Environmental Performance Measures

Impact category	EPRA Sustainability Best Practice Performance Measures				PORTFOLIO PERFORMANCE Absolute measures (Abs)
Environmental impacts	EPRA code	Measurement unit	Indicator		2020
ENERGY	Elec-Abs	MWh	Electricity	Landlord shared services	121
				(sub) metered exclusively to tenants	N/A
				Total landlord-obtained electricity	121
				Total tenant-obtained electricity	N/A
				Total electricity	121
				% from renewable sources	100
	No. of applicable properties			Electricity disclosure coverage	27
	No. of applicable units				594
	m² of applicable properties				47,421
	%			Proportion of electricity estimated	76%
	Fuel-Abs	MWh	Fuel	Landlord shared services	1,456
				(sub) metered exclusively to tenants	N/A
				Total landlord-obtained fuel	1,456
				Total tenant-obtained fuel	N/A
				Total fuel	1,456
				% from renewable sources	0
	No. of applicable properties			Fuel disclosure coverage	11
	No. of applicable units				146
	m² of applicable properties				13,337
	%			Proportion of electricity estimated	0%
	DH&C-Abs	MWh	District heating & cooling	Landlord shared services	3,725
				(sub) metered exclusively to tenants	N/A
				Total landlord-obtained heating & cooling	3,725
				Total tenant-obtained heating & cooling	N/A
				Total heating & cooling	3,725
				% from renewable sources	0
	No. of applicable properties			Heating & cooling disclosure coverage	16
	No. of applicable units				448
	m² of applicable properties				34,083
	%			Proportion of heating & cooling estimated	67.5%
	Energy-Int	MWh/m²/year	Energy Intensity		0.109

The energy and climate emissions intensity per sqm of floor area is based on the buildings' energy consumption, which covers residential, commercial and communal areas. The absolute value relates to 47,421 sqm in 2020. The like-for-like values will be provided in 2022.

Sustainability Best Practices Recommendations Performance Measures (EPRA Tables) continued

When compiling this report we did not have the majority of the actual reconciled electricity, district heating and water bills for 2020 from the respective utility companies. Since we are including the EPRA reporting within our Annual Reports, these report timings dictate that we need to use the 2019 bill data where we do not have the actual 2020 data available. Given the 2020 estimate billing from the utility companies is based on the 2019 actual utility usage we believe the 2019 data are the most appropriate figures to use. The 2020 numbers will be updated in next year's 2021 EPRA Report.

Currently 76% of the energy bills are estimated as detailed above. The communal area is estimated using comparison of the floor area information held by PSD with the energy certificate floor area.

Out of the 27 properties covered for EPRA reporting, 16 are supplied via a district heating network and 11 are fuelled by low sulphur oil (in accordance with DIN 51603-1), which represents 594 units (22% of PSD's Portfolio's total number of units) and a total floor area of 47,421 sqm (25% of PSD's Portfolio's total floor area), see Table 4. The like-for-like figures will be provided in 2022.

Table 5: GHG Emissions

Impact category	EPRA Sustainability Best Practice Performance Measures				PORTFOLIO PERFORMANCE Absolute measures (Abs)
Environmental impacts	EPRA code	Measurement unit	Indicator		2020
GHG		t CO_2		Total Scope 1	1,320
				Total Scope 2	0
				Total Scope 3	N/A
	Total		Scope 1 + Scope 2		1,320
	Total		Scope 1 + Scope 2 + Scope 3		N/A
	No. of applicable properties			GHG disclosure coverage	27
	No. of applicable units				594
	m² of applicable properties				47,421
	%			Proportion of GHG estimated	66.2%
	GHG-Int	t CO_2e		(Scope 1 + Scope 2)/m²	0.0278
				(Scope 1 + Scope 2 + Scope 3)/m²	N/A

GHG emissions represent direct (Scope 1) and indirect (Scope 2) energy climate emissions based on the Portfolio's energy consumption. Scope 3 emissions are not currently provided, due to the set-up of PSD and a limited value-chain. The Scope 1 value and the location-based Scope 2 value were calculated using the specific annual emission factor for heating oil provided by the Umweltbundesamt (UBA) and the Institut Wohnen und Umwelt (IWU). Certified green electricity is sourced for around 100% of the Portfolio, hence the Scope 2 value is given as 0g CO_2e/kWh), in the table under Elec-Abs, Elec-LfL. For the properties covered here, the green electricity tariff therefore saved, around 33 to 48 tonnes of CO_2, compared to their supplier's alternative standard electricity tariff and the average electricity mix supplied in Germany.

Energy-Int; GHG-Int: The energy and climate emissions intensity per sqm of floor area is based on the buildings' energy consumption, which covers residential, commercial and communal areas. The absolute value relates to 47,421 sqm in 2020. The like-for-like values will be provided in 2022.

GHG-Int: The climate emissions intensity per sqm of floor area are based on the sum of Scope 1 emissions and Scope 2 emissions. Around 66% of the GHG emissions are estimated due to the high proportion of district heating bills using 2019 consumption.

Table 6: Water Supply and Usage

Impact category	EPRA Sustainability Best Practice Performance Measures				PORTFOLIO PERFORMANCE Absolute measures (Abs)
Environmental impacts	EPRA code	Measurement unit	Indicator		2020
WATER	Water-Abs	m³	Water	Landlord shared services	54,058
				(sub) metered exclusively to tenants	N/A
				Total landlord-obtained water	54,058
				Total tenant-obtained water	N/A
				Total water consumption	54,058
	No. of applicable properties			Water disclosure coverage	27
	No. of applicable units				594
	sqm of applicable properties				47,421
	%			Proportion of water estimated	40.5%
	Water-Int	m^3/m^2/year	Water Intensity		1.140

The municipal supplier water data (Water-Abs) covers 594 units (2020). Like-for-like water data (Water-LfL) will be provided in 2022. There are sub-meters for some of the individual tenanted properties, which are billed according to actual consumption. The data includes bills from 2019 for 41% of the properties, the rest are based on actual consumption in 2020.

Table 7: Waste Indicators

Impact category	EPRA Sustainability Best Practice Performance Measures				PORTFOLIO PERFORMANCE Absolute measures (Abs)
Environmental impacts	EPRA code	Measurement unit	Indicator		2020
WASTE	Waste-Abs	m³	Waste	Total landlord-obtained waste	4,153
				Total tenant-obtained waste	N/A
				Total waste by disposal route	4,153
				Recycled	1,580
				Incineration	2,573
				Landfill	0
				Other	0
		%		Recycled	38.0%
				Incineration	62.0%
				Landfill	0%
				Other	0%
	No. of applicable properties			Waste disclosure coverage	27
	No. of applicable units				594
	m² of applicable properties				47,421
	%			Proportion of waste estimated	0

Sustainability Best Practices Recommendations Performance Measures (EPRA Tables) continued

Table 7: Waste Indicators continued

Impact category	EPRA Sustainability Best Practice performance measures				PORTFOLIO PERFORMANCE Absolute measures (Abs)
Environmental impacts	EPRA code	Measurement unit	Indicator		2020
WASTE	Waste-Abs	Tonne	Waste	Total landlord-obtained waste	493
				Total tenant-obtained waste	N/A
				Total waste by disposal route	493
				Recycled	188
				Incineration	305
				Landfill	0
		%		Recycled	38.0%
				Incineration	62.0%
				Landfill	0%
	No. of applicable properties			Waste disclosure coverage	27
	No. of applicable units				594
	m^2 of applicable properties				47,421
	%			Proportion of waste estimated	0

Waste indicators (Waste-Abs) are provided for general household waste, paper recycling and compostable waste, where available. Figures for recyclable household waste and glass are excluded as tenants are responsible for disposing of those via a national scheme based on a packaging licence scheme called 'Grüner Punkt'. Around 38% of the waste collections are recycled, of which half is compostable waste. This is used to produce biogas to power the contractor's collection trucks. None of the waste is landfilled, as all of the general household waste (62%) is taken to the local waste energy plant. The waste bills show the size of the containers (in litres) and number of collections per week. This data is converted to tonnes, using standard weight values per container, available at Berlin Recycling and Stadtreinger. The current data assumes that all waste containers are full every week, throughout the year, hence giving the worst-case scenario.

Table 8: Energy Certification

Impact category	EPRA Sustainability Best Practice performance measures				PORTFOLIO PERFORMANCE Absolute measures (Abs)
Environmental impacts	EPRA code	Measurement unit	Indicator		2020
CERTIFIED ASSETS	Cert-Tot	%	Mandatory (Energy Performance Certificates)	% of Portfolio certified by floor area	100
				level of energy performance (A,B,C etc)	B, C, D, E, F
				% of Portfolio certified by number of properties	100
				level of energy performance (A,B,C etc)	See Table 1 EPRA
			Voluntary (e.g. BREEAM, LEED)	% of Portfolio certified by floor area	0
				% of Portfolio certified by number of properties	N/A
				Type & level of certification attained	N/A

Mandatory energy certification was completed in accordance with the German Energy Saving Law (EnEV) and cover 100% of our residential Portfolio. This represents 91% of the total Portfolio's floor area, with the remainder consisting of commercial tenants. Please see Table 1 on page 33 in Narrative on performance for a breakdown of the energy performance certificates per property.

Social and Governance Performance Measures

Table 9: Health and Safety

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator	Scope	Year 2020	Year 2019	% Change
HEALTH AND SAFETY	H&S-Asset	% of assets	Asset health and safety assessments	Portfolio	**100**	100	0
	H&S-Comp	Total number of incidents	Asset health and safety compliance	Portfolio	**0**	0	0

Health & Safety (H&S) checks are conducted across all of our buildings every year by the Property Manager, Core. If defects are found, these are recorded. We have established a standard process for handling defects discovered during inspections and service providers responsible for remedying the defects are informed and commissioned to remedy them. The H&S processes in place operated well.

During the reporting period, the inspections did not reveal any violations of regulations and/or voluntary codes concerning H&S aspects that were not immediately remedied.

Table 10: Employee Health and Safety

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator		Scope	Year 2020	Year 2019	% Change
HEALTH AND SAFETY	H&S-Emp	Per 100,000 hours worked	Injury rate	Direct employees	Corporate Operations	**N/A**	N/A	N/A
		Per 100,000 hours worked	Lost day rate	Direct employees	Corporate Operations	**N/A**	N/A	N/A
		Days per employee	Absentee rate	Direct employees	Corporate Operations	**N/A**	N/A	N/A
		Total number	Fatalities	Direct employees	Corporate Operations	**N/A**	N/A	N/A

PSD does not have any direct employees, only a majority independent Non-executive Board with the day-to-day operations of the Company being carried out by QSix and the Property Manager. Neither QSix nor the Property Manager's employees have reported any H&S issues in 2020 whilst performing their duty on PSD's property Portfolio.

Table 11: Diversity

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator		Scope	Year 2020	Year 2019	% Change
DIVERSITY	Diversity-Emp	% of employees	Diversity Employees	Board of Directors members	Corporate Operations	**M 66.7/ F 33.3**	M 60.0/ F 40.0	F -16.7%
				Executive Management	Corporate Operations	**N/A**	N/A	N/A
				Managers	Corporate Operations	**N/A**	N/A	N/A
				All employees	Corporate Operations	**N/A**	N/A	N/A
	Diversity-Pay	Ratio Male/Female	Gender pay ratio	Board of Directors members	Corporate Operations	**M:F 1.1:1**	M:F 1.1:1	0.0
				Executive Management	Corporate Operations	**N/A**	N/A	N/A
				Managers	Corporate Operations	**N/A**	N/A	N/A
				All employees	Corporate Operations	**N/A**	N/A	N/A

Social and Governance Performance Measures continued

PSD has adopted a Diversity Policy which sets out the Board's approach to diversity in Board composition. Appointments to the Board are made on the basis of merit, regardless of gender, ethnicity or disability and take account of the specific skills, experience, independence and knowledge of each candidate needed to ensure a balanced Board and the requirements of the business.

The Board takes seriously its responsibility of encouraging QSix and other key business partners to operate responsibly toward their employees through its People Policy. QSix has adopted its own People Policy to drive a culture of fair and equal opportunities throughout its business.

PSD is committed to ensuring fairness and transparency in all matters relating to Non-executive Board Director pay. There are three levels of fees based on the Director's role. Refer to the Directors' Remuneration Policy on pages 61 to 63 for more details.

Table 12: Employee Training and Development

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator		Scope	Year 2020	Year 2019	% Change
EMPLOYEES	Emp-Training	Average hours	Employee training and development	Women	Corporate Operations	**N/A**	N/A	N/A
				Men	Corporate Operations	**N/A**	N/A	N/A
				All employees	Corporate Operations	**N/A**	N/A	N/A
	Emp-Dev	% of employees	Employee performance appraisals	Women	Corporate Operations	**N/A**	N/A	N/A
				Men	Corporate Operations	**N/A**	N/A	N/A
				All employees	Corporate Operations	**N/A**	N/A	N/A
	Emp-Turnover	Total number and rate	New hires	Total number new employees	Corporate Operations	**N/A**	N/A	N/A
				Proportion new employees	Corporate Operations	**N/A**	N/A	N/A
			Departures – Turnover	Total number of departed employees	Corporate Operations	**N/A**	N/A	N/A
				Proportion of departed employees	Corporate Operations	**N/A**	N/A	N/A
			Total employees number		Corporate Operations	**N/A**	N/A	N/A

Training
PSD does not have any full-time employees, however, it takes responsibility for developing its Non-executive Board Directors seriously, ensuring they receive the necessary training and evaluations to develop their skills and professional development. All (100%) Board members received professional training in 2020 which was in line with that received in 2019. The two new Board Directors who joined in 2020 also received a full induction. All the Directors comply with the continued professional development requirements set by the Jersey Financial Services Commission.

Development
The Board has implemented a process of formal evaluation for individual Directors, the committees and the processes utilised by the Board itself. This is undertaken internally on an annual basis. In addition, externally facilitated evaluation of the Board is undertaken every three years. PSD takes an active interest in how QSix develops its employees and reviews QSix's Employee Survey results.

Table 13: Community Engagement

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator	Scope	Year 2020	Year 2019	% Change
COMMUNITIES	Comty-Eng	Percentage of assets	Community engagement, impact assessments and development programmes	Corporate Operations	**100**	100	0

Communities
As the owner of the buildings, PSD is responsible for the functionality and maintenance of all the building assets so that they comply with public safety obligations.

PSD is involved in activities affecting our tenants within all of our buildings and as part of our customer service, it is essential that we make it convenient for our tenants to contact us. Our tenants can contact us via our management agent's offices and a tenant hotline. We have a Vulnerable Tenant Policy and process in place which covers all of our Portfolio and provides support to tenants facing difficult situations. In addition to our Vulnerable Tenant Policy, the Company is aware of difficulties faced by all tenants in the light of the COVID-19 pandemic and has dealt with individual tenant difficulties sensitively on a case-by-case basis where required.

PSD does not conduct social and charitable activities on a building-by-building basis. Instead we take a strategic approach to supporting local Berlin charities through our Community Investment Policy. In 2020 and 2019 we supported a women's refuge (Interkulturelle Initiative e.V) which helps women and their children affected by domestic abuse. For more information on our approach, see the Communities section on page 29.

Table 14: Corporate Governance

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator	Scope	Year 2020	Year 2019	% Change
CORPORATE GOVERNANCE	Gov-Board	Total number	Composition of the highest governance body	Corporate Operations	**6**	5	1
			Executive	Corporate Operations	**0**	0	0
			Non executive	Corporate Operations	**6**	5	1
			Average Tenure of governing body (number of years)	Corporate Operations	**4.27**	4.56	-0.29
			Total number with competencies relating to environmental and social topics	Corporate Operations	**2**	2	0
	Gov-Selec	Narrative on process	Process for nominating and selecting the highest governance body	Corporate Operations	**See AR 2020 pages 56 to 57**	See AR 2019 pages 44 to 45	
	Gov-Col	Narrative on process	Process for managing conflicts of interest	Corporate Operations	**See AR 2020 page 46**	See AR 2019 page 39	N/A

At the end of 2020, there were six Non-executive Directors, four males and two females. During 2020, one Director (female) retired, and two new Directors (one female and one male) were appointed. This led to the average tenure of the Board reducing slightly in 2020. Two of the Board members have competencies relating to environmental and social topics from their experiences in working on other Boards. Monique O'Keefe is Chair of the Board's ESG Committee and Jonathan Thompson is Chair of the Audit Committee. More information on composition and experience of the Board is detailed in the Corporate Governance section of the Annual Report on pages 44 to 45 and 56 to 57.

The Board engaged with an independent external recruitment company, Thomas & Dessain, to assist the Company with new director selection. The Directors considered the desired background and expertise in order to complement the skills already on the Board and the needs of the Company. A shortlist of candidates was then provided by Thomas & Dessain. The Directors met a number of these candidates, following which Antonia Burgess and Greg Branch were appointed to the Board. The independence of Directors was one of the considerations.

The Board has a process in place for dealing with conflicts of interests which is detailed on page 46 of this Annual Report.

Principal Risks and Uncertainties

Key:
- Increasing
- Unchanged
- Decreasing

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

Risk	Impact	Mitigation
Legal risk	Failing to comply with current laws and regulations in Germany, the UK and Jersey, as well as proposed changes to laws, and failing to implement changes in policies and procedures to take into account new laws could lead to financial penalties and/or loss of reputation of the Company.	The Property Advisor regularly monitors the impact that existing and proposed laws or regulation could have on future rental values and property planning applications. The Company has appointed legal advisors in Jersey, the UK and Germany who advise of any relevant changes in legal requirements and are periodically invited to Board meetings to report any changes. The Company recently underwent a detailed review of its structure, carried out by EY to ensure it was working within the confines of the law and regulations of Jersey.
Tenant/Letting and Political risk	Property laws remain under constant review by the 'Red-Red-Green' coalition government in Berlin and changes to property regulation and rent controls for all tenancies have negatively affected rental values in 2020. The most recent tenant law changes involve the Mietendeckel rent cap, which was passed into law in February 2020. The Company's response to this and the legal situation regarding appeals to the German Constitutional Court are set out in pages 12 to 13 of this Annual Report. The German Federal Elections are due to be held in September 2021. Currently, there is a 'Grand Coalition' led by Angela Merkel between the CDU and the SPD which has been in power since the previous Federal Elections in 2017. Any change in the Federal Government make up could lead to changes in the current regulations around tax, compliance and tenant law.	The Property Advisor regularly monitors the impact that existing and proposed laws or regulations could have on future rental values and property planning applications. The Property Advisor feels that the Company has a flexible enough business model to adapt to new regulations caused by a change in Government. The Company has sought independent legal advice regarding the Mietendeckel and has been advised that the legislation is likely to be found unconstitutional and illegal and should be successfully challenged in the courts of law in the first half of 2021. The Company set out last year how it intends to adapt its strategy during the period in which the Mietendeckel remains in law to mitigate any short-term impact on the Portfolio. These measures, together with the financial impact in 2020 are summarised on pages 12 to 13.
Market risk	Economic, political, fiscal and legal issues can have a negative effect on property valuations. A decline in Group property valuations could negatively impact the ability of the Group to sell properties within the Portfolio at valuations which satisfy the Group's investment objective. COVID-19 remains prevalent in Germany and potential restrictions to work and assembly have the possibility of negatively impacting the Company's operations and tenants' ability to pay rents as they fall due.	Although the Board and Property Advisor cannot control external macro-economic risks, economic indicators are constantly monitored by both the Board and Property Advisor and Company strategy is tailored accordingly. The effects of COVID-19 on the Company's operations and finances have been limited, with strong rent collection during 2020. Its outsourced service providers have also managed to continue operating with limited disruption. The Company does not anticipate potential further disruption negatively impacting its operations in 2021 but will continue to monitor the situation. The German Federal Government is currently considering introducing new laws which would allow States to block the partitioning of apartment blocks into condominiums. The Berlin Government is likely also to adopt this stance should the proposals proceed into law. This would likely be a net positive for the Company since the supply of condominiums would be materially reduced, increasing the value of the stock of over 1,700 split units owned by the Company.

Risk	Impact	Mitigation
Financial risk	A fall in revenues could result in the Group breaching financial covenants of a lender, and also lead to the inability to repay any debt and related borrowing costs. A fall in revenue or asset values could also lead to the Company being unable to maintain dividend payments to investors.	The Group took on new covenants when signing the €240 million debt with NATIXIS; Interest coverage ratio ('ICR'), debt yield, and loan-to-value covenants. Only the debt yield and ICR covenants are 'hard' covenants resulting in an event of default in case of breach. The loan-to-value covenant is a cash trap covenant alone, with no event of default. The Company carried out extensive sensitivity analysis prior to signing these covenants and even in the most stressed Mietendeckel rent scenarios, no covenants were breached. The Company's debt with Berliner Sparkasse contains annual reporting rental requirements but does not contain any specific covenants. The Property Advisor continues to model its expected revenues and covenant levels, and these are reported to the Board as part of its viability assessment which can be seen on pages 48 to 49. At no point in the three-year projection process were any covenants projected to be breached. Furthermore, these projections also did not anticipate any reduction in the dividend to meet other requirements. In the event that rent levels or property values were to fall to a point where the covenants were in danger of being affected, the Company would use its surplus cash flow and cash reserves to pay down the debt balances to rectify the situation. At the most recent covenant test date, in January 2021, all covenants were cleared.
Outsourcing risk	The Group's future performance depends on the success of its outsourced third-party suppliers, particularly the Property Advisor, QSix, but also its outsourced property management, IFRS and German GAAP accountants, and its administrative functions. The departure of one or more key third-party providers may have an adverse effect on the performance of the Group.	Since the Company listed on the London Stock Exchange, the Property Advisor has expanded headcount through the recruitment of several additional experienced London and Berlin-based personnel. Additionally, senior Property Advisor personnel and their families retain a stake in the Group, aligning their interests with other key stakeholders. In November 2018, the Company announced that it had signed a new Property Advisor agreement with QSix, committing the Property Advisor to the Company for the foreseeable future. The key third parties responsible for property management, accounting and administration are continually monitored by the Property Advisor, and also have to provide responses annually to a Board assessment questionnaire regarding their internal controls and performance. These questionnaires are reviewed annually by the Board.
IT and Cyber Security risk	The Company is dependent on network and information systems of various service providers – mainly the Property Advisor, Property Manager and Administrator, and is therefore exposed to cyber-crimes and loss of data. As cyber-crime remains prevalent across Europe, this is considered a significant risk by the Group. A breach could lead to the illegal access of commercially sensitive information and the potential to impact investor, supplier and tenant confidentiality and to disrupt the business of the Company.	Review of IT systems and infrastructure in place to ensure these are as robust as possible. Service providers are required to report to the Board on request, and at least annually via the Board questionnaires, on their financial controls and procedures. A detailed review of all IT processes led to the introduction of new invoice payment software, as well as introducing new IT and Communication platforms to ensure all communications are carried out in a secure environment. Service providers are also required to hold detailed risk and controls registers regarding their IT systems. The Board reviews service organisations' IT reports as part of Board meetings each year.
Lack of Investment opportunity	Availability of potential investments which meet the Company's investment objective can be negatively affected by supply and demand dynamics within the market for German residential property and the state of the German economy and financial markets more generally.	The Property Advisor has been active in the German residential property market since 2006. It has specialised acquisition personnel and an extensive network of industry contacts including property agents, industry consultants and the principals of other investment funds. It is expected that future acquisitions will be sourced from these channels. While the market in Berlin is currently challenging due to the recently introduced Mietendeckel, the Property Advisor believes that this will create other opportunities, including densification projects within the current Portfolio and acquiring in the suburbs of Berlin, outside the scope of the Mietendeckel, where the growth potential is more promising.

Board of Directors

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

Robert Hingley

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

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

Quentin Spicer

Non-executive Director

Quentin, a Guernsey resident, qualified as a Solicitor in England and Wales in 1968 with Wedlake Bell in London, where he became head of the Property department. He moved to Guernsey in 1996 to become Senior Partner of Wedlake Bell Guernsey until retiring in 2011. He specialised in commercial property transactions including funding for non-UK tax residents and associated low tax jurisdiction structures. He was Chairman of F&C UK Real Estate Investments Limited, standing down in November 2015. He is currently Chairman of Alternative Liquidity Fund Limited, an LSE listed company; he was also Chairman of Guernsey Housing Association LBG, standing down in June 2017; and is a Non-executive Director of a number of other funds including Summit Properties Limited. He is a member of the Institute of Directors. Quentin was appointed to the Board on 2 April 2007.

Jonathan Thompson

Independent Non-executive Director and Chair of the Audit Committee

Jonathan, a UK resident, is a Chartered Accountant and spent 33 years with KPMG and is an honorary Fellow of the Royal Institute of Chartered Surveyors. He has extensive real estate and board-level experience currently holding the Non-executive Chairmanship of the Argent Group of investment and development businesses and is a Non-executive Director of Schroder European Real Estate Investment Trust Plc and is Chair of its audit committee. He is a former Non-executive Director of the South West London NHS Mental Health Trust and Strutt & Parker where he also chaired the remuneration committee. He was the 2017/18 Chair of the Investment Property Forum. Jonathan was appointed to the Board on 24 January 2018.

Monique O'Keefe

Independent Non-executive Director, Senior Independent Director, and Chair of the Environmental, Social and Governance Committee (previously the Corporate Social Responsibility Committee) and the Remuneration Committee

Monique, a Jersey resident, runs an investment consultancy business and sits on a number of boards including a private equity fund, a hedge fund, a solar energy company, a non-performing credit fund and a digital infrastructure company. She also serves as a Commissioner with the Jersey Financial Services Commission. Prior to moving to Jersey, Monique was an investment banker at Goldman Sachs and Merrill Lynch and a structured finance lawyer at Clifford Chance and Minter Ellison. Monique is regulated by the Jersey Financial Services Commission to act as a company director (Class G) and is registered with the Cayman Islands Monetary Authority. Monique was appointed to the Board on 17 April 2018.

Antonia Burgess

Independent Non-executive Director and Chair of the Risk Committee

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

Greg Branch

Independent Non-executive Director and Chair of the Property Valuation Committee

Greg is a Jersey resident independent Non-executive Director with over 30 years' experience working in the financial services and real estate sectors. He has considerable experience working with complex business structures and has a broad understanding of risk management and the valuation of unlisted assets. Greg received a Bachelor of Science in monetary economics, is ACA qualified and was previously Senior Partner at Deloitte LLP in Jersey. He holds a number of Non-executive roles, including with Royal Bank of Scotland International Limited and Saltgate Limited. Greg was appointed to the Board on 1 September 2020.

Directors' Report

The Directors are pleased to present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2020.

Corporate Governance

The Corporate Governance Statement on pages 50 to 57 forms part of this Directors' Report, which, together with the Strategic Report set out on pages 1 to 43 form the management report for the purposes of Disclosure and Transparency Rule 4.1.5R.

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

General information

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

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

Dividends

The Directors have declared a further dividend of 5.15 cents (€) (2019: 5.15 cents (€)) per Ordinary Share for the period 1 July 2020 to 31 December 2020 to be paid on or around 7 June 2021 to ordinary shareholders on the register on 14 May 2021.

The Directors declared a dividend of 5.15 cents (€) per Ordinary Share for the period 1 July 2019 to 31 December 2019, paid on 3 July 2020 to ordinary shareholders on the register on 12 June 2020 and a further dividend of 2.35 cents (€) per Ordinary Share for the period 1 January 2020 to 30 June 2020, paid on 16 October 2020 to ordinary shareholders on the register on 25 September 2020.

Directors

The Directors in office as at 31 December 2020, and subsequently, and their biographical details are shown on pages 44 to 45.

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

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

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

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

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

The Board believes that its procedures regarding conflicts of interest have operated effectively. At 31 December 2020, the interests of the Directors in the Ordinary Shares of the Company are as follows:

	31 December 2020 Number of shares	31 December 2019 Number of shares
Quentin Spicer	**39,600**	31,600
Robert Hingley	**5,150**	–
Jonathan Thompson	**7,337**	–

There has been no change to the interests of each Director between 31 December 2020 and the date of this report.

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

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

At the year end, the issued share capital of the Company comprised 100,751,410 Ordinary Shares of which 4,628,500 were held in treasury. At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held. At 31 December 2020, the total voting rights of the Company were 96,122,909, and as at the date of this report are 95,867,909, being the issued share capital minus shares held in treasury.

On 29 May 2020, the Company obtained shareholder approval permitting it to issue up to 10,075,141 Ordinary Shares for cash on a non-pre-emptive basis, representing 10% of the Ordinary Shares then in issue. The Directors are proposing that this shareholder approval be renewed at the forthcoming 2021 Annual General Meeting.

Share repurchases
Authority for the Company to repurchase up to 14.99% of its issued share capital is sought from shareholders at each Annual General Meeting, with the latest authority granted on 29 May 2020. The Company may hold any Ordinary Shares that it repurchases in treasury or cancel them, in accordance with the Company's Articles of Association and the Companies (Jersey) Law 1991.

In October 2019, the Company commenced the repurchase of up to 10% of its existing issued share capital. At 31 December 2020, 4,628,500 shares have been repurchased at an average price of £3.22 per share and an average discount to the prevailing EPRA NTA of 28%. At 31 December 2020, all the repurchased shares were held in treasury.

As at 26 March 2021, the Company repurchased a further 397,382 shares which are also held in treasury.

Holding the shares purchased in treasury gives the Company the ability to re-sell or transfer them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base.

Substantial shareholdings
At 31 December 2020, the Company had been informed of the following holdings representing more than 5% of the voting rights of the Company:

Name of holder	Percentage of voting rights	No. of Ordinary Shares
Bracebridge Capital	13.8%	13,259,275
Thames River Capital	13.3%	12,781,222
Degroof Petercam	5.4%	5,177,533
Goldman Sachs	5.1%	4,893,648

The following changes have been notified to the Company between 31 December 2020 and the date of this report:

Name of holder	Percentage of voting rights	No. of Ordinary Shares
Thames River Capital	12.68%	12,165,747
Hawksmoor Investment Management Ltd	5.35%	5,133,998
CG Asset Management	5.23%	5,020,567

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

Financial risk management
Details of the financial risk management objectives and policies adopted by the Directors, and the exposure of the Company to market, credit and liquidity risk can be found in note 3 to the consolidated financial statements.

Events after the reporting date
- The Company had exchanged contracts for the sale of 20 condominiums in Berlin with aggregated consideration of €7.4 million prior to the reporting date. The sale of these units subsequently completed in Q1 2021.
- In Q1 2021, the Company exchanged contracts for the sale of six condominiums in Berlin for the aggregate consideration of €2.2 million. The transactions for €0.6 million completed in Q1 2020 and €1.6 million are still awaiting completion.
- The Company continued with buying back its own shares. In Q1 2021, 397,382 PSD shares have been purchased back with average price paid of £3.20, a 33% discount to December 2020 EPRA NTA per share of £4.76.

Directors' Report continued

Auditor

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

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

Going concern

The Directors have reviewed cash flows for the period of 12 months from the date of signing using assumptions which the Directors consider to be appropriate to the current financial position of the Group with regard to revenues, its cost base, the Group's investments and borrowing and debt repayment plans. These projections show that the Group should be able to operate within the level of its current resources and expects to manage all debt covenants for a period of at least 12 months from the date of approval of the financial statements. The Group's going concern assumption is based on the outcome of a variety of scenarios that show the Group's ability to withstand the potential market disruption arising from events such as the Mietendeckel, and COVID-19. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes for managing its capital and its risks are set out in the Strategic Report and in notes 3 and 32 to the financial statements. After making enquiries and having regard to the FRC's Guidance for Companies on COVID-19 issued in December 2020, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and, therefore, continue to adopt the going concern basis in the preparation of the financial statements.

Viability Statement

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

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

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

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

In the event that the Mietendeckel is not reversed, the Group has estimated that it could have a material impact on its revenues as set out on page 13. The cash impact of this fall in revenues could be mitigated in full by reducing capital expenditure down to a level of essential maintenance only, to preserve the condition of the assets to required standards. Furthermore, as demonstrated in 2020, the Group could increase sales of condominiums over the forecast period to mitigate any falls in revenue.

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

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

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

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

Under these stressed assumptions used to assess viability, including the impact of COVID-19, the Group is projected to be able to manage all banking covenant obligations during the period using the available liquidity to reduce debt levels, as appropriate.

The projection of cash flows does not include the impact of further potential property acquisitions over the three-year period, as these acquisitions are discretionary in nature, though the cash flows do include the proposed condominium construction referred to on page 18. In this respect, the Directors complete a formal review of the working capital headroom of the Group for all material acquisitions.

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

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

On behalf of the Board

Robert Hingley
Chairman
26 March 2021

Corporate Governance Statement

Board Leadership and Purpose

This Corporate Governance Statement comprises pages 50 to 57 and forms part of the Directors' Report.

Introduction from the Chairman

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

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

The AIC Code

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

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

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

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

Board leadership, purpose and culture

At 31 December 2020, the Board comprised six Directors. Their biographical details are shown on pages 44 to 45. The Board considers all Directors, except Quentin Spicer, to be independent and that there are no relationships or circumstances that are likely to affect their independence. Quentin Spicer is considered non-independent by the Board due to his length of service exceeding nine years. Quentin is due to retire from the Board at the upcoming Annual General Meeting. Further details can be found in the Nomination Committee report on pages 52 to 55. The interests that some of the Directors hold in the Company, as set out on page 46 of this report, are not considered significant so as to bring their independence into question.

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

Within the Annual Report, the Directors have set out the Group's investment objective and policy, which as per the 2015 listing prospectus, is to deliver both stable income returns, as well as capital growth through investment in German real estate, centred on Berlin residential real estate. However, the Company's investment objective and policy is under review in response to the Mietendeckel, and the Company's response is set out on pages 12 to 21. The Directors have reported how the Board and its delegated committees operate and how the Directors consider and address the opportunities and risks to the future success of the Company, along with the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. The Board has approved a formal schedule of matters reserved for its approval which is available on the Company's website and upon request from the Company Secretary. The principal matters considered by the Board during the year included:

- the Mietendeckel;
- the interim and annual financial statements;
- declaration of interim dividends;
- share buy-backs;
- settlement of a put option in place for one of the Company's subsidiaries;
- appointment of new Non-executive Directors;
- a power of attorney delegating a number of administrative matters to the Property Advisor;
- refinancing; and
- recommendations from its committees.

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

Additionally, the Board continuously monitors its policies, practices and behaviours and undertakes a rigorous evaluation of its own performance and that of its key service providers on an annual basis to ensure their culture is aligned with the Company's purpose, values and strategy. Details on the Board evaluation and the annual service provider review can be found on pages 52 to 55 respectively. Where the Board is not satisfied, it will seek assurance from key service providers that management have taken corrective action.

Stakeholder engagement

Details of how the Directors have engaged with the Company's key stakeholders is set out in the Stakeholder Engagement section and Corporate Responsibility report within the Strategic Report on pages 22 to 31 respectively.

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Group. The Board receives feedback on the views of shareholders from its corporate broker and the Property Advisor. Through this process, the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Board seeks to utilise stakeholder communication to inform them of the decisions that the Company takes, whether about the products or services it provides, or about its strategic direction, its long-term health, and the society in which it operates. The Board agrees that stakeholder engagement strengthens the business and promotes its long-term success to the benefit of stakeholders and shareholders alike. As set out in more detail on pages 8 to 31 of the Strategic Report, during the period, the Company engaged with shareholders in relation to the change to the Company's strategy as a result of the Mietendeckel, the share buy-back programme and how the Company monitors its environmental impact.

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

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

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

2020 Annual General Meeting

The 2020 Annual General Meeting of the Company was held on 29 May 2020. Resolutions 1 to 10 related to ordinary business and resolutions 11 and 12 related to the following special business:

- to authorise the Company to make market purchases of up to 15,102,636 of its shares (representing approximately 14.99% of its issued share capital at the date of the AGM notice); and
- to authorise the Directors to issue up to 10,075,141 shares (representing approximately 10% of the Company's issued share capital at the date of the AGM notice) for cash as if the pre-emption rights contained in the Articles of Association did not apply.

All resolutions put to shareholders were passed with in excess of 98% of votes cast in favour.

2021 Annual General Meeting

The 2021 Annual General Meeting will be held on 8 June 2021 at the registered office of the Company: 12 Castle Street, St. Helier, Jersey JE2 3RT.

A separate notice convening the AGM will be distributed to shareholders and will include an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Corporate Governance Statement continued

Division of Responsibilities

Board and committee composition as at 31 December 2020

Board

- Robert Hingley (Chairman)
- Monique O'Keefe (Senior Independent Director)
- Jonathan Thompson
- Quentin Spicer
- Antonia Burgess
- Greg Branch

Committees

Audit

- Jonathan Thompson (Chair)
- Greg Branch
- Monique O'Keefe

Property Valuation

- Greg Branch (Chair)
- Jonathan Thompson
- Antonia Burgess

Risk

- Antonia Burgess (Chair)
- Jonathan Thompson
- Monique O'Keefe
- Greg Branch

Market Abuse Regulation

- Any two independent Non-executive Directors

ESG

- Monique O'Keefe (Chair)
- Antonia Burgess
- Greg Branch

Remuneration

- Monique O'Keefe (Chair)
- Greg Branch
- Antonia Burgess

Nomination

- Robert Hingley (Chair)
- Monique O'Keefe
- Antonia Burgess

At 31 December 2020, the Board comprised six Non-executive Directors. Their biographical details are on pages 44 to 45.

Changes to the composition of the committees during the year are described in the Nomination Committee report below.

Chairman and Senior Independent Director

The Chairman, Robert Hingley, is responsible for the leadership of the Board's business and setting its agenda, together with the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and that there is adequate time available for the discussion of agenda items at each Board meeting. The Chairman is deemed by his fellow Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. He has no significant commitments other than those disclosed in his biography on page 44.

Monique O'Keefe was appointed Senior Independent Director on 29 May 2020 following Charlotte Valeur's resignation from the Board. The Senior Independent Director works closely with the Chairman, acting as a sounding board when necessary and serves as an intermediary for the other Directors and shareholders, and takes the lead in the annual evaluation of the Chairman by the Directors.

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

Committees of the Board

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

Following the resignation of Charlotte Valeur at the Annual General Meeting held on 29 May 2020 and the subsequent appointments of Antonia Burgess and Greg Branch, the Board, on the recommendation of the Nomination and Remuneration Committee, felt it would be an appropriate time to revise committee compositions and as such the following changes to the committees were approved:

- the split of the Nomination and Remuneration Committee into two separate committees;
- the newly formed Nomination Committee comprise Robert Hingley (Chair), Monique O'Keefe and Antonia Burgess;
- the newly formed Remuneration Committee comprise Monique O'Keefe (Chair), Greg Branch and Antonia Burgess;
- the Management Engagement Committee be subsumed into the Board agenda;
- Antonia Burgess be appointed Chair of the Risk Committee and as a member of the Property Valuation Committee and the Environmental, Social and Governance Committee;
- Robert Hingley to step down as a member of the Property Valuation Committee and the Environmental, Social and Governance Committee;
- Monique O'Keefe to step down as a member of the Property Valuation Committee;
- Jonathan Thompson to step down as Chair of the Property Valuation Committee and as a member of the Environmental, Social and Governance Committee; and
- Greg Branch be appointed as Chair of the Property Valuation Committee and as a member of the Audit Committee, the Risk Committee, the Remuneration Committee and the Environmental, Social and Governance Committee.

Quentin Spicer is not a member of any Board committees due to his length of service exceeding nine years and the Board therefore considering him non-independent.

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

Property Valuation Committee

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

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

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

Environmental, Social and Governance ('ESG') Committee

In December 2020, the Corporate Social Responsibility Committee was renamed to the ESG Committee to align with the Company's adoption of EPRA's Sustainability Best Practices Recommendations.

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

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

The Board has appointed Good Values Limited as an independent ESG consultant to support the Company in implementing its ESG policy and strategy. Further details on the Company's ESG policy and strategy can be found in the Corporate Responsibility report on pages 22 to 31.

Management Engagement Committee

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

Post-year end, in March 2021, the Board independently evaluated the performance and services provided by the Property Advisor. This involved reviewing a questionnaire completed by the Property Advisor confirming it has sufficient controls, policies and procedures in place. The Board considered the questionnaire, the overall performance of the Property Advisor and the terms of the Property Advisory Agreement, as set out in note 27 to the financial statements, and based on the results, the continued appointment of the Property Advisor is considered to be in the best interests of the shareholders as a whole. It was approved by the Board that QSix Residential Limited be retained as Property Advisor under the terms of the agreement set out in note 27 to the financial statements.

In addition, the continued engagement of all third-party service providers whom the Board independently evaluates was approved by the Board.

Risk Committee

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

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

During the year, the Committee reviewed reports from the Company's service providers in respect of their policies on the prevention of market abuse, cyber-crime, anti-bribery, General Data Protection Regulation ('GDPR'), whistleblowing and their compliance with the Criminal Finances Act 2017.

Corporate Governance Statement continued

Division of Responsibilities

The Committee is also responsible for oversight and advice to the Board on the current risk exposures and future risk strategy of the Group. The Company has in place a risk register to manage and track identified risks and uncertainties and potential emerging risks that the Committee believes the Company is exposed to. For each risk, the Committee considers, inter alia, their impact on the Company achieving its investment policy along with the nature and extent of the risk, their mitigants and any driving factors which may increase the risk.

The level of residual risk determined as part of this analysis assists the Board (on the Risk Committee's recommendation) to determine whether it is within the Company's appetite and any actions needed to be taken. The register is reviewed at least twice a year by the Committee and serves as a useful component in tracking the principal and emerging risks of the Company.

During the year, the Committee carried out a robust assessment of the principal risks, emerging risks and principal uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The result of this review, the potential impact of each type of risk identified and the mitigants put in place are set out in the Principal Risks and Uncertainties section of the Annual Report on pages 42 to 43.

The Committee also reviewed the appropriateness of risk-related matters in the Annual Report and financial statements.

Audit Committee

The membership and activities of the Audit Committee are described in its report on pages 58 to 60.

Nomination Committee

The membership and activities of the Nomination Committee are described in this report on pages 52 to 57.

Remuneration Committee

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

Further details about the Remuneration Committee and remuneration matters are set out in the Directors' Remuneration Report on pages 52 to 57.

Market Abuse Regulation Committee

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

Board and committee meetings

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

The table below sets out the number of scheduled meetings of the Board and committees held during the year ended 31 December 2020 and the attendance of individual Directors.

	Quarterly Board		Audit		Risk	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	4	4	–	–	–	–
Q Spicer	4	4	–	–	–	–
J Thompson	4	4	5	5	5	5
C Valeur[1]	2	2	3	2	3	3
M O'Keefe	4	4	5	5	5	5
A Burgess[2]	2	2	2	2	2	2
G Branch[2]	2	2	–	–	1	1

	Property Valuation		Nomination and Remuneration		Environmental, Social and Governance	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	2	2	3	3	2	2
Q Spicer	–	–	–	–	–	–
J Thompson	2	2	3	3	2	2
C Valeur[1]	2	2	2	2	1	1
M O'Keefe	2	2	3	3	2	2
A Burgess[2]	–	–	1	1	1	1
G Branch[2]	–	–	–	–	1	1

1 Charlotte Valeur resigned from the Board at the Annual General Meeting held on 29 May 2020.
2 Antonia Burgess and Greg Branch were appointed to the Board on 12 August 2020 and 1 September 2020, respectively.

During the year, 11 additional Board meetings were held supplemental to the meetings set out above. These meetings were in respect of refinancing debt, the approval and execution of engagement letters and powers of attorney, share buy-backs, the approval of the annual accounts and committee recommendations. Additionally, the Company's Jersey registered subsidiaries, detailed in note 16 to the financial statements, held 84 Board meetings during the year. As at 31 December 2020, the Directors of these subsidiaries are Monique O'Keefe, Quentin Spicer, Antonia Burgess and Greg Branch.

Information and support for Directors

The Chairman, in conjunction with the Company Secretary, ensures that all new Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Group's activities and structure. An induction pack is provided to new Directors containing relevant information about the Company, its constitutional documents, terms of reference, policies, processes and procedures.

New Directors are also provided with an opportunity to observe a Board meeting before their appointment and meet representatives of the Property Advisor and Administrator of the Company.

The Board has a continued professional development programme to assist the Directors to comply with mandatory requirements set by the Jersey Financial Services Commission. This programme entails the Company's service providers presenting to the Directors on key topics such as:

- Directors' continuing obligations under the Listing Rules;
- economic substance;
- the Criminal Finances Act;
- GDPR and cyber security;
- Jersey anti-money laundering and combating the financing of terrorism legislation; and
- German residential law and regulation.

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

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

Company Secretary

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

Corporate Governance Statement continued

Composition, Succession and Evaluation

Nomination Committee report
As mentioned previously, the Nomination and Remuneration Committee was split into two separate committees in September 2020.

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

Composition
The Nomination Committee is chaired by Robert Hingley with Monique O'Keefe and Antonia Burgess as members, all of whom are considered independent. The Board is satisfied that the Chair of the Committee has relevant experience and understanding of the Company. Robert Hingley does not chair the Committee when it is dealing with his succession.

Diversity
As at the year-end there were six Directors, four of whom are male and two are female. The Board has adopted a diversity policy which sets out the Board's approach to diversity in Board composition confirming that all appointments of directors are made on merit, regardless of gender, ethnicity or disability, taking account of the specific skills, experience, independence and knowledge needed to ensure a balanced Board and the benefits each candidate can bring to overall Board composition.

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

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

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

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

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

Directors' attendance at all Board and committee meetings held during the year is detailed on pages 54 to 55.

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

Board evaluation
Pursuant to the AIC Code, all FTSE 350 companies should conduct an external Board evaluation at least every three years. Although the Company is not a FTSE 350 company, the Board believes it is best practice for the Company to follow this provision. In the intervening years, internal performance evaluations are carried out by the means of questionnaires. The aim of the evaluation is to recognise the strengths, address any weaknesses and consider improvements to the Board process. The evaluation is designed to ensure that the Board meets its objectives and effectiveness is maximised.

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

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

During the year, the Directors considered the results of the internal performance evaluations in respect of the year ended 31 December 2019 and the following actions were recommended to, and subsequently approved by the Board:
- introduction of a continued professional development programme to assist the Directors in complying with mandatory requirements set by the Jersey Financial Services Commission;
- Nomination and Remuneration Committee to be split into two separate committees;
- with the assistance of the Property Advisor, develop a shareholder engagement plan for the Directors;
- link the Annual General Meeting with the annual shareholder presentation from the Property Advisor;
- proceed with the delegation of a number of administrative matters to the Property Advisor; and
- implement an annual schedule of meetings with key service providers, including, but not limited to, the Valuation Agent, lawyers (German, English and Jersey), the corporate broker and the auditor.

The shareholder engagement plan, the link between the Annual General Meeting and the annual shareholder presentation and the annual schedule of face-to-face meetings with key service providers were put on hold as a result of travel restrictions caused by the COVID-19 pandemic, and was resumed virtually. All other actions were implemented during the year.

Re-election

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

Quentin Spicer, who has been a Director of the Company since 2 April 2007, will retire from the Board following the 2021 Annual General Meeting. During 2020, the Board engaged an independent external recruitment company, Thomas & Dessain Executive Recruitment to assist it with seeking a replacement for Quentin and Charlotte Valeur who resigned at the Annual General Meeting on 29 May 2020.

The Directors considered the desired background and expertise in order to complement the skills already on the Board and a shortlist of candidates was then provided by Thomas & Dessain. The Directors met with a number of these candidates, following which Antonia Burgess and Greg Branch were appointed to the Board.

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

Audit, risk and internal control

The Company's approach to compliance with the AIC Code in respect of audit is set out in the Audit Committee report on pages 58 to 60.

The Company's approach to compliance with the AIC Code in respect of risk and internal control is described under 'Division of Responsibilities, Risk Committee' on pages 50 to 55.

Remuneration

The Company's approach to compliance with the AIC Code in respect of remuneration is set out in the Directors' Remuneration Report on pages 61 to 63.

Audit Committee Report

Audit, Risk and Internal Control

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

Composition of the Audit Committee

The Audit Committee is chaired by Jonathan Thompson with Greg Branch and Monique O'Keefe as members. Jonathan was appointed Chair of the Committee upon his appointment to the Board on 24 January 2018, Monique became a member upon her appointment to the Board on 17 April 2018 and Greg became a member on 14 September 2020. The qualifications and experience of the members of the Audit Committee during the financial year are set out in their biographical details on pages 44 to 45. The Board considers that the Committee Chair, a chartered accountant, has recent and relevant experience as required by the provisions of the AIC Code.

Meetings

The Audit Committee is scheduled to meet no less than three times a year and, if required, meetings can also be attended by the Property Advisor, the Company Secretary and the external auditor. The external auditor is not present when their performance and/or remuneration is discussed. The number of Committee meetings held and attendance of the members are detailed on pages 54 to 55.

Summary of the role of the Audit Committee

The Audit Committee is responsible for reviewing the half-year and annual financial statements and recommends them to the Board for approval. The role of the Audit Committee includes:

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

For the year ended 31 December 2020, the Committee reviewed the following additional risks and considered their impact on the financial statements:

- the continuing Government response to the COVID-19 pandemic and its effects on the Company as well as its third-party service providers; and
- the Mietendeckel legislation and its effect on the revenues of the Company should it either remain in force or be declared unconstitutional.

For these two additional risks the Audit Committee has reviewed the potential impact, as well as the mitigations as set out in the Principal Risks on pages 42 to 43 and considers the impact of these two to have been sufficiently considered as part of the Viability Statement declaration on pages 48 to 49.

The Environmental, Social and Governance Committee has responsibility for deciding upon which environmental guidelines to follow and report against and the Audit Committee oversees how this is reported upon in the Annual Report and financial statements.

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

Financial reporting

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

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

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

Significant issues related to the financial statements

After discussions with the Property Advisor and the external auditor, the Committee determined that the key risk of material misstatement of the Company's financial statements was in relation to the valuation of investment property.

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

Settlement of Property Advisor performance fee	Mitigation
A significant focus for the Audit Committee is the settlement of the performance fee to the Property Advisor, which is due for settlement after the completion of its three-year cycle at the end of 2020. It is material by nature of being due to a related party, its size, and its effect on the financial statements.	The Group has appointed RSM UK Audit LLP as external auditor who will validate that the performance fee calculation agrees with the mechanisms in the Property Advisor Agreement prior to any issue of shares. As set out in the Property Advisor Agreement signed in 2018, the performance fee is to be settled by the issuance of new shares in the Company, allowing cash reserves to be used to further the investment objectives of the Company.

External audit

Assessing the effectiveness of the external audit process

The Audit Committee reviews the effectiveness of the external audit carried out by the auditor on an annual basis, considering performance, objectivity, independence, relevant experience and materiality. To assess the effectiveness of the external auditor, the Committee considered:

- the external auditor's fulfilment of the agreed audit plan and variations from it, if any;
- the external auditor's report to the Committee highlighting any issues that arose during the course of the audit; and
- feedback from the Property Advisor, accountants and the Administrator evaluating the performance of the audit team.

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

The Chair of the Committee maintained regular contact with the Company's audit partner throughout the year and also prior to the finalisation of the audit of the 2020 annual financial statements, without the Property Advisor present, to discuss how the external audit was carried out, the findings from the audit and whether any issues had arisen from the auditor's interaction with the Company's various service providers.

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

The Committee met with the external auditor at the beginning of 2021 to review, challenge and agree their audit plan, and again in March 2021 to discuss their audit report and opinion, after the conclusion of the audit.

Audit and non-audit fees

The following table summarises the remuneration paid to RSM UK Audit LLP for audit and non-audit related services during the year ended 31 December 2020:

	31 December 2020	31 December 2019
Audit fees		
Annual audit of the Company	**£177,000**	£189,650
Non-audit fees		
Agreed open procedures – half-yearly report	**£25,000**	£25,000
Additional agreed upon procedures[1]	**£10,000**	£15,000
Total	**£212,000**	**£229,650**

1 The 2019 agreed upon procedures completed in the year related to checking the calculation of the payment due for the redemption liability.

Audit Committee Report continued

Audit, Risk and Internal Control

During the year, the Company engaged the external auditor to report on the calculation of the Property Advisor's performance fee. This non-audit service assisted with the objectives of the audit and therefore, is in line with the Group policy on the provision of non-audit services by the auditor, detailed below.

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

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

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

Following consideration of the performance of the auditor, the services provided during the year and a review of its independence and objectivity, the Audit Committee has concluded that the audit was effective and has recommended to the Board the reappointment of RSM UK Audit LLP as auditor of the Company.

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

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

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

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

Risk management and internal control
Details of how the Risk Committee oversees and advises the Board on the current risk assessment processes is set out on page 53 and its assessment of the principal and emerging risks is set out on pages 42 to 43.

Jonathan Thompson
Chair of the Audit Committee
26 March 2021

Directors' Remuneration Report

Remuneration

Statement from the Chair of the Remuneration Committee

As set out on page 52 of the Corporate Governance Statement, the Remuneration Committee comprises Monique O'Keefe (Chair), Antonia Burgess and Greg Branch. The Committee is responsible for setting the Directors' remuneration levels, including in respect of the Chairman, with consideration of the following:

- levels of Directors' remuneration should reflect the time commitment and responsibilities of the role;
- Non-executive Directors' remuneration should not include share options or other performance-related elements;
- careful consideration should be given to what compensation commitments entail in the event of early termination of a Director's appointment;
- notice of contract periods should be set at one year or less;
- no Director should be involved in deciding his or her own remuneration;
- consideration of remuneration in other companies of comparable scale and complexity; and
- independent judgement and discretion should be exercised when authorising remuneration outcomes, taking account of Company and individual performance and wider circumstances.

The Committee reviews Directors' fees on an annual basis. In the year under review, no changes were proposed by the Committee.

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

The Directors' Remuneration Report provides details on remuneration in the year. Although it is not a requirement under Companies (Jersey) Law 1991 to have the Directors' Remuneration Report or the Directors' Remuneration Policy approved by shareholders, the Board believes that as a company whose shares are listed on the London Stock Exchange, it is good practice for it to do so. The Directors' Remuneration Policy will be put to shareholder vote at least once every three years and in any year if there is to be a change in the Directors' Remuneration Policy. The Directors' Remuneration Policy was approved by shareholders in 2020 and as there will be no change in the way in which the policy will be implemented during the course of the next financial year, there is no requirement for it to be put to shareholders at this year's AGM.

A resolution will be put to shareholders at the forthcoming AGM to be held on 8 June 2021 to receive and approve the Directors' Remuneration Report.

This report is not subject to audit.

Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 31 December 2019 and the Directors' Remuneration Policy were approved by shareholders at the AGM held on 29 May 2020. The votes cast by proxy were as follows:

	Directors' Remuneration Report		Directors' Remuneration Policy	
	Number of votes cast	% of votes cast	Number of votes cast	% of votes cast
For	50,583,140	99.85%	50,062,099	98.82%
Against	72,441	0.14%	591,282	1.17%
At Chairman's discretion	2,500	0.01%	2,500	0.01%
Total votes cast	50,658,081	100%	50,655,881	100%
Number of votes withheld	5,000	–	7,200	–

Directors' Remuneration Report continued

Remuneration

The fees paid to the Directors for the year ended 31 December 2020 (and prior year) are set out below:

Audited	2020			2019		
	Director's fee £	Expenses £	Total* £	Director's fee £	Expenses £	Total* £
R Hingley	**50,000**	**95**	**50,095**	50,000	1,427	51,427
M O'Keefe	**40,000**	**652**	**40,652**	40,000	249	40,249
Q Spicer	**40,000**	**–**	**40,000**	40,000	485	40,485
C Valeur**	**16,329**	**–**	**16,329**	40,000	71	40,071
J Thompson	**45,000**	**255**	**45,255**	45,000	2,373	47,373
A Burgess**	**15,452**	**–**	**15,452**	–	–	–
G Branch**	**13,260**	**–**	**13,260**	–	–	–
Total	**220,041**	**1,002**	**221,043**	215,000	4,605	219,605

* Total Director fees for 2019 and 2020 in the table above reconciles to the Directors' fees in note 8 to the financial statements when converted from Euro to Sterling at an average rate of EUR/GBP 1.119 and 1.109 respectively.

** Charlotte Valeur resigned from the Board at the Annual General Meeting on 29 May 2020 and Antonia Burgess and Greg Branch were appointed to the Board on 12 August 2020 and 1 September 2020, respectively.

Relative importance to spend on pay

The table below sets out, in respect of the year ended 31 December 2020:

a) the remuneration paid to the Directors; and

b) the distributions made to shareholders by way of dividend.

	31 December 2020 £'000	31 December 2019 £'000	Change %
Directors' remuneration	**221**	220	0.7
Dividends paid to shareholders	**3**	2	47

Directors' interests

There is no requirement under the Company's Articles of Association for the Directors to hold shares in the Company. At 31 December 2020, the interest of the Directors in the Ordinary Shares of the Company are set out below:

	31 December 2020	31 December 2019
Quentin Spicer	**39,600**	31,600
Robert Hingley	**5,150**	–
Jonathan Thompson	**7,337**	–

There have been no changes to the interests between 31 December 2020 and the date of this report.

Remuneration policy

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

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

The Company's policy, designed to support strategy and promote long-term sustainable success of the Company, is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Group properly and to reflect its specific circumstances. There were no changes to the policy during the year and it is intended that this policy will continue to apply for the year ending 31 December 2021.

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

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

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

Directors' fee levels

The Board has set three levels of fees: one for the Chairman, one for the Directors, and an additional fee that is paid to the Director who chairs the Audit Committee. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed will be determined on the same basis. The basic and additional fees payable to Directors in respect of the year ended 31 December 2020 and the expected fees payable in respect of the year ending 31 December 2021 are set out in the table below:

	Expected annual fees for the year to 31 December 2021 £	Annual fees for the year to 31 December 2020 £
Chairman	**50,000**	50,000
Chair of the Audit Committee	**45,000**	45,000
Non-executive Directors	**40,000**	40,000

Approval

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

Monique O'Keefe
Chair of the Remuneration Committee
26 March 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group financial statements in accordance with applicable law and regulations.

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

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

In preparing the Group financial statements, the Directors should:
a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 44 to 45 confirm that, to the best of each person's knowledge:
a) the Group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit of the Company and the undertakings included in the consolidation taken as a whole;
b) the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal and emerging risks and uncertainties that they face; and
c) The Annual Report and Group financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Approval

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

Monique O'Keefe
Chair of the Remuneration Committee
26 March 2021

Independent Auditor's Report

to the Members of Phoenix Spree Deutschland Limited

Opinion

We have audited the financial statements of Phoenix Spree Deutschland Limited and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and, Article 4 of the IAS regulations.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

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

Summary of our audit approach

Key audit matters	Valuation of investment property
Materiality	Overall materiality: €7,680,000 (2019: €7,300,000) Performance materiality: €5,760,000 (2019: €5,470,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before taxation

Key audit matters

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

Independent Auditor's Report continued

to the Members of Phoenix Spree Deutschland Limited

Valuation of investment properties held by the Group

Key audit matter description	The Group owns a Portfolio of residential and commercial investment properties. The total value of the Portfolio reported in the financial statements at 31 December 2020 was €768.3 million (2019: €730.2 million), including properties designated as held for sale. These properties are all in Germany and predominately in Berlin. The accounting policy in respect of investment properties is to hold them at fair value in the financial statements, and to recognise the movement in the value in the accounting period in the Income Statement. The Group has appointed an independent valuation expert ('the valuer') in determining the fair value of the investment properties at 31 December 2020. The valuation of investment properties involves the use of assumptions and judgements and the Group's approach to the risks associated with valuation of investment properties is detailed in the Audit Committee report on pages 58 to 60; the significant accounting judgements and estimates on page 82; significant accounting policies on pages 76 to 80 and notes 17 and 18 to the financial statements on pages 86 to 89. The audit risk relating to the valuation of investment properties at the year-end date is considered to be one of most significance in the audit and was therefore determined to be a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity of the valuation process. The valuation could also be materially impacted by the judgements and assumptions made in relation to the impact on the valuation of the Berlin rent cap legislation (the 'Mietendeckel') which has come into force during the year.
How the matter was addressed in the audit	We audited the valuation of investment properties, the accounting treatment and disclosures in the financial statements. Our audit work included: • Assessing the valuer's qualifications, expertise and terms of engagement and assessing their independence and objectivity. • Auditing on a sample basis the inputs provided by the Property Advisor to the valuer and checking that these were consistent with the underlying accounting records. • Assessing the challenge provided by the Valuation Committee of the Board to the valuation. • Obtaining a confirmation and land registry documents from the Company's solicitors to confirm the existence and ownership of a sample of properties. • Identifying the largest properties by value, and the properties where there were unusual movements in value compared to the average or the previous year and discussing and challenging the valuation of these properties with the valuer, as well as obtaining evidence to support the explanations received. • Challenging the valuer on the appropriateness of key assumptions in the valuation, including specific discussion of increases in value outside of an average range, reductions in property values, uplifts for condominiumisation and densification. • Discussing the impact of the Mietendeckel rent legislation on property valuations with the Property Advisor and the valuer. • Engaging an independent auditor's expert to assist us in challenging assumptions made by the valuer in respect of the Berlin property market.
Key observations	Disclosure of the impact of the key judgements and estimates applied in respect of the valuation of investment properties are disclosed in note 17 to the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.

Our application of materiality

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

Overall materiality	€7,680,000 (2019: €7,300,000)
Basis for determining overall materiality	1% of property valuation
Rationale for benchmark applied	We determined that key users of the Group's financial statements are primarily focused on the valuation of the Group's investment properties
Performance materiality	€5,760,000 (2019: €5,4470,000)

Basis for determining performance materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of €190,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds

An overview of the scope of our audit
Our audit scope covered 100% of Group revenue, Group profit and total Group assets and was performed to the materiality levels set out above.

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

Other information
The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:
- proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- we have failed to receive all the information and explanations which, to the bast of our knowledge and belief, was necessary for our audit.

Corporate Governance Statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the AIC Code of Corporate Governance specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:
- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 48;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why this period is appropriate set out on pages 48 to 49;
- Directors' statement on fair, balanced and understandable set out on page 64;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 64;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 53 to 54; and
- the section describing the work of the Audit Committee set out on pages 58 to 60.

Responsibilities of Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 64, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent Auditor's Report continued

to the Members of Phoenix Spree Deutschland Limited

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

The most significant laws and regulations were determined as follows:

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

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

The period of total uninterrupted consecutive appointment is seven years, covering the years ending 31 December 2014 to 31 December 2020.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Graham Ricketts
For and on behalf of RSM UK Audit LLP
Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
26 March 2021

Independent Auditor’s Report continued

to the Members of Phoenix Spree Deutschland Limited

Appendix 1: Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

Continuing operations	Notes	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Revenue	6	**23,899**	22,600
Property expenses	7	**(16,437)**	(14,196)
Gross profit		**7,462**	8,404
Administrative expenses	8	**(3,263)**	(3,103)
Gain on disposal of investment property (including investment property held for sale)	10	**2,178**	858
Investment property fair value gain	11	**41,458**	41,491
Performance fee due to Property Advisor	27	**439**	(2,798)
Separately disclosed items	12	**–**	(278)
Operating profit		**48,274**	44,574
Net finance charge	13	**(10,417)**	(16,013)
Profit before taxation		**37,857**	28,561
Income tax expense	14	**(7,550)**	(5,817)
Profit after taxation		**30,307**	22,744
Other comprehensive income		**–**	–
Total comprehensive income for the year		**30,307**	22,744
Total comprehensive income attributable to:			
Owners of the parent		**29,788**	22,293
Non-controlling interests		**519**	451
		30,307	22,744
Earnings per share attributable to the owners of the parent:			
From continuing operations			
Basic (€)	30	**0.31**	0.22
Diluted (€)	30	**0.30**	0.22

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
ASSETS			
Non-current assets			
Investment properties	17	**749,008**	719,521
Property, plant and equipment	19	**42**	54
Other financial assets at amortised cost	20	**901**	876
Deferred tax asset	14	**2,880**	2,529
		752,831	722,980
Current assets			
Investment properties – held for sale	18	**19,302**	10,639
Other financial assets at amortised cost	20	**–**	1,590
Trade and other receivables	21	**8,414**	7,937
Cash and cash equivalents	22	**36,996**	42,414
		64,712	62,580
Total assets		**817,543**	785,560
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	23	**1,018**	17,752
Trade and other payables	24	**9,018**	7,236
Other financial liabilities	26	**–**	6,951
Current tax	14	**550**	1,413
		10,586	33,352
Non-current liabilities			
Borrowings	23	**286,531**	258,502
Derivative financial instruments	25	**18,197**	15,979
Deferred tax liability	14	**68,273**	60,825
		373,001	335,306
Total liabilities		**383,587**	368,658
Equity			
Stated capital	28	**196,578**	196,578
Treasury shares	28	**(17,206)**	(11,354)
Share-based payment reserve	27	**6,369**	6,808
Retained earnings		**244,685**	221,859
Equity attributable to owners of the parent		**430,426**	413,891
Non-controlling interest	29	**3,530**	3,011
Total equity		**433,956**	416,902
Total equity and liabilities		**817,543**	785,560

The consolidated financial statements on pages 71 to 100 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Monique O'Keefe
Director
26 March 2021

Quentin Spicer
Director
26 March 2021

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

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

Reconciliation of Net Cash Flow to Movement in Debt

For the year ended 31 December 2020

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
Cash flow from increase in debt financing	**11,155**	64,562
Non-cash changes from increase in debt financing	**140**	16,418
Change in net debt resulting from cash flows	**11,295**	80,980
Movement in debt in the year	**11,295**	80,980
Debt at the start of the year	**276,254**	195,274
Debt at the end of the year	**287,549**	276,254

Notes to the Financial Statements

For the year ended 31 December 2020

1. General information

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

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

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

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of preparation

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

The consolidated financial statements are presented to the nearest €1,000.

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2020.

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

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

2.2 Going concern

The Directors have prepared projections for the 12 months from the signing of this report. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base and the Group's investments, borrowing and debt repayment plans and show that the Group should be able to operate within the level of its current resources and expects to comply with all covenants for the foreseeable future. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes from managing its capital and its risks are set out in the Strategic Report and in notes 3 and 32. After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has considered the current economic environment and the impact of the COVID-19 pandemic in its going concern assessment, including the Mietendeckel rent caps alongside the Company's principal risks, further information can be found in the Viability Statement on pages 48 to 49. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.3 Basis of consolidation

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

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

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

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

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

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

2.5 Foreign currencies
a) Functional and presentation currency
The currency of the primary economic environment in which the Group operates ('the functional currency') is the Euro (€). The presentational currency of the consolidated financial statements is also the Euro (€).

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in the Consolidated Statement of Comprehensive Income.

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

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

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

2.8 Administrative and property expenses
All expenses are accounted for on an accruals basis and are charged to the Consolidated Statement of Comprehensive Income in the period in which they are incurred. Service charge costs, to the extent that they are not recoverable from tenants, are accounted for on an accruals basis and included in property expenses.

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

2.10 Property Advisor fees
The element of Property Advisor fees for management services provided are accounted for on an accruals basis and are charged to the Consolidated Statement of Comprehensive Income. These fees are detailed in note 7 and classified under 'Property Advisors' fees and expenses. The settlement of the Property Advisor performance fees is detailed in note 27. Due to the nature of the settlement of the performance fee, any movement in the amount payable at the year end is reflected within the share-based payment reserve in the Consolidated Statement of Financial Position.

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

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

The change in fair values is recognised in the Consolidated Statement of Comprehensive Income for the year.

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

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

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

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

2.12 Current assets held for sale – investment property

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

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

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

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

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

a) at the date the Company commits itself to a plan to sell a non-current asset (or disposal group) it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset that will extend the period required to complete the sale, and actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and a firm purchase commitment is highly probable within one year;
b) the Company obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and timely actions necessary to respond to the conditions have been taken, and a favourable resolution of the delaying factors is expected;
c) during the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset previously classified as held for sale is not sold by the end of that period, and during the initial one-year period the Company took action necessary to respond to the change in circumstances, and the non-current asset is being actively marketed at a price that is reasonable, given the change in circumstances, and the criteria above are met;
d) otherwise it will be transferred back to investment property.

2.13 Property, plant and equipment

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

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

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

2.14 Borrowing costs

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

All other borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

2.15 Tenants deposits

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

2.16 Financial Instruments

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

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

Trade and other receivables

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

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

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

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

The interest due within the next 12 months is accrued at the end of the year and presented as a current liability within trade and other payables.

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

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

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

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

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

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

Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income except when it relates to items credited or charged directly in equity, in which case the deferred tax is also dealt with in equity.

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

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

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

Notes to the Financial Statements continued

2. Summary of significant accounting policies continued

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

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

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

Definition of a Business (Amendments to IFRS 3)
Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
The amendments to the hedge accounting requirements impact both IFRS 9 and IAS 39 because entities have an accounting policy choice under IFRS 9 as to whether to continue to apply the hedge accounting model in IAS 39 or IFRS 9.

The amendments to IFRS 7 require entities to disclose the following:
- the significant interest rate benchmarks to which the entity's hedging relationships are exposed;
- the extent of the risk exposure the entity manages that is affected by the interest rate benchmark reform;
- how the entity is managing the process to transition to alternative benchmark interest rates;
- a description of significant assumptions or judgements the entity made in applying the amendments to IFRS 9 and IAS 39; and
- the nominal amount of the hedging instrument in the hedging relationship for which the entity is applying the exceptions in the scope of the amendments.

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

Title	As issued by the IASB, mandatory for accounting periods starting on or after
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Accounting periods beginning on or after 1 June 2020

The above standard was endorsed by the EU in October 2020 and current proposals are to extend this into 2021.

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

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

3.2 Market risk

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

a) Foreign exchange risk

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

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

b) Interest rate risk

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

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

c) General property market risk

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

d) Market risk – Rent legislation

Through its policy of investing in Berlin, the Group is subject to the risk of changing rental legislation, specifically the Mietendeckel which, if not found unconstitutional, will continue to affect both the rental income, and the value of property. The Group seeks to mitigate any effect of the Mietendeckel using strategies set out on pages 42 to 43.

e) Market risk – COVID-19

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

3.3 Credit risk

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

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

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

3.4 Liquidity risk

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

3.5 Capital management

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

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

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

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

Notes to the Financial Statements continued

3. Financial risk management continued

The gearing ratios for the reporting periods are as follows:

	As at 31 December 2020 €'000	As at 31 December 2019 €'000
Borrowings	**(287,549)**	(276,254)
Cash and cash equivalents	**36,996**	42,414
Net debt	**(250,553)**	(233,840)
Equity	**433,956**	416,902
Net debt to equity ratio	**58%**	56%

4. Critical accounting estimates and judgements

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

i) Estimate of fair value of investment properties

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

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

a) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
b) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.
c) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

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

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

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

5. Segmental information

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

6. Revenue

	31 December 2020 €'000	31 December 2019 €'000
Rental income	**19,055**	17,941
Service charge income	**4,844**	4,659
	23,899	22,600

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

	31 December 2020 €'000	31 December 2019 €'000
Within 1 year	**1,267**	1,462
1-2 years	**1,217**	1,119
2-3 years	**925**	857
3-4 years	**703**	773
4-5 years	**627**	736
Later than 5 years	**437**	593
	5,176	5,540

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

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

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

7. Property expenses

	31 December 2020 €'000	31 December 2019 €'000
Property management expenses	**1,143**	1,066
Repairs and maintenance	**1,553**	1,665
Impairment charge – trade receivables	**160**	61
Service charges paid on behalf of tenants	**7,137**	5,306
Property Advisors' fees and expenses	**6,444**	6,098
	16,437	14,196

8. Administrative expenses

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

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

Further details of the Directors' fees are set out in the Directors' Remuneration Report on page 62.

Notes to the Financial Statements continued

9. Auditor's remuneration

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

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

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

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

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

11. Investment property fair value gain

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

Further information on investment properties is shown in note 17.

12. Separately disclosed items

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

13. Net finance charge

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

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

14. Income tax expense

The tax charge for the period is as follows:

	31 December 2020 €'000	31 December 2019 €'000
Current tax charge	**453**	31
Deferred tax charge – origination and reversal of temporary differences	**7,097**	5,786
	7,550	5,817

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

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

Reconciliation of current tax liabilities

Reconciliation of deferred tax

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

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

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

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

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

15. Dividends

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

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

Notes to the Financial Statements continued

16. Subsidiaries

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

Further details are given below:

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

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

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

17. Investment properties

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

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

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

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

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

The unrealised fair value gain in respect of investment property is disclosed in the Consolidated Statement of Comprehensive Income as 'Investment property fair value gain'.

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

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

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

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

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

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

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

The principal inputs to the valuation are as follows:

	Year ended 31 December 2020 Range	Year ended 31 December 2019 Range
Residential properties		
Market rent		
Rental value (€/sq. p.m.)	**10–15**	9–15
Stabilised residency vacancy (%/year)	**1–4**	2
Tenancy vacancy fluctuation (%/year)	**5–8**	8
Commercial properties		
Market rent		
Rental value (€/sq. p.m.)	**2–33**	2–32
Stabilised commercial vacancy (%/year)	**1–3**	0–25
Tenancy vacancy fluctuation (%/year)	**8**	8
Estimated rental value ('ERV')		
ERV per year per property (€'000)	**64–2,278**	62–2,322
ERV (€/sqm)	**9–15**	8–15
Financial rates – blended average		
Discount rate (%)	**3.1**	4.0
Portfolio yield (%)	**2.2**	2.9

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

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

17. Investment properties continued

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

Any unrealised fair value gain or loss in respect of investment property is disclosed in the Consolidated Statement of Comprehensive Income as 'Investment property fair value gain or loss'.

Sensitivity

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

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

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

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

The valuation takes account of the following three scenarios:

Rental scenario

Where properties have been valued under the 'Discounted Cash Flow Methodology' and are intended to be held by the Group for the foreseeable future, they are valued under the 'rental scenario'.

Condominium scenario

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

Disposal scenario

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

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

	31 December 2020 €'000	31 December 2019 €'000
Rental scenario	**715,870**	703,650
Condominium scenario	**45,264**	23,956
Disposal scenario	**7,176**	2,554
Total	**768,310**	730,160

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

	31 December 2020 €'000	31 December 2019 €'000
Investment properties	**40,633**	41,429
Properties held for sale (see note 18)	**825**	62
	41,458	41,491

18. Investment properties – held for sale

	2020 €'000	2019 €'000
Fair value – held for sale investment properties		
At 1 January	**10,639**	12,747
Transferred from investment properties	**15,004**	10,064
Capital expenditure	**313**	434
Properties sold	**(7,479)**	(12,668)
Valuation gain on apartments held for sale	**825**	62
At 31 December	**19,302**	10,639

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

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

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

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

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

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

19. Property, plant and equipment

	Equipment €'000
Cost or valuation	
As at 1 January 2019	145
Disposals	(18)
As at 31 December 2019	127
Disposals	(4)
As at 31 December 2020	**123**
Accumulated depreciation and impairment	
As at 1 January 2019	57
Charge for the year	16
As at 31 December 2019	73
Charge for the year	8
As at 31 December 2020	**81**
Carrying amount	
As at 31 December 2019	54
As at 31 December 2020	**42**

20. Other financial assets at amortised cost

	31 December 2020 €'000	31 December 2019 €'000
Current		
At 1 January	**1,590**	–
Transfer from non-current other financial assets at amortised cost	**–**	1,554
Accrued interest	**32**	54
Interest adjustment related to prior period	**–**	(18)
Loan repayment	**(1,622)**	–
At 31 December	**–**	1,590

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

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

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

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

21. Trade and other receivables

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

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

Aging analysis of trade receivables

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

Impairment of trade and service charge receivables

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

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

The Company applies the following loss rates to trade receivables.

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

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

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

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

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

All impairment losses relate to the receivables arising from tenants.

22. Cash and cash equivalents

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

23. Borrowings

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

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

Notes to the Financial Statements continued

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

24. Trade and other payables

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

25. Derivative financial instruments

	31 December 2020 €'000	31 December 2019 €'000
Interest rate swaps – carried at fair value through profit or loss		
Balance at 1 January	**15,979**	5,991
Fair value movement through profit or loss	**2,218**	9,988
Balance at 31 December	**18,197**	15,979

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

Maturity analysis of interest rate swaps

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

26. Other financial liabilities

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

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

27. Share-based payment reserve

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

Property Advisor performance fee

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

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

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

28. Stated capital

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

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

Treasury shares

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

29. Non-controlling interests

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

Notes to the Financial Statements continued

30. Earnings per share and EPRA earnings per share

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

	31 December 2020	31 December 2019
EPRA earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**29,788**	22,293
Changes in value of investment properties (€'000)	**(41,458)**	(41,491)
Profit or loss on disposal on investment properties (€'000)	**(2,178)**	(858)
Changes in fair value of financial instruments (€'000)	**1,779**	12,786
Deferred tax adjustments (€'000)	**7,097**	5,786
Change in non-controlling interest (€'000)	**498**	228
EPRA earnings (€'000)	**(4,474)**	(1,256)
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (Number)	**97,136,617**	100,389,943
EPRA earnings per share (€)	**(0.05)**	(0.01)
Diluted EPRA earnings per share (€)	**(0.05)**	(0.01)

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

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

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

EPRA NRV – this includes transfer duties of the property assets.
EPRA NTA – the Company buys and sells assets leading to taking account of certain liabilities.
EPRA NDV – the value for the shareholder in the event of a liquidation.

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

The number of diluted shares does not include treasury shares.

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

	EPRA NRV €'000	EPRA NTA €'000	EPRA NDV €'000
At 31 December 2019			
IFRS Equity attributable to shareholders	413,891	413,891	413,891
Hybrid instruments	(6,808)	(6,808)	(6,808)
Diluted NAV	407,083	407,083	407,083
Revaluation of investment property	–	–	–
Revaluation of investment property under construction	–	–	–
Revaluation of other non-current investments	–	–	–
Revaluation of tenant leases held as finance leases	–	–	–
Revaluation of trading properties	–	–	–
Diluted NAV at fair value	407,083	407,083	407,083
Deferred tax in relation to fair value gains of investment property	58,296	58,296	
Fair value of financial instruments	15,979	15,979	
Goodwill as a result of deferred tax	–	–	–
Goodwill as per the IFRS balance sheet	–	–	–
Intangibles as per the IFRS balance sheet	–	–	–
Fair value of fixed interest rate debt			3,458
Revaluation of intangibles to fair value	–		
Real estate transfer tax	57,786	–	
NAV	539,144	481,358	410,541
Fully diluted number of shares	97,751,410	97,751,410	97,751,410
NAV per share (€)	5.52	4.92	4.20

Notes to the Financial Statements continued

32. Financial instruments

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

Principal financial instruments

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

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

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

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

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

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

Fair value of financial instruments

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

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

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

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

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

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

Group fair values

	31 December 2020 €'000	31 December 2019 €'000
Financial assets/(liabilities)		
Interest rate swaps – Level 2 – current	**–**	–
Interest rate swaps – Level 2 – non-current	**(18,197)**	(15,979)
	(18,197)	(15,979)

Financial risk management

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

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

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

Interest rate risk

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

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

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

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

Foreign exchange risk

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

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

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

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

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

	Weakened by 10% increase/ (decrease) in post-tax profit and impact on equity €'000	Strengthened by 10% increase/ (decrease) in post-tax profit and impact on equity €'000
31 December 2020	**23**	**(23)**
31 December 2019	(3)	3

32. Financial instruments continued

Credit risk management

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

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

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

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

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

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

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

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

Liquidity risk management

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

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

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

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

Maturity analysis for financial liabilities

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

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

	31 December 2020 €'000	31 December 2019 €'000
Contracted capital commitments at the end of the year	**2,783**	3,000

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

34. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

Property Advisor fees

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

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

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

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

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

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

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

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

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

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

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

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

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

In March 2015, the Group entered into a five-year option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund Ltd. & Co. KG (PSPF) from the limited partners M Hilton and P Ruddle, both then Directors of PMM Partners (UK) Limited. The options were exercised three months after on the fifth anniversary of the majority interest acquisition, on 1 July 2020. The option was settled for €7,542,000 and was settled in cash for €5,920,000 net of initial loans to the limited partners of €1,622,000. €7.542,000 being 5.2% of the net asset value of PSPF at the time of settlement, as set out in the original 2015 agreement. For their role as limited partners in Phoenix Spree Property Fund Ltd. & Co. KG up to their date of exit, they were paid €30,000.

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

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

Notes to the Financial Statements continued

35. Events after the reporting date

The Company had exchanged contracts for the sale of 20 condominiums in Berlin with aggregated consideration of €7.2 million prior to the reporting date. The sale of these units subsequently completed in Q1 2021.

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

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

Professional Advisors

Property Advisor	QSix Residential Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator, Company Secretary and Registered Office	Apex Financial Services (Alternative Funds) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Registrar	Link Asset Services (Jersey) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Principal Banker	Barclays Private Clients International Limited 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	Mourant Ozannes 22 Grenville Street St. Helier Jersey JE4 8PX
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker	Numis Securities Limited The London Stock Exchange Building London EC4M 7LT
Independent Property Valuer	Jones Lang LaSalle GmbH Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

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