PHOENIX SPREE

BUILDING BETTER FUTURES

Annual Report and Accounts 2019

PMM.

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.

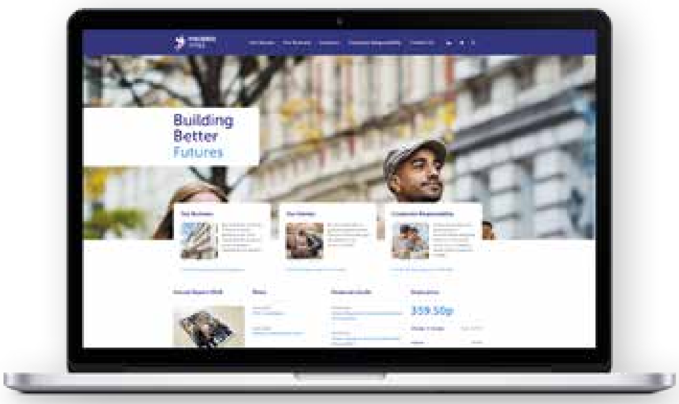
Over the past 13 years, the Company has assembled an attractive portfolio of real estate assets which the Directors believe offers investors the potential for both reliable income as well as capital growth.

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

Strategic Report

Directors' Report

Financial Statements



www.phoenixspree.com

HIGHLIGHTS OF THE YEAR

Financial and operational highlights

- The Portfolio continued to perform well:
  - Aggregate Portfolio value increased by 13.1% to €730.2 million. (31 December 2018: €645.7 million).
  - Like-for-like Portfolio value, adjusted for acquisitions and disposals, increased by 7.1%.
- Robust like-for-like rental income growth per sqm of 5.6% during the year.
- New leases signed at an average 36.4% premium to passing rents.
- Underlying EPRA vacancy remains low at 2.8% (31 December 2018: 2.8%).
- Contracts to acquire 286 units notarised during 2019, representing an aggregate purchase price of €49 million and an average cost per sqm of €2,706.
  - This includes an apartment complex in Brandenburg, an area within Greater Berlin that is unaffected by the Mietendeckel rent controls.
- Completion in September 2019 of new €190 million term loan on improved interest rate terms provides additional liquidity. A further €50 million acquisition facility is available.
- Potential scenarios associated with COVID-19 and the Mietendeckel have been rigorously stress tested.
- Unchanged dividend of 5.15 cents (€) and 4.40 pence (£).
- Share buy-backs at an average 22% discount to year-end 2019 EPRA Net Asset Value. As at 31 March 2020, 3.5% of the issued share capital had been repurchased. Buy-back programme suspended pending more clarity on the effects of COVID-19.

EPRA NAV underpinned by significant condominium potential

- 18 condominium sale notarisations during 2019 with total proceeds of €8.8 million (2018: €9.0 million).
- Average achieved value per sqm on notarised residential condominium units of €4,711, a 25.9% premium to 2019 year-end Portfolio average value per sqm.
- New agreement with Accentro Real Estate AG provides scope to accelerate condominium sales.
- 58% of Portfolio assets legally split into condominiums, and applications proceeding for a further 29%.

Timing, legality and implementation of new Berlin rent controls ('Mietendeckel')

- Came into force on 23 February 2020. Legislation to be reviewed by Berlin's Regional Constitutional Court and the Federal Constitutional Court.
- The Company has been advised that an injunction is likely to be sought. If obtained, it could create a moratorium on the implementation of the Mietendeckel, pending final ruling.
- In the absence of an injunction being obtained, aggregate rental income for 2020 is not likely to be significantly adversely affected by the Mietendeckel compared with 2019.
- Mietendeckel already impacting new construction, exacerbating shortage of available rental stock.
- Potential future impact after 2020 is dependent on duration of, and eventual outcome of legal challenge.
- If the Mietendeckel continues throughout 2021, PSD estimates annual rental incomes could reduce by approximately 17%, which the Company would seek to mitigate by extending condominium sales.

Outlook

- The current COVID-19 pandemic presents a significant economic challenge to global economies:
  - PSD's top priority remains the health, welfare and safety of its tenants and wider stakeholders.
  - Measures have already been taken in London and Berlin to mitigate disruption resulting from the COVID-19 outbreak.
  - PSD believes it is well positioned to withstand the current dislocations COVID-19 may cause, with a robust business model, a strong balance sheet and good levels of liquidity.
- PSD retains strategic optionality in the likely event the Mietendeckel is found to be unconstitutional.
- Notwithstanding the near-term impact of COVID-19, long-term Berlin demographic trends likely to remain positive, driven by strong job creation and ongoing population growth.
- Availability of Berlin rental stock expected to decline.

Gross rental income (million)

€22.6

Like-for-like rental income growth

5.6%

Invested in modernisation (million)

€6.5

Profit before tax (million)

€28.6

Condominium sales notarised (million)

€8.8

Robert Hingley,
Chairman of Phoenix Spree Deutschland Limited, commented:

"I am pleased to report another resilient performance with significant progress achieved in adapting our strategy in preparation for the new Berlin rent rules. As we await a successful challenge of this new regulation, we are well positioned to mitigate any short-term impact, supported by our strong balance sheet and good liquidity, all the while maintaining our strategic optionality in the event the rules are found to be illegal. Despite the impact COVID-19 is having on the German economy, we continue to be confident, in the longer term, in the strength of demand for rental housing in Berlin and in our ability to create value for all of our stakeholders through the continued active management of our portfolio."

Highlights for the financial year ended 31 December 2019

	Year to 31 December 2019	Year to 31 December 2018	2018 v 2019 % change
Income Statement			
Reported gross rental income (€m)	**22.6**	22.7	(0.4%)
Profit before tax (€m)	**28.6**	56.4	(49.3%)
Dividend (€ cents (£ pence))[1]	**7.50 (6.5)**	7.50 (6.7)	0%
Balance Sheet			
Portfolio valuation (€m)	**730.2**	645.7	13.1%
IFRS NAV per share (€ cents)	**4.23**	4.05	4.4%
IFRS NAV per share (£ pence)	**3.58**	3.64	(1.6%)
EPRA NAV per share (€ cents)	**4.92**	4.58	7.4%
EPRA NAV per share (£ pence)	**4.16**	4.11	1.2%
EPRA NAV per share total return for period (€%)	**9.1**	13.2	–
Net LTV (%)[2]	**32.6**	26.1	–
Operational Statistics			
Portfolio valuation per sqm (€)	**3,741**	3,527	6.1%
Annual like-for-like rent per sqm growth (%)	**5.6**	7.4	–
EPRA vacancy (%)	**2.8**	2.8	–
Condominium sales notarised (€m)	**8.8**	9.0	(2.2%)

1 FX rate GBP/EUR 1:1.18
2 Net LTV uses nominal loan balances as per note 23 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

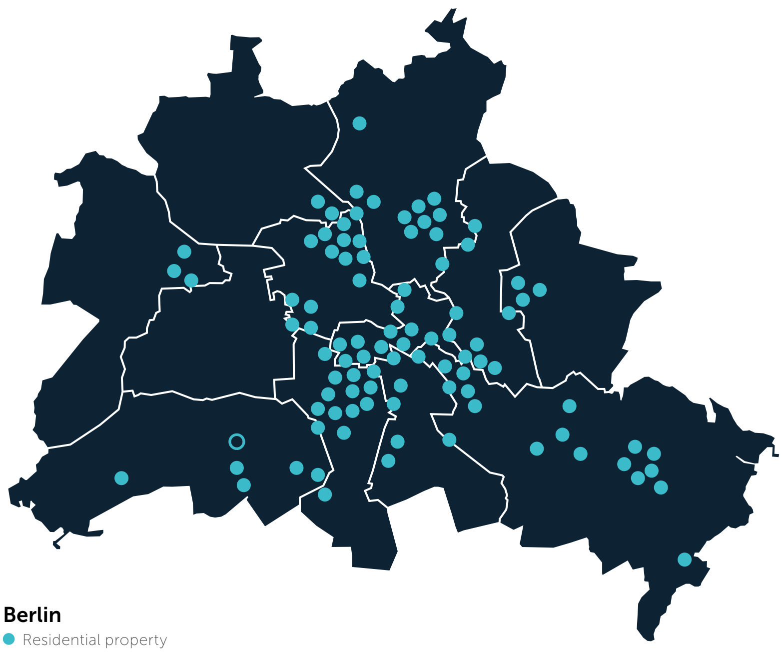
Since 2008, the aggregate value of the Portfolio has risen from €168 million (including the assets of then sister fund PSPF) to €730 million as at 31 December 2019, with each year seeing an increase.

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

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

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

Pure-play Berlin Portfolio – total properties



Berlin
- Residential property
- Commercial property

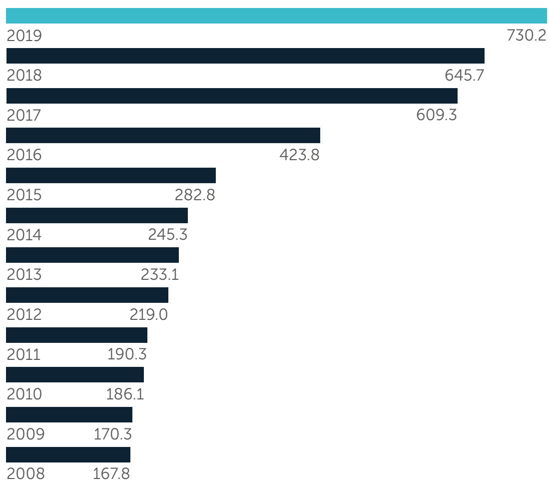
Reported property Portfolio valuation €m

730.2m

Reported property Portfolio growth 2018-2019

+13.1%

Reported Portfolio valuation 2008-2019 (€m)

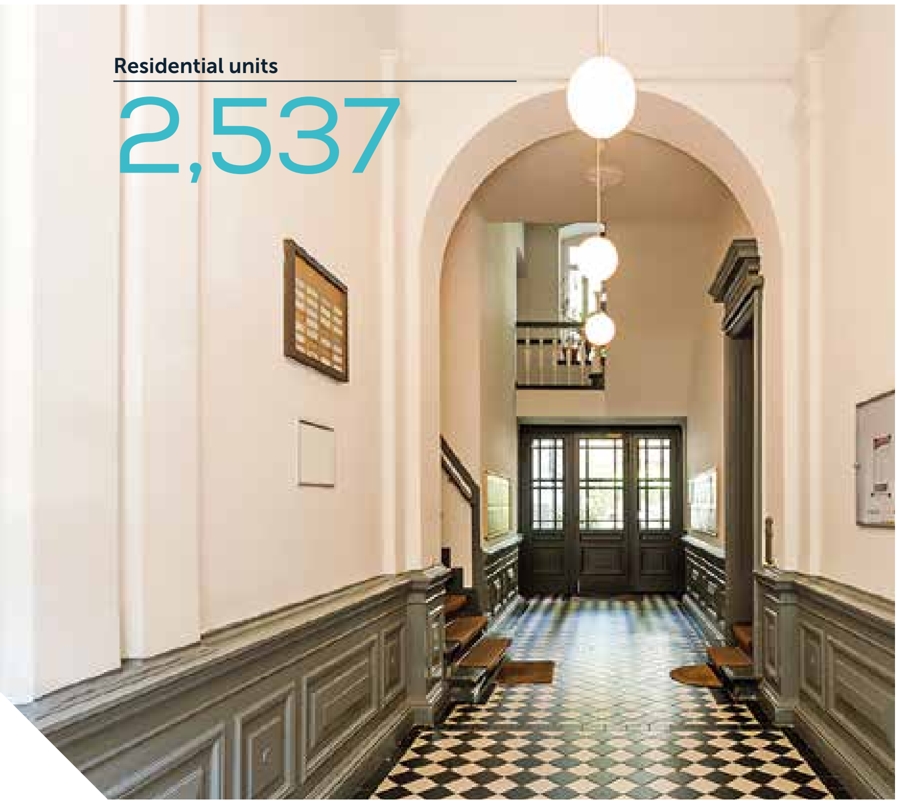


Usable space (sqm)

195.2k

Residential units

2,537



Commercial units

142

CHAIRMAN'S STATEMENT

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

Robert Hingley
Chairman

I am pleased to report that PSD has delivered another resilient performance. As at 31 December 2019, the Portfolio was valued at €730.2 million by Jones Lang LaSalle GmbH, a like-for-like increase of 7.1%, primarily driven by an increase in like-for-like average rents. The EPRA NAV total return per share was 9.1% over the same period.

Notwithstanding these results, the Company's share price has been affected by regulatory uncertainty and, more recently, the broader impact of the COVID-19 pandemic, which has negatively affected global equity markets more generally. This has been reflected in the current valuation discount to year-end EPRA Net Asset Value, which is broadly in line with its listed peer group.

The Company enters this period with a robust business model, a strong balance sheet and good levels of liquidity. After fully considering the potential impact of both the Berlin Mietendeckel and COVID-19, the Board is pleased to recommend an unchanged dividend of 5.15 cents (€) per share (4.40 pence (£) per share), taking the full year dividend to 7.5 cents (€) per share (6.5 pence (£) per share). Future dividend payments will be considered in the light of any prevailing market disruptions.

Reflecting current market volatility associated with the COVID-19 pandemic, the Board believes that it is prudent, for the time being, to suspend the Company's share buy-back programme pending more clarity.

The Berlin Mietendeckel

The political moves by the Berlin Red-Red-Green coalition to cap statutorily or reduce rents for private non-subsidised rental properties 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. These measures have presented challenges to the Company's rental business model, which has traditionally relied on re-letting at market rates to justify the considerable investment that significantly improves the standard of accommodation available to our tenants.

PSD and its legal advisors remain of the view that the Mietendeckel is unconstitutional. The new rules seek to address the effects of a housing shortage rather than addressing the cause. PSD believes that the long-term solution to the housing shortage and rent-price inflation lies with incentivising increased supply, which the current rules fail to address.

Adapted strategy

The Company set out in September 2019 how it intends to adapt its strategy during the period in which the Mietendeckel is in force, so as to mitigate any short-term impact on the Portfolio, while ensuring it maintains maximum strategic optionality in the event the Mietendeckel law is found to be unconstitutional.

Good progress has already been made, including condominium splitting and sales, as well as selective acquisitions in areas within Greater Berlin that are not affected by the Mietendeckel. These measures are explained in more detail in the Strategic Review. The Company has also secured more flexible and cost-efficient financing to support the medium and long-term strategic objectives of the business.

COVID-19

The unprecedented and rapidly changing circumstances surrounding the COVID-19 outbreak provide an uncertain economic landscape and increased risk aversion in the financial markets. Whilst it is difficult to predict accurately the potential long-term consequences, we remain vigilant and, in common with all businesses, are closely monitoring the situation. The wellbeing of our tenants and the employees of our service providers is our overriding priority.

PSD's Property Advisor has a strong business platform and has instituted measures in London and Berlin to ensure its people can work remotely, ensuring the continuity of the business. The Property Advisor has rigorously stress tested PSD's financial forecasts for a range of potential outcomes associated with COVID-19 and is confident that the Company is well positioned to withstand any negative impact. To date, there has been no material effect on PSD and the Company enters this period in a position of robust financial health, with a strong balance sheet and a good level of liquidity.

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'). Refer to the corporate governance statement on pages 38 to 46 for further details.

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 four key pillars that have been integrated throughout our business operations: Protecting our Environment; Respecting People; Valuing our Tenants and Investing in our Communities. Our CR initiatives are reported in more detail on pages 22 to 29 of the Annual Report.

Outlook

In addition to the Mietendeckel, the COVID-19 outbreak presents an additional challenge for PSD and, whilst the ultimate impact on the Berlin real estate market and property valuations is unclear, PSD and its Property Advisor have a platform that, if required, can accommodate an extended period of disruption. Our top priority remains the health, welfare and safety of PSD's tenants and wider stakeholders.

Although there currently remains additional uncertainty surrounding the legality of the new Mietendeckel and the duration of legal challenges, PSD is well positioned to mitigate the financial impact pending legal clarification.

Since the launch of PSD over 13 years ago, tenant law has continually changed and PSD has successfully evolved within the changing regulatory framework. The Board remains firmly of the view that the Mietendeckel rules will ultimately be successfully challenged in the courts of law and the priority for the year ahead is, therefore, to ensure that the Company maintains its strategic optionality during this period.

Robert Hingley
Chairman
5 April 2020

MAXIMISE VALUE AND 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 of 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, however, related corporate governance provisions in the AIC Code which apply to the Company on a comply or explain basis.

The Directors of the Board consider both individually and together that they have acted in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a 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 Group operates.

There are many engagement mechanisms with these stakeholders within the Property Advisor as well as at Board level and there is more detail about how PSD and its Property Advisor engage set out below and in the Corporate Responsibility section of this report on pages 22 to 29.

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.

Shareholders

The engagement of our shareholders is important for the future success of our business. The Property Advisor has a constructive 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 of the environments 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, 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 introduced a Tenant Survey in 2019 for incoming tenants to gain better insight on the issues that they regard as important to them. • Capital expenditure of €6.5 million during 2019 to modernise and enhance properties within the portfolio. • The Property Advisor has introduced and monitors a Vulnerable Tenant policy to provide procedures for tenants who may require additional protection.
• 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 our company website. • Our Investor Relations department is always on hand to deal with investor queries.	• The Property Advisor conducted over 40 institutional investor meetings. • AGM and investor presentations to which all shareholders in the Company are invited. • The Property Advisor organises bespoke investor trips to Berlin to view the PSD's portfolio of assets, meet regulators and valuers and other industry practitioners. • Corporate broker sales desk briefings. • Property Advisor attendance at annual AIC, EXPO and MIPIM conferences.
• The Property Advisor has a close working relationship with all of the Company's business partners and advisors, regularly engaging with all parties. • The PSD Management Engagement Committee 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 annual Management Engagement Committee meeting was held on 25 September 2019 where the committee reviewed the performance and considered the continued appointment of the Company's service providers. • The continued appointment of all service providers was recommended and subsequently approved by the Board.
• Our Company Values (Responsible, Fair, Excellence, 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 runs quarterly employee town hall meetings to update on the business and share its culture and values. • Results from the Property Advisor's employee survey suggests that the employees are treated with respect and are provided with equal opportunities. • The Property Advisor reviewed its working policies, introducing flexible hours and a working-from-home policy as part of its employee offer. Its private health care scheme includes the provision of mental health counselling and support.
• 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 working with homeless people. SPEAR runs an outreach service helping rough sleepers into accommodation. SHP runs an employability programme that helps homeless people find a job.	• In 2019, PSD's support helped the refuge furnish a new residential unit providing emergency shelter and fund therapy sessions for the children. The Property Advisor's support helped SPEAR reach 200 people affected by homelessness in their outreach work and SHP to help 162 people with their employability, education and training goals. • During 2019 all of the Property Advisor's employees were entitled to one day of paid leave to work for charitable causes. • For the second year running, Property Advisor employees have volunteered with SHP, delivering Christmas presents to homeless people around London.
• 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 monitors the new Mietendeckel laws to ensure PSD continues to operate within the regulatory framework. • The Property Advisor has overseen the provision of new tenant contracts to clarify responsibilities under the Mietendeckel rules.

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.

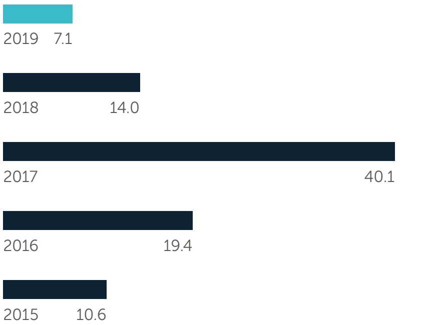
- In 2019 the value of our property Portfolio grew by 7.1% on a like-for-like basis.
- This increase was primarily driven by an increase in like-for-like average rent per let sqm of 5.6% (2018: 7.4%).

- The EPRA vacancy of the Portfolio stood at 2.8% (2018: 2.8%).
- The Group continued with its targeted condominium programme, agreeing sales of €8.8 million in the year to 31 December 2019 (2018: €9.0 million).

- EPRA NAV per share increased by 7.4% to €4.92 as at 31 December 2019 (2018: €4.58).
- The total declared dividend for the year 2019 was 7.5 cents (€) (6.5 pence (£)) per share.

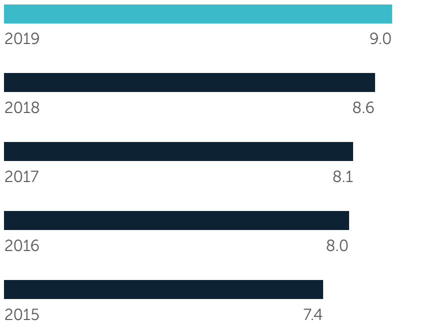
Like-for-like portfolio annual value growth

7.1%



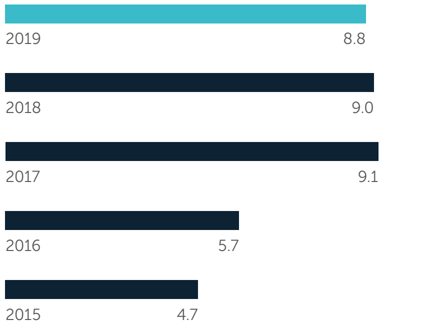
Like-for-like portfolio rent per sqm

€9.0



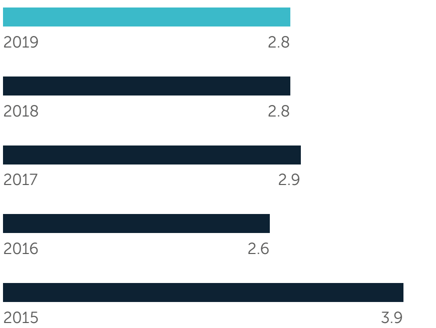
Condominium sales – notarised

€8.8m



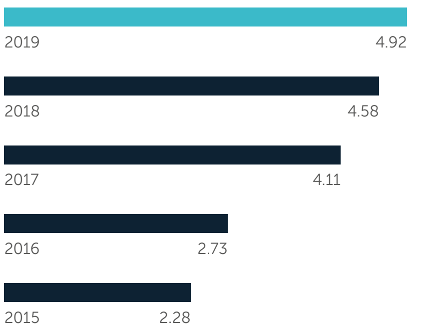
EPRA vacancy

2.8%



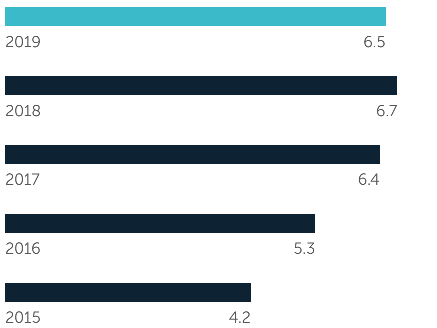
EPRA NAV per share

€4.92



Dividend per share

6.5p



THE BERLIN MIETENDECKEL

THE BERLIN-SPECIFIC RENT CAP

The final draft of the new Berlin-specific rent cap (or 'Mietendeckel') became law, following publication in the official gazette on 23 February 2020. Launched by the Red-Red-Green coalition (the ruling coalition in the Berlin House of Representatives, consisting of the Social Democrats, Die Linke and the Green Party) the new rules allow the limitation of housing rents, such that rates are no longer set at free market levels.

Legality of the Mietendeckel rules

PSD's legal advisors remain of the view that the Mietendeckel is unconstitutional and, as such, will be successfully challenged. They raise concerns about whether the state of Berlin is competent to pass local rent legislation, as the provisions substantially deviate from existing German federal law.

The opposition in the Berlin House of Representatives and a quorum of Federal Parliament MPs have already announced that they intend to have the legislation reviewed by Berlin's Regional Constitutional Court and the Federal Constitutional Court. In addition, it is expected that there will be a number of private challenges. These legal actions were not possible prior to the Mietendeckel being enacted in law.

Key elements of the Mietendeckel rules

The main components of the new regulations include a freeze on rents, rent ceilings, possible rent reductions and a limitation of the modernisation costs that can be passed onto tenants in the form of higher rents.

The new rules prescribe rent levels that apply throughout central Berlin which are dependent on the age and technical specification of each apartment. They cover all residential rental leases, furnished apartments and short-term rental models.

The only exceptions are buildings constructed after 1 January 2014, publicly-funded housing or housing that has been modernised or repaired with funds from public budgets, accommodation provided by publicly recognised providers of welfare care and refurbished apartments that were previously uninhabitable. As such, the Mietendeckel, if deemed to be constitutional, potentially applies to the vast majority of residential properties within PSD's Portfolio.

The financial impact on the Company and its future business model and strategy are largely dependent on the timing and eventual outcome of the legal actions. Although there is a degree of uncertainty as to the timing of the likely sequence of events, the Company has been advised that the three most probable outcomes are as follows:

#1

A judicial review and injunction leading to an immediate moratorium on implementation of the new rules, pending final determination, with the Mietendeckel found to be illegal. Depending on the timing of the injunction, there would be a low or minimal impact on PSD's business.

#2

No injunction, but Mietendeckel ultimately judged to be illegal. In this scenario, PSD would have to adapt its business model for the duration of court proceedings which could last 18 months or more.

#3

No injunction and Mietendeckel ultimately judged to be legal. Although the Company has been advised that this is unlikely, PSD's strategic business model would need to be adapted on a permanent basis.

THE SOCIAL IMPACT OF THE BERLIN MIETENDECKEL

Analysis of rent controls in other markets shows the effect has been largely counterproductive and that the long-term social impact has been negative. Based on the experience in other developed cities and countries, it is likely that the regulation will have a detrimental effect on tenants and also on Berlin as a business location. In particular, the following effects can be expected:

Reduction in new-build construction
Potential investors, lacking visibility on future rental income streams will be hesitant to commit to new build projects. Whilst new build is currently exempt from the Mietendeckel rules, these exceptions may not be permanent. Already, almost 30% fewer apartments are being built in Berlin than needed and this gap is likely to widen.

Withdrawal of housing stock from the rental market
Smaller landlords faced with a reduction in rental streams may choose to withdraw from the rental market altogether. There is also likely to be an increase in the number of rental apartments sold to owner occupiers as condominiums, further reducing supply.

Increased demand for rental property
The frozen or lowered rents will incentivise even more people to look for an apartment in Berlin, further increasing competition for apartments and further exacerbating the supply-demand imbalance.

Deterioration in quality of housing stock
Property owners will become reluctant to invest in the fabric of existing properties, resulting in an overall deterioration in the quality of housing stock at a time when the need for sustainable, environmentally friendly housing has become ever more apparent. The renovations, modernisations and improvements that have transformed the quality of housing stock in Berlin during the past decade were made possible because they were financially viable in an environment where rents for newly modernised apartments were set at free market levels.

Reduction in property related employment
Lower modernisation and construction expenditure will lead to a decline in orders for construction workers and craftsmen. Initial survey results suggest a 25% drop in orders per year, and a reduction of capital expenditure of more than €1.5 billion per year.

Fall in social mobility
As existing tenants realise that rent controls worsen rather than alleviate the housing shortage, it is likely that fewer rental properties will be returned to the rental market, further exacerbating the supply shortage. Experience in other cities suggests that scarcity of rental property has the potential to discriminate against the most vulnerable tenants, an issue that has already been raised by Berlin's cooperative housing associations and municipal housing companies.

Increased demand for condominiums and short furnished letting
Faced with an acute shortage of rental accommodation, and with mortgage rates at or near record lows, demand for condominiums is likely to rise. The accommodation shortage for skilled workers relocating to Berlin may lead to an increase in short-term furnished letting rental contracts.

Reduction in investment in the broader Berlin economy
The encroachment on property rights will also raise uncertainties outside of the housing industry as to whether the income from planned investments and company start-ups can actually be realised. Trust is a key prerequisite for investment and interventions such as the Mietendeckel are likely to damage investor confidence.

IMPACT OF THE MIETENDECKEL FOR PSD

Given the timing and complexity of the legal challenges that are currently underway, there remains considerable uncertainty surrounding the potential financial impact of the proposed new rules.

The table below sets out the timing for implementation of the key elements of the new rules together with the potential impact on rental income for the full year to December 2020. It should be noted that these estimates assume that, by 23 November 2020, there has been no successful legal action or moratorium preventing the implementation of the Mietendeckel. They also do not take into account any successful legal challenge or any mitigating action taken by PSD to reduce the financial impact of implementation; nor any potential impact of the COVID-19 outbreak.

Summary of key Mietendeckel rules

Effective date	Type of rental contract	Applicable measures prescribed by the Mietendeckel	Likely negative financial impact
Post 23 February 2020	First time letting and reletting	In the case of first-time letting or reletting after the Mietendeckel comes into force, the new rent may not exceed the prescribed upper rent limit. This could result in lessors having to lower the rent to a level below the rent paid by the previous tenant.	The impact of this requirement is dependent on level of tenant churn. Assuming this remains unchanged versus FY 2019, the likely financial impact could be in the region of 1.5% of annualised net rental income.
Post 23 February 2020	Existing leases: rent freeze	For existing leases, a rent freeze initially applies, but with no requirement to lower rents, provided the rent level set at 18 June 2019 has not been increased since that date. If there has been a rent increase, future rental payments must be reduced to the June 2019 level.	Absent any mitigating action by PSD (please refer to section on "Maintaining Strategic Flexibility"), it is estimated that the impact for the financial year ended 31 December 2020 could be in the region of 1% of annualised net rental income.
Post 23 November 2020	Automatic rent reduction	If the rent limit (adjusted for location surcharges or discounts) is exceeded by more than 20%, the landlord must reduce the rent to 120% of the prescribed rent limit, but only nine months after the rental cover comes into force (i.e. 23 November 2020). If the landlord accepts a rent higher than 120% of the prescribed limit, they are liable to a fine of up to €500,000 in each case.	Absent any mitigating action by PSD (please refer to section on "Maintaining Strategic Flexibility"), it is estimated that the financial impact for the financial year ended 31 December 2020 could be in the region of 1.5% of annualised net rental income. Moreover, considering the 2021 impact, the Company estimates that the rent reductions for Berlin-based residential tenants could represent up to 17% of annualised net rental income.

OUR STRATEGY

MAINTAINING STRATEGIC FLEXIBILITY

The Company set out in September 2019 how it intends to adapt its strategy during the period in which the proposed rent controls are in force, so as to mitigate any short-term impact on the portfolio, while ensuring it maintains maximum strategic optionality in the event the proposals are found to be unconstitutional. These measures are summarised below:

New re-letting contracts

To avoid uncertainty among tenants as to their contractual rental obligations during the period when the legality of Mietendeckel remains unresolved, PSD will be amending its tenancy agreements. The new agreements stipulate that if the Mietendeckel or any part thereof is voided, suspended, repealed, or otherwise abolished, any higher contractual rent permissible under the German Civil Code ('BGB') 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 would be sought to cover the difference between the capped rent and contractual 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 eventuality.

Additionally, PSD continues to review the option of reletting newly vacant units as short-term furnished apartments until the legal questions surrounding the Mietendeckel are resolved.

Condominium conversion

PSD believes that there is significant additional value within PSD's potential condominium portfolio and intends to increase condominium sales activities during 2020. In order to ensure strategic flexibility, PSD has sought to split as many multi-family properties as possible into individual condominium units at the Land Registry, a prerequisite to selling each apartment separately. As at 30 March 2020, 58% of all units had been registered as condominiums. A further 29% are in application, a significant majority of which are in the final stage of approval. By the end of 2020, in excess of 75% of the portfolio could be registered as condominiums.

The Property Advisor has an in-house capability for condominiums which focusses on selling vacant, rather than occupied, units. Occupied units are typically acquired by investors seeking income or by buyers prepared to wait before taking possession (and in the meantime benefiting from rental income).

In order to sell occupied units in volume, PSD has entered into an agreement with Accentro Real Estate AG ('Accentro'), one of Germany's leading condominium sales platforms. This provides access to a successful, European-wide, distribution platform which should allow PSD to significantly accelerate sales of apartments.

Under the terms of the agreement, PSD can, if and to the extent it so chooses, offer properties to Accentro to market for sale as condominiums at an agreed price per condominium unit. On acceptance, Accentro will have an exclusivity period of 18 to 24 months during which they will be eligible to receive commission for completed sales. At the end of this period, Accentro will make PSD an irrevocable offer to purchase any remaining unsold condominiums at the previously assigned minimum purchase price, guaranteeing PSD a minimum value for the assets. This also guarantees the sale of all condominiums within a building. Accentro markets the properties at its own expense while PSD retains all rights and benefits of the condominium assets while they remain unsold.

New condominium construction

PSD has building permits approved, or in process, for 91 units. Approximately 75% of these units are attic conversions, with the remainder representing a new apartment block in the footprint of an existing property. A consequence of the Mietendeckel has been to create overcapacity in the construction sector as landlords reduce their capital expenditure programmes and developments are reassessed, which, in turn, is being reflected in lower labour and material costs. The Property Advisor intends to appraise future projects on the basis of condominiums for sale, as opposed to rental properties.

Reduced capital expenditure

In the light of the proposed new rental laws, careful consideration has been given to certain elements of discretionary capital expenditure that are no longer financially justifiable. Regrettably, the maximum €1 rent per sqm premium (€600-700 per annum) on future modernisations that the new rules permit will not justify the typical investment of €20-30k that was possible when reletting was permissible at free market levels. This is likely to reduce planned capital expenditure by up to €3.5 million per annum for so long as the Mietendeckel remains in force. Although this reduction in capital expenditure is regrettable, PSD remains committed to maintaining a portfolio of homes for tenants that are both comfortable and compliant with all health and safety standards.

Acquisitions outside the designated Mietendeckel zone

Pending clarity on the legality of the Mietendeckel rules, the Company will also consider acquisitions in the Greater Berlin area that are unaffected by the rent cap. There has been no change to PSD's strict investment criteria and any acquisitions considered would be benchmarked against share buy-backs at a discount to Net Asset Value.

Share buy-backs

Following the completion of a new €240 million loan facility on improved terms, the Company announced in September 2019 that it would consider buying back up to 10% of existing share capital in issue. The share buy-back programme commenced in mid-October and, as at 31 March 2020, the Company had purchased a total of 3.5 million shares (3.5% of the ordinary share capital) for a total consideration of £11.2 million. The average price paid represented a 23% discount to EPRA Net Asset Value per share as at 31 December 2019.

In the light of current market disruption, the share buy-back programme has been suspended. The Board will keep this policy under review.

FINANCIAL AND OPERATIONAL REVIEW

Highlights for the year to 31 December 2019

€ million (unless otherwise stated)	**Year to 31 December 2019**	Year to 31 December 2018	**6 months to 30 June 2019**	6 months to 30 June 2018
Gross rental income[1]	**22.6**	22.7	**10.8**	11.9
Investment property fair value gain	**41.5**	66.1	**21.6**	21.7
Profit before tax (PBT)	**28.6**	56.4	**12.0**	19.4
Reported EPS (€)	**0.22**	0.46	**0.11**	0.16
Investment property value	**730.2**	645.7	**665.2**	583.7
Net debts (Nominal balances)[3]	**237.8**	168.4	**178.0**	150.5
Net LTV (%)	**32.6**	26.1	**26.8**	25.8
IFRS NAV per share (€)	**4.23**	4.05	**4.11**	3.74
IFRS NAV per share (£)[2]	**3.58**	3.64	**3.68**	3.31
EPRA NAV per share (€)	**4.92**	4.58	**4.73**	4.23
EPRA NAV per share (£)	**4.16**	4.11	**4.24**	3.74
Dividend (€ cents)	**7.5**	7.5	**2.35**	2.35
Dividend per share (£ pence)[2]	**6.5**	6.7	**2.1**	2.1
EPRA NAV per share total return for period (€%)	**9.1**	13.2	**4.4**	4.1
EPRA NAV per share total return for period (£%)	**2.9**	11.4	**4.3**	3.8

1 June 2018 reported Gross rental income was restated due to change in accounting policies (IFRS 15).
2 Calculated at FX rate GBP/EUR 1:1.18.
3 Net debt uses nominal loan balances as per note 23 rather than the loan balances on the Consolidated Statement of Financial Position which take into account Capitalised Finance Arrangement Fees in the balance as per IAS 23.

Gross rental income (million)

€22.6

Profit before tax (PBT) (million)

€28.6

Investment property value (million)

€730.2

Dividend per share (£ pence)

6.5p[2]

1 Calculated at FX rate GBP/EUR 1:1.18.
2 The translated payment of the dividend amount shown may differ from that disclosed here due to foreign exchange movements between the date of the dividend being proposed and it being paid.

Financial results

Reported revenue for the financial year to 31 December 2019 was €22.6 million (31 December 2018: €22.7 million). Profit before taxation was €28.6 million (31 December 2018: €56.4 million) which was positively affected by a revaluation gain of €41.5 million (31 December 2018: €66.1 million).

The reduced profit before tax, compared with 2018, primarily reflects a lower revaluation gain due to a moderation in the rate of market yield compression coupled with loan break costs following the completion of PSD's €240 million refinancing in September 2019. Reported earnings per share for the period were 0.22 cents (31 December 2018: 0.46 cents).

Reported EPRA NAV per share rose by 7.4% in the period to €4.92 (£4.16) (31 December 2018: €4.58 (£4.11)). After taking into account the dividends paid during 2019 of 7.5 cents (6.3 pence)[1], which were paid in June and October 2019, the Euro EPRA NAV total return for the period was 9.1% (2018: 13.2%).

Dividend

Having regard to the potential impacts of COVID-19 and the Mietendeckel, the Company has declared a further dividend of 5.15 cents (€) per share (4.40 pence (£) per share), (31 December 2018 5.15 cents (€)) (4.62 pence (£) per share), which is expected to be paid on or around 3 July 2020 to shareholders on the register at close of business on 12 June 2020, with an ex-dividend date of 11 June 2020. Taking into account the interim dividend paid in October 2019, the full dividend for the financial year to 31 December 2019 is 7.5 cents (€) per share (6.5 pence (£) per share), (31 December 2018: 7.5 cents (€) per share (6.73 pence (£) per share)).

Since listing on the London Stock Market in June 2015, and including the announced dividend for 2019 and bought-back treasury shares, €46.6 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.

Portfolio valuation and breakdown

As at 31 December 2019, the total Portfolio was valued at €730.2 million by Jones Lang LaSalle GmbH, the Company's external valuers, an increase of 13.1% over the 12-month period (31 December 2018: €645.7 million).

On a like-for-like basis, after adjusting for the impact of acquisitions net of disposals, the Portfolio valuation increased by 7.1% in the year to 31 December 2019, a 3.1% increase in the second half of the financial year. This reflects the combined impact of market rental growth and the active management of the Portfolio.

The valuation as at 31 December 2019 represents an average value per sqm of €3,741 (31 December 2018: €3,527), a gross fully occupied yield of 2.9% (31 December 2018: 3.0%) and a net yield, using EPRA methodology, of 2.3% (31 December 2018: 2.4%). Included within the Portfolio are five properties valued as condominiums, with all sales permissions granted, with an aggregate value of €26.5 million (31 December 2018: €22.3 million).

The Portfolio valuation conducted by Jones Lang LaSalle GmbH for year to 31 December 2019 reflects current Berlin market prices and does not factor in any additional future impact on property valuations that may materialise as a result of the Mietendeckel rent controls, or any impact of COVID-19 on the Berlin economy.

	Year to 31 December 2019	Year to 31 December 2018	**6 months to 30 June 2019**	6 months to 30 June 2018
Number of buildings	**98**	96	**96**	93
Number of residential units	**2,537**	2,392	**2,378**	2,322
Number of commercial units	**142**	153	**143**	152
Total units	**2,679**	2,545	**2,521**	2,474
Total sqm ('000)	**195.2**	183.1	**179.0**	178.2
Annualised Net Rent (€m)	**19.7**	18.0	**18.1**	17.0
Valuation (€m)	**730.2**	645.7	**665.2**	583.7
Value per sqm (€)	**3,741**	3,527	**3,716**	3,275
Fully occupied gross yield %	**2.9**	3.0	**2.9**	3.1
Vacancy %	**6.7**	4.8	**4.2**	5.6
EPRA Vacancy %	**2.8**	2.8	**2.5**	2.8

Rental income and vacancy rate

	Year to 31 December 2019	Year to 31 December 2018	**6 months to 30 June 2019**	6 months to 30 June 2018
Total sqm ('000)	**195.2**	183.1	**179.0**	178.2
Gross in-place rent per sqm (€)	**9.0**	8.6	**8.7**	8.4
Like-for-like rent per sqm growth %	**5.6**	7.4	**6.3**	9.5
Vacancy %	**6.7**	4.8	**4.2**	5.6
EPRA Vacancy %	**2.8**	2.8	**2.5**	2.8

After considering the impact of acquisitions and disposals, like-for-like rental income per square metre grew 5.6% in the year to 31 December 2019 and like-for-like rental income grew 6.1% over the same period. Gross in-place rent was €9.0 per sqm as at 31 December 2019, an increase of 4.6% compared with the prior year.

Reported vacancy at 31 December was 6.7% (31 December 2018: 4.8%). On an EPRA basis, which adjusts for units undergoing renovation, development or made available for sale, the vacancy rate was 2.8% (31 December 2018: 2.8%). The rise in the reported vacancy rate reflects the acquisition in December 2019 of a rental apartment complex in Brandenburg. This complex is undergoing a refurbishment programme and consequently has a significantly higher vacancy rate. Excluding this, reported vacancy as at 31 December 2019 would have been 4.0%.

During the year to 31 December 2019, 306 new leases were signed, representing a letting rate of approximately 11.1% of units. The average rent achieved on new lettings was €11.9 per sqm.

Acquisitions and disposals

During 2019, three new assets with an aggregate valuation of €49.0 million were notarised for acquisition. In total, these buildings comprise 286 units (282 residential and four commercial), at an average price per sqm of €2,706, which represents an estimated prospective gross yield of 3.9%. The acquired properties complement the existing Portfolio, adding an initial 6.6% to rental income. These acquisitions were financed using a combination of debt and equity, with an achieved loan-to-value ratio of approximately 39%.

One of the acquired assets was an apartment complex in Brandenburg, an area within Greater Berlin that is unaffected by the proposed Mietendeckel rent controls, which the Company notarised and completed in December 2019. The Property is a former army barracks, comprising 259 residential units, one commercial unit and 210 parking spaces. It was substantially redeveloped in 2018/19 through a refurbishment programme which has seen 155 units receive new facades and insulation, new windows, balconies, electricity, pipes and outside facilities. Refurbishment of a further 40 units is ongoing and expected to be completed to the same standard, and in accordance with our CSR strategy, by the end of the first half of 2020. The last part of the housing complex will be vacated before the end of 2020, after which the redevelopment of another 65 units is expected to be completed within a 12-month period.

In January 2021 a commercial unit in the complex will become vacant with outline planning permission already agreed for a new three-storey building of approximately 15 units. Outline planning permission has also been sought for the construction of a residential building and the complex offers the opportunity for further densification in the future. In total, the whole complex offers new build potential for approximately 60 additional units representing further growth opportunities.

The average price paid per square metre of €2,674 represents an estimated prospective gross yield of 4.1%. The average residential rent per sqm is €9.02, with new lettings in 2019 (52 leases) of up to €14.01 per sqm. This acquisition has initially been financed from existing cash reserves. It is expected that outstanding bank debt of €16.4 million will be refinanced prior to maturity.

Portfolio enhancements

During the financial year, a total of €6.5 million was invested across the Portfolio (2018: €7.9 million). These items are recorded as capital expenditure in the Financial Statements. A further €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 regulatory uncertainty. Regrettably, a number of capex projects which would previously have been justified at free market rents have been postponed or cancelled pending further clarity on the legality of the Mietendeckel.

Condominium sales

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

During the year to 31 December 2019, a total of 18 units were notarised for sale, with an aggregate value of €8.8 million. The average notarised value per sqm achieved was €4,068, representing a 17.6% premium to book value and an 8.8% premium to the 31 December 2019 Berlin Portfolio average of €3,741 per sqm. Excluding the impact of one large commercial unit, the average notarised value per sqm value of the 17 residential units was €4,711, a 25.9% premium to 2019 year-end Portfolio average value per sqm of €3,741. Condominium sales accelerated significantly during the second half of the financial year, with a total of 14 units notarised with an aggregate value of €6.3 million, a 23.7% premium to prevailing book value.

Since the financial year-end, four additional apartments have been notarised for sale for an aggregate value of €1.4 million. Which represents a 21.7% premium to the 31 December 2019 book value.

Condominium conversion

As at 30 March 2020, 58% of all units (63% by value) had been registered as condominiums. A further 29% are in application, a significant majority of which are in the final stage of approval. By the end of 2020, it is expected that in excess of 75% of the Portfolio could be registered as condominiums. Although PSD has not had any applications declined during 2019, the speed at which applications have been processed by planning offices has slowed and there has been some discussion by the Berlin government regarding new laws preventing condominium splitting. However, it is unlikely that these will progress pending final judgement on the legality of the Mietendeckel. Any laws should not impact properties already split.

EPRA Capital Expenditure

Property related capex	Value (€'000)
Acquisitions	62
Like-for-like portfolio	5,948
Other[1]	511
Total Capital Expenditure	**6,459**

1 Relates to capex monitoring fees paid to Property Advisor in the year.

FINANCIAL AND OPERATIONAL REVIEW
CONTINUED

Debt and gearing

As at 31 December 2019, PSD had gross borrowings of €280.2 million (31 December 2018: €195.3 million) and cash balances of €42.4 million (31 December 2018: €26.9 million), resulting in net debt of €237.8 million (31 December 2018: €168.4 million) and a net loan to value on the Portfolio of 32.6% (31 December 2018: 26.1%).

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 comprises of two tranches, being a refinancing facility for €190 million and a further acquisition facility for €50 million.

The refinancing facility, which was partly used to refinance existing indebtedness of c. €119 million, is a seven-year, interest-only loan (eliminating the previous amortisation obligations) with a margin of 115bp over 3-month Euribor, floored at zero. The outstanding swap portfolio was restructured to provide interest rate hedging so as to effectively provide a fixed interest rate for the full duration of the new loan. This facility was drawn in September 2019, after which PSD's gross loan to value (excluding cash held on balance sheet) increased from 28.6% to 39.2%, while the overall cost of the refinanced debt decreased from 2.2% to 2.1%. The remainder of the Refinancing Facility has been used to fund working capital, capital expenditure, opportunities that have arisen from the market dislocation caused by the Mietendeckel, and to buy back the Company's shares.

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

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 amortisation repayments on existing debt. The Company acquired debt of €16.4 million on the acquisition in December 2019 of the company which owned the apartment complex in Brandenburg previously described. This debt had a fixed interest rate of 1.35% and is intended to be refinanced in mid-2020 using the acquisition facility negotiated in 2019. There was a further disbursement of €3.5 million of debt secured against other acquisitions made in 2019.

Nearly all PSD's debt effectively has a fixed interest rate through hedging. As at 31 December 2019, the blended interest rate of PSD's loan book was 2.0% (31 December 2018: 2.1%). The average remaining duration of the loan book at 31 December 2019 had decreased to 6.6 years (31 December 2018: 7.7 years).

Gross borrowings (million)

€280.2

Cash balances (million)

€42.4

Net loan to value on the Portfolio

32.6%

Outlook

The COVID-19 outbreak has presented PSD with an unexpected new set of challenges. On a macroeconomic level, it is too early to predict accurately the medium-term impact on global and regional economies. The German federal government has announced an unprecedented €750 billion fiscal package to help cushion its impact including financial assistance for public and private sector industry as well as Germany's Hartz IV welfare programme. This programme includes help for rental payments in instances of financial hardship, and is available to tenants directly impacted by the COVID-19 outbreak.

Although, as yet, the consequences of COVID-19 for PSD have been limited, it does have the potential to impact the Berlin property market. Firstly, the temporary restrictions on mobility will restrict the ability of prospective tenants and buyers to view rental properties and condominiums. Secondly, although commercial tenants represent a small percentage of PSD's rental income, a number of businesses deemed to be "non-essential" under the current restrictions may be forced to close for a period of time.

Finally, notwithstanding the financial hardship support offered by Germany's Hartz IV programme, any negative impact on the Berlin economy and employment levels could affect residential arrears.

If the COVID-19 outbreak is of limited time duration, these potential impacts are likely to be temporary in nature. The Property Advisor has rigorously stress tested for potential downside scenarios associated with COVID-19, including any potential impact on arrears and loan covenants, and is confident that PSD is well positioned to withstand the current dislocations it may cause. Moreover, PSD is well funded, with a low LTV and cash on its balance sheet of €42.4 million as at 31 December 2019. This represents 188% of 2019 gross rental income.

In addition, uncertainty surrounding the new Berlin rent laws has the potential to affect market dynamics as owners adapt to the new regulatory environment. Jones Lang LaSalle GmbH, the Company's independent property advisors, have confirmed that, as of 31 December 2019, there had been no material adverse effect on either sale prices or rental levels in the Berlin market, although the volume of transactions in both cases had reduced significantly. However, given the current uncertainty about the legal validity of the Mietendeckel, it is not yet clear what impact, if any, there could be on future property prices.

During the past decade, Berlin has developed into one of Europe's most vibrant and dynamic cities. Economic and population growth have substantially outstripped nearly all other European cities. In particular, growth in the business services, media and technology sectors has ensured strong job creation and net inward migration. At the same time, new construction has continually failed to meet demand and, against this backdrop, rental prices have risen. These demographic trends will continue in the absence of a well-considered, long-term, policy response.

The Mietendeckel focuses exclusively on the effects of a housing shortage rather than addressing the underlying causes. It fails to address the result of years of underinvestment in new housing supply. It is only by incentivising new supply and modernisation that a sustainable solution to Berlin's housing shortage is likely to be successful.

Pending regulatory clarity, PSD will seek to maximise its strategic optionality. These actions will help alleviate the short-term impact of the new rental laws and we remain of the view that the legal challenges against their permanent implementation will be successful.

COMMITTED TO ACTING RESPONSIBLY

We are committed to acting responsibly and balancing the different interests of all our key stakeholders to deliver a sustainable long-term success.

Our approach to Corporate Responsibility

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

Our business focuses on providing homes for people, that are both comfortable and affordable. Providing good customer service to our tenants and improving the sustainability of housing stock through financially viable improvement remains at the core of our business.

In 2019, we continued to deliver against our 'Better Futures' Corporate Responsibility ('CR') Plan, which was launched in 2018. Although we recognise that there is still more to do, we are pleased with the progress we are making.

Corporate Responsibility – Governance

To ensure the successful delivery of our 'Better Futures' CR Plan, we have policies for each of the pillars and a governance structure to ensure robust oversight. We are currently developing a measurement framework and look forward to sharing it with investors and partners in the near future.

PSD provides its policies to the Property Advisor and to PSD's key suppliers and partners. The Property Advisor has, in turn, created its own policies that are aligned with ours. We request that the Property Advisor periodically verifies that it has acted in accordance with the policies. Where the Property Advisor 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, the Property Advisor has a CR Task Force that oversees the implementation of the plan across the business. This Task Force reports the progress on the CR Plan, at least twice a year, to PSD's CR Sub-Committee, which in turn reports to the Company's Board.

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

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

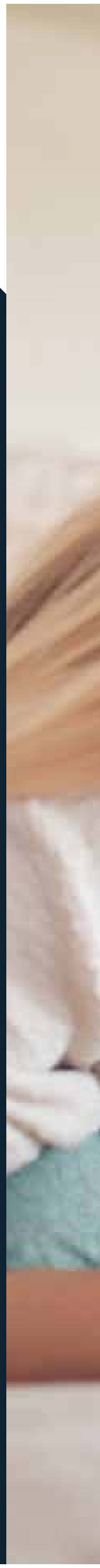
We are fair to all our stakeholders, whether employees, partners, investors or tenants and endeavour to balance their different needs. Where financially viable, we seek to improve the overall standard of our accommodation whilst investing responsibly for our investors and addressing environmental and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



OUR 'BETTER FUTURES' CORPORATE RESPONSIBILITY ('CR') PLAN

Our 'Better Futures' Plan provides a framework to guide our activities and improve our overall sustainability. We operate under four pillars that are integrated throughout our business operations as follows:

Respecting People

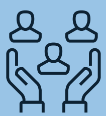
Our partners and their employees are at the heart of our business' success and the face of our Company with tenants and investors. Our key partner, PMM Residential Limited, is committed to hiring, developing and retaining highly experienced people.

Read more page 26

Protecting our Environment

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

Read more page 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 and tenants.

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

RESPECTING PEOPLE

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

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

The Property Advisor is committed to supporting its employees' personal and professional development via providing access to a variety of training programmes, ensuring employees have challenging work assignments and they receive annual Development Reviews. It promotes a strong work-life balance – and takes the health and welfare of its employees seriously, providing leading health and welfare benefits.

Modern Slavery
Neither PSD nor the Property Advisor meets the criteria requiring the Company to publish a Modern Slavery Statement. Nevertheless, both companies fully support the intentions of the Modern Slavery 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 just completed my Level 5 CIPD diploma in HR Management, which PMM Residential Limited has funded for me. They also provided constant support and motivation, helped me with research and gave me time off to study and take the assessments. Achieving the qualification has provided me with more tools to handle my tasks and apply the things I learnt in my day-to-day job. My independence and understanding of the Company has improved and I am able to apply my newly developed set of skills to a wider area and really make a difference. The qualification has made a big impact on my professional and personal life."

Bogna Wleklinska – Head of Administration & HR at PMM Group

PROTECTING OUR ENVIRONMENT

We strive to reduce our environmental impact in our rental properties and in the offices of our key partner, PMM Residential Limited, by reducing our utility use and minimising waste.

Our Environment Policy sets guidance as to how PSD, the Property Advisor and other key suppliers should operate.

Throughout the property refurbishment process, we work with our contractors to minimise the amount of waste by re-using materials, where feasible. PSD is committed to refurbishing our recently acquired apartment complex in Brandenburg in accordance with our CR policies.

In line with our Sustainable Procurement Policy we aim to use products and materials that have a low environmental impact, so long as their technical performance meets the required standards and they are economically viable for refurbished properties. This includes items such as energy and water-efficient fittings and paint that has a Blue Angel award.

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

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

VALUING OUR CUSTOMERS

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

Our tenants regard their apartment as their home and, to that end, we aim to make a positive contribution to our tenants' living standards and to ensure that their apartment is a place in which they enjoy living. Where financially viable, we seek to improve the standard of accommodation available to tenants through renovation and providing a reliable, friendly rental service by listening to their suggestions and concerns and responding in a timely manner. In 2019, we added additional bike racks into some buildings where there were a high number of tenants using bikes. We continually monitor this engagement and conduct Tenant Surveys to ensure we are delivering a high standard of service. The survey conducted in 2019 showed a high level of satisfaction amongst tenants.

New tenant survey satisfaction 2019

85%

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

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

INVESTING IN OUR COMMUNITIES

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

In addition to investing in communities by providing homes that people want to live in at affordable rents, we look to improve the external façade of the buildings and other outdoor areas. For our tenants, the look and feel of a neighbourhood plays an important role in how they feel about their home and the community they live in. During 2019, we re-invested €6.5 million of rental income across all of our improvement programmes.

If the Mietendeckel remains in force, we will strive to meet our tenants' expectations and will always meet the requirements of health and safety regulations, whilst balancing our business need to reduce capital expenditure.

PSD takes a strategic approach to its 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 support a women's refuge (The Intercultural Initiative) that helps women affected by domestic violence, providing emergency shelter, advice and counselling to the women and their children.

In 2019, our donation helped furnish a new residential unit which is available for women to live in, whilst they rebuild their lives. We also helped fund therapy sessions for children to help them process and cope with their domestic abuse situation, so they too can start to rebuild their lives.

The Property Advisor, our key partner, continued to support two charities in London that work with homeless people or those at risk of becoming homeless. With SHP, they fund an employability programme that helps homeless people to find a job and secure a sustainable income that enables them to afford housing. 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.

The Property Advisor's Charity Champions engage their fellow employees with various charitable fundraising activities and donating clothes to the homeless. Employees are also encouraged to volunteer, receiving one day a year. For the second year running, employees have volunteered with SHP, delivering Christmas presents to homeless people around London.

"It felt very rewarding being one of the PMM volunteers distributing 800 gifts to homeless people in SHP's hostels around London. You could tell that it was really appreciated and would brighten up someone's Christmas."

Adam Lee

We support a women's refuge

Mrs. A. (23 years old) came to our women's shelter with her three children. She had been exposed to physical and psychological violence by her husband and his family and her own family had disassociated with her. Living at the shelter, she has met other women with similar experiences and now feels less isolated and recognises that it is not her fault. Through the support and counselling provided, she has overcome her fears and now feels confident to go her own way.

She said, "I realised I'm not alone. Maybe I'm not where I want to be yet. But luckily I'm not where I used to be. I'll go my own way and put one foot in front of the other every day..."

PRINCIPAL RISKS AND UNCERTAINTIES

Key: Increasing | Unchanged | Decreasing

Risk	Impact	Mitigation
Changes to property and tenant law (Increasing)	Property laws remain under constant review by the new 'Red-Red- Green' coalition government in Germany and future changes to property regulation and rent controls for new tenancies could negatively affect rental values and property valuations. The most recent tenant law changes involve the Mietendeckel rent cap, which was passed into law in February 2020, the main provisions of which are set out on pages 11 to 13 of the annual report.	The Property Advisor regularly monitors the impact that existing and proposed regulation could have on future rental values and property planning applications. The Company has sought independent legal advice regarding the Mietendeckel and has been advised that the proposals are likely to be unconstitutional and illegal and should be successfully challenged in the courts of law. The Company has set out how it intends to adapt its strategy during the period in which the proposed rent controls are in force to mitigate any short-term impact on the Portfolio, while ensuring it maintains maximum strategic optionality in the event the proposals are found to be unconstitutional. These measures, together with the potential financial impact for the current financial year, are summarised on pages 11 to 13 of the annual report.
Decline in property valuation (Increasing)	Economic, political, fiscal and legal issues can have a negative effect on property valuations. A decline in Group property valuations could negatively affect the valuation of the Portfolio and the ability of the Group to sell properties within the portfolio at valuations which satisfy the Group's investment objective.	The Property Advisor believes Berlin housing affordability metrics remain favourable relative to other European countries. However, the newly introduced Berlin Mietendeckel (rent cap) legislation has the potential to impact rental property valuations in the future. Given the current uncertainty on the timing and outcome of legal proceedings, the potential financial impact on property valuations remains unclear. The Company has set out how it intends to adapt its strategy during the period in which the proposed rent controls are in force to mitigate any short-term impact on the Portfolio, while ensuring it maintains maximum strategic optionality in the event the proposals are found to be unconstitutional. These measures, together with the potential financial impact for the current financial year, are summarised on pages 11 to 13 of the annual report.
Insufficient capital to support dividend (Unchanged)	Lack of capital may restrict the ability of the Group to pay dividend, especially in light of the Mietendeckel rent caps and the possible impact they will have on operating cash flows.	Dividends are due to be paid out of operating cash flows which include both rental income and condominium sales cash flows. The Company has entered into an agreement with Accentro, one of Germany's leading condominium sales platforms. This agreement provides access to a successful, European-wide, distribution platform which should allow PSD to accelerate sales of apartments if required to cover operating cash flows. The cash flow impact of the Mietendeckel is not due to be felt until November 2020, therefore the impact on rental income in 2020 is set to be minimal. The Company therefore has sufficient time to implement its various strategies discussed in this annual report on pages 14 to 15 to counteract the effects on rental income. The Group always maintains conservative long-term forecasts regarding its cash balances to ensure a three-year viability projection, which include full settlement of dividends in the forecast period.
Loss of data due to cyber security attack on IT systems (Unchanged)	Illegal access of commercially sensitive information and potential to impact investor, supplier and tenant confidentiality.	Review of IT systems and infrastructure in place to ensure these are as robust as possible. Service providers are required to report to the Board on request on their financial controls and procedures. 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 the Management Engagement Committee each year.
Inability to sell vacant condominiums (Unchanged)	Inability to sell vacant condominiums in the Berlin market due to changing political or economic conditions could affect the Company's cash flows in the short term, which may affect the ability of the company to fund its capital expenditure programme or fund its annual dividend.	Over half of the Company's properties have been split in the German land registry, the final step to allowing the sale of properties as individual condominiums. The Property Advisor reviews the condominium profile on a monthly basis, and the Company can bring new condominium properties online quickly for sale as appropriate. The Company intends to market vacant condominiums for sale from its Portfolio which are easier to release into the market, even with the potential market effects of the Mietendeckel. The Company has also entered into an agreement with Accentro, one of Germany's leading condominium sales platforms. This agreement provides access to a successful, European-wide, distribution platform which should allow PSD to accelerate sales of apartments if required.
Insufficient investment opportunity (Increasing)	Availability of potential investments which meet the Group's investment objective can be negatively affected by supply and demand dynamics within the market for German residential property and the state of the German economy and financial markets more generally.	The Property Advisor has been active in the German residential property market since 2006. It has specialised acquisition personnel and an extensive network of industry contacts including property agents, industry consultants and the principals of other investment funds. It is expected that future acquisitions will be sourced from these channels. 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 acquiring in the suburbs of Berlin, outside the scope of the Mietendeckel, where the growth potential is more promising.

Key: Increasing | Unchanged | Decreasing

Risk	Impact	Mitigation
Breach of covenant requirements (Increasing)	Should any fall in revenues result in the Group breaching financial covenants given to any lender, the Group may be required to repay such borrowings in whole or in part, together with any related costs.	The Group took on new covenants when signing the €190 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 scenario, no covenants were breached. The cash flow impact of the Mietendeckel is not due to be felt until November 2020, therefore the impact on rental income in 2020 is set to be minimal. The Company therefore has sufficient time to implement its various strategies discussed in this annual report on pages 14 to 15 to counteract the effects on rental income. 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 2020, all covenants were cleared with significant headroom.
Macro-economic environment (Increasing)	A deterioration in economic growth and a recessionary environment could adversely affect tenant demand and vacancy, leading to a reduction in rental and property values.	Although the Board and Property Advisor cannot control external macro-economic risks, economic indicators are constantly monitored by both the Board and Property Advisor and Group strategy is tailored accordingly. The Company has considered the impact of the Coronavirus ('COVID-19') outbreak, and while it considers the risk to the Group's operations to be minimal, it continues to monitor the situation. The Company is a Jersey and Guernsey based entity operating in Germany, and therefore Brexit should not affect the fund as it currently operates outside the UK.
Reputational risk (Increasing)	Adverse publicity and inaccurate media reporting could reflect negatively on stakeholders' perception of the Group, its strategy and its key personnel. Landlords in Berlin are likely to face increasing negative sentiment and media scrutiny in the light of the Mietendeckel.	The Group has retained an external public relations consultancy and press releases are approved by the Board prior to release. The Group maintains regular communication with key shareholders and conducts presentations and roadshows to provide investors with relevant information on the Group, its strategy and key personnel. The Group also has a dedicated CSR committee of the Board which ensures the company ethos is in line with societal expectations. The Company also maintains a technical department with the Property Advisor who ensures that all health and safety regulations are followed with respect to landlord obligations in Berlin.
Non-compliance with new regulatory, health and safety, accounting and taxation legislation (Unchanged)	Failure to identify and respond to the introduction of new financial regulation in a timely manner. Risk of reputational damage, penalties or fines. Failure to suitably prove that the substance of the Company is in Jersey could lead to a change in the tax residency.	The Group employs internal compliance and corporate governance advisors to provide updates and boardroom briefings on regulatory changes likely to impact the Group. The Group works closely with external accountants and tax advisors to keep up to date with changes to financial regulation in the UK, Channel Islands and Germany. Berlin is currently under the government of a 'Red-Red-Green' coalition which is looking at tenant law, however the Company believes that its external legal, tax and accountancy advisors, and market experience are sufficient to ensure that there is no non-compliance with new regulations as they come in. The Group is carrying out an ongoing remediation project with its new administrators to ensure all regulatory processes have been followed with respect to its substance in Jersey requirements, and its corporate governance. The Group has also taken tax residency advice over 2019 to ensure the Group is still complying with residency in Jersey. The Company also maintains a technical department with the Property Advisor who ensures that all health and safety regulations are followed with respect to landlord obligations in Berlin.
Reliance on the Property Advisor and its key personnel (Unchanged)	The Group's future performance depends on the success of the Property Advisor's strategy, skill, judgement and reputation. The departure of one or more key employees may have an adverse effect on the performance of the Group and any damage to the Property Advisor's reputation may have an adverse effect on the Group's performance.	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 Group announced that it had signed a new Property Advisor agreement with PMM Residential Limited, committing the Property Advisor to the Fund for the foreseeable future.
Coronavirus (COVID-19) outbreak (Increasing)	Disruption to business activities, European economic slowdown, equity market decline.	The broader impact of the coronavirus outbreak will depend on how the virus spreads and the response of the authorities. The Property Advisor has considered and will continue to monitor the threat and implications of the coronavirus and has prepared contingency and mitigation plans. The Group has carried out extensive scenario modelling, estimating the impact of COVID-19 on the Group's financial and operational performance, further analysis of this modelling can be found on pages 36 to 37 of this report. All the Property Advisor's IT systems are cloud based and all employees have the necessary equipment to conduct their day to day business activities from home if required. All tenant payments are by bank transfer/direct debit. Furthermore, a significant portion of the Berlin economy is based on the service sector, which tends to offer a relatively flexible working environment and is likely to be less affected by the virus than other sectors of the economy. This overall effect however remains uncertain.

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 Management Engagement 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, both are LSE listed companies; he was also Chairman of Guernsey Housing Association LBG, standing down in June 2017; and is a Non-executive Director of a number of other funds including Summit Properties Limited. He is a member of the Institute of Directors. Quentin was appointed to the Board on 2 April 2007.

Charlotte Valeur

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

Charlotte, a Jersey resident, has held a number of executive and non-executive roles in listed and private businesses. She was the Chair of the Board at Kennedy Wilson Europe Real Estate Plc and a non-executive Director of 3i Infrastructure Plc and of JP Morgan Convertibles Income Fund Ltd. She is currently Chair of Blackstone GSO Loan Financing Ltd and NTR Plc. Charlotte has over 30 years of experience in the financial services industry, working for a range of international investment banks in the City of London. She is also the Founder and CEO of GGG Ltd, trading as Global Governance Group. In 2018 she was elected as the Chair of the Institute of Directors. Charlotte was appointed to the Board on 24 January 2018.

Jonathan Thompson

Independent Non-executive Director and Chair of the Audit Committee and the Valuation 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 and Chair of the Corporate Responsibility Committee and the Nomination & 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 fund and a non-performing credit fund. She also serves as a Commissioner with the Jersey Financial Services Commission. Prior to moving to Jersey, Monique was an investment banker at Goldman Sachs and Merrill Lynch and a structured finance lawyer at Clifford Chance and Minter Ellison. Monique is regulated by the Jersey Financial Services Commission to act as a company director (Class G) and is registered with the Cayman Islands Monetary Authority. Monique was appointed to the Board on 17 April 2018.

DIRECTORS' REPORT

The Directors are pleased to present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2019.

Corporate Governance

The corporate governance statement on pages 38 to 46 forms part of this Directors' report, which, together with the strategic report set out on pages 1 to 31 form the management report for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

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

General information

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

Dividends

The Directors have declared a further dividend of 5.15 cents (€) (2018: 5.15 cents (€)) per ordinary share for the period 1 July 2019 to 31 December 2019 to be paid on or around 3 July 2020 to ordinary shareholders on the register on 12 June 2020.

The Directors declared a dividend of 5.15 cents (€) per ordinary share for the period 1 July 2018 to 31 December 2018, paid on 27 June 2019 to ordinary shareholders on the register on 7 June 2019 and a further dividend of 2.35 cents (€) per ordinary share for the period 1 January 2019 to 30 June 2019, paid on 25 October 2019 to ordinary shareholders on the register on 11 October 2019.

Directors

The Directors in office during 2019, and subsequently, and their biographical details are shown on pages 32 and 33.

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

The terms and conditions of appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors 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.

At 31 December 2019, Quentin Spicer, a Non-executive Director, held 31,600 shares in the Company.

There has been no change to the interests of each Director between 31 December 2019 and the date of this report.

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 3,000,000 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 2019, the total voting rights of the Company were 97,751,410, and as at the date of this report are 97,276,410, being the issued share capital minus shares held in treasury.

On 21 June 2019, 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 2020 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 21 June 2019. 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.

On 18 October 2019, the Company commenced the repurchase of up to 10% of its existing issued share capital. This followed the completion of a new €240 million loan on improved terms which provides additional liquidity to take advantage of opportunities arising from market disruption caused by changes to the rent laws, as well as weaknesses in the share price. At 31 December 2019, 3,000,000 shares have been repurchased at an average price of £3.23 per share and an average discount to NAV of 22%. At 31 December 2019, all the repurchased shares were 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

As at 31 December 2019, 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	12.6%	12,288,503
Thames River Capital	8.5%	8,310,669
Degroof Petercam	6.8%	6,603,391
Goldman Sachs Collateral Account	6.1%	5,990,898
Invesco	5.6%	5,509,381

The following changes have been notified to the Company between 31 December 2019 and the date of this report:

Name of holder	Percentage of voting rights	No. of ordinary shares
Invesco Ltd	4.99%	4,869,112

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 price, credit, liquidity and cash flow 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 three condominiums in Berlin with aggregated consideration of €1.6 million prior to the reporting date. The sale of these units subsequently completed in Q1 2020.
- The Company continued with buying back its own shares. In Q1 2020, 425,000 PSD shares have been purchased back with an average price paid of £3.11, a 25% discount to December 2019 EPRA NAV per share of £4.16.
- Since the Balance Sheet date, The Company has exchanged contracts for the sale of four condominiums with aggregated consideration of €1.4 million. These four units await completion as of the date of this report.
- The final draft of the new Berlin-specific rent cap (or 'Mietendeckel') became law following publication in the official gazette on 23 February 2020. The new rules allow the limitation of housing rents, such that rates are no longer set at free market levels. The financial impact and the Company's future business model and strategy are largely dependent on the timing and eventual outcome of any legal action. These have been outlined in more detail in the strategic review on pages 11 to 13 of this document.
- The broader impact of the coronavirus (COVID-19) outbreak will depend on how the virus spreads and the response of the authorities. The current impact on the Company is difficult to quantify as the outbreak length and severity are unknown. A variety of scenarios have been modelled and the result of these is set out in the Viability Statement on pages 36 to 37. The Property Advisor has considered and will continue to monitor the threat and implications for PSD of the coronavirus.

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 projections for the period to 31 December 2022 using assumptions which the Directors consider to be appropriate to the current financial position of the Group with regard to revenues, its cost base, the Group's investments, borrowing and debt repayment plans, and the assumed passing of the continuation vote. 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 expected market disruption arising from post balance sheet events, including 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 from managing its capital and its risks are set out in the Strategic Report. After making enquiries and having regard to the FRC's Guidance for Companies on COVID-19 issued in March 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 these 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 2022:

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 potential impact of COVID-19; and
i) the passing of the continuation vote scheduled for the AGM in May 2020.

Under normal scenarios, this base case model assumes stresses to each of a) through to f) in the above list. However, this year the Group has additionally considered g), h) and i).

As per the Company's Articles of Association, a continuation vote is due at the AGM scheduled for May 2020. The Directors have examined the current circumstances of the Group and its prospects over the next three years. Given current uncertainty related to the Mietendeckel and COVID-19 and in consideration that both of these will be short-term events, the Directors believe that the continuation of the Company should deliver a better outcome for shareholders than any proposal to reorganise, unitise or reconstruct the Company or for the Company to be wound up with the aim of enabling members to realise their holdings in the Company. The Directors are, therefore, recommending that the vote to continue the Group is passed at the forthcoming AGM, and are of the opinion that there is no material uncertainty that the vote to continue will be passed.

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 reviewed will represent a real-life scenario as the Company believes that the Mietendeckel will be found unconstitutional and, as the German government has very high levels of social protection, arrears arising from COVID-19 are unlikely to reach the levels incorporated in the model.

In response to the risks posed by the Mietendeckel and COVID-19, 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 in the tables 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 set out in the Mietendeckel response on pages 11 to 13 of the strategic report, the Group would plan to increase sales of condominiums over the forecast period to mitigate any falls in revenue.

COVID-19 has potential to cause significant disruption to the German economy for at least a large part of 2020 and, while the financial effect on the Group is difficult to quantify, various scenarios have been modelled in respect of the impact of the COVID-19 outbreak to stress the financial metrics of the Group. This includes tenants' ability to pay their rents as they fall due, the impact on the ability to sell condominiums, and the consequential impact on debt finance facilities.

Financial modelling and stress testing were 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 a significant increase in tenant arrears up to December 2020 – current tenant arrears stand at around 1% of total revenues and, whilst the impact of the pandemic is uncertain it has the potential to lead to tenant defaults;
- projected condominium sales are reduced to only contractually agreed sales over the forecast period;
- capital expenditure is reduced to a level of essential maintenance that preserves the condition of the assets to required standards, but it is lower than in prior years, and in a base case, business as usual, scenario;
- dividends are maintained at current levels throughout the forecast period, but remain a potential source of mitigation from interim 2020 onwards if cash retention is required;
- the Mietendeckel remains in force throughout the forecast period;
- debt facilities with a maturity during the forecast period are to be refinanced using the acquisition facility signed with Natixis in 2019; and
- EPRA NAV is assumed to remain constant during the forecast period. The cash impact of any EPRA NAV movements is limited as few overhead or property costs are linked to EPRA NAV.

After applying the assumptions above, individually and collectively, there was no scenario by which the viability of the Company over the next 12 months was brought into doubt from a cash flow perspective. Under the stresses set out above, mitigation may be required in 2021 and 2022 and headroom could be obtained in the following ways:

- reducing the dividend to preserve cash; 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 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 ad hoc and discretionary in nature. In this respect, the Directors complete a formal review of the working capital headroom of the Group for 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 and meet its liabilities as they fall due over the three-year period of their assessment.

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

On behalf of the Board

Jonathan Thompson
Director
5 April 2020

CORPORATE GOVERNANCE STATEMENT
BOARD LEADERSHIP AND PURPOSE

This Corporate Governance Statement comprises pages 38 to 46 and forms part of the Directors' Report.

Introduction from Chairman

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

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 Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and supported by the Jersey Financial Services Commission, provides more relevant information to shareholders. The AIC Code and the UK Code are available on the AIC website (www.theaic.co.uk) and the FRC website (www.frc.org.uk),respectively . 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.

Statement of compliance with the AIC Code

Pursuant to the listing rules of the FCA, the Company is required to provide shareholders with a statement on how it has applied the provisions of, and complied with, the AIC Code. 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 Board has reviewed the Principles and Provisions of the AIC Code and considers that it has complied throughout the year.

Board leadership and purpose

Under the leadership of the Chairman, the Board assesses the basis on which the Company generates and preserves value over the long term. Additionally, the Board considers and addresses the opportunities and risks to the future success of the Company, along with the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. The Company's Principal Risks, responses and relevant mitigations can be seen on pages 30 to 31 of this Annual Report.

Culture of the Board

The Company has no direct employees therefore is not required to monitor culture in this respect, however the Board recognises its wider responsibility to demonstrate to shareholders that it is operating responsibly 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" Corporate Responsibility 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.

Where the Board is not satisfied, it will seek assurance from key service providers that management has taken corrective action.

Stakeholder engagement

Details of how the Directors have engaged with the Company's key stakeholders is set out in the corporate responsibility report on pages 22 to 29.

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 22 to 29 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 Mietendeckel, the share buyback programme and the change to the Articles of Association to clarify that a continuation vote will be put to shareholders at the 2020 Annual General Meeting.

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. For further details regarding these meetings see the Corporate Responsibility Committee report on page 39.

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.

2019 Annual General Meeting

The 2019 Annual General Meeting of the Company was held on 21 June 2019. Resolutions 1 to 10 related to ordinary business and resolutions 11 and 12 related to the following special business:

- to resolve that the Company be authorised to make market purchases of up to 15,112,711 of its shares (representing approximately 14.99% of its issued shares capital at the date of the AGM notice); and
- to resolve that the Directors be empowered to issue up to 10,075,141 shares (representing approximately 10% of the Company's issued shares capital at the date of the AGM notice) for cash as if the member's pre-emption rights contained in the Articles of Association did not apply to such issue.

All resolutions put to shareholders were passed, although the Board notes that the resolutions to re-elect all the Directors, except Robert Hingley, and the resolution to empower the Directors to issue up to 10,075,141 shares for cash as if the member's pre-emption rights contained in the Articles of Association did not apply to such issue received more than 20% of votes cast against. The Board also notes that the resolutions to re-elect Robert Hingley and approve the remuneration report received more than 10% votes cast against.

Where a significant proportion of votes have been cast against a resolution at the AGM, the Company will consider what, if any, actions it intends to take going forward, including holding discussions with shareholders. For these purposes, the AIC Code and the Investment Association consider 20% or more of votes cast against a resolution as being 'significant'. Pensions & Investment Research Consultants Limited ('PIRC') is a proxy advisor which publishes voting recommendations for its clients in respect of listed issuers, including the Company. PIRC consider 10% (rather than 20%) or more votes cast against a resolution as being significant.

As detailed in the 2019 Interim Accounts, and in accordance with the AIC Code, the Company has actively sought to engage with significant shareholders who voted against the resolutions. The dialogue was initiated in order to better understand their voting decisions.

The Board understands that the main issue of concern which ultimately led some investors to vote against the resolutions to re-elect the Directors and the resolution to approve the remuneration report was related to the levels of disclosure surrounding the variable component of Director remuneration as set out in the 2018 Annual Report. In this respect, the Directors received additional remuneration relating to a special project which was undertaken in that year (in accordance with their terms of engagement). The Directors' remuneration was related to time spent on that special project, and was not 'variable' in that it was not linked to the performance of the Company. The Company acknowledges that the description of the Directors' remuneration was not sufficiently clear in the 2018 Annual Report.

Following productive and positive engagement with shareholders, the Board is reassured that the same vote would not have breached the 'significant' threshold now that it has had the opportunity to more fully engage with shareholders.

In addition, the Board has further enhanced the Directors' remuneration report in the 2019 Annual Report to provide more detailed disclosures regarding the Directors' remuneration. With respect to the resolution to empower the Directors to issue up to 10,075,141 shares for cash as if the member's pre-emption rights contained in the Articles of Association did not apply to such issue, the feedback received indicated that some investors, as a matter of principle, consider that a share issue greater than 5% involving the disapplication of pre-emption rights should be the subject of shareholder consultation and approval on a case-by-case basis.

The Board has considered this feedback and reiterates that, in accordance with the commitment set out in the listing prospectus, the Company is not permitted to issue share capital at a discount to Net Asset Value without prior shareholder approval. The Board appreciates the feedback it has received to date on the above matters and will continue its policy of proactive engagement with its shareholders.

2020 Annual General Meeting

In light of the COVID-19 virus pandemic, the Company is assessing the plans for its 2020 Annual General Meeting. Further information on the Annual General Meeting venue, date and time will be communicated in due course.

Board conflicts of interest

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. None of the Directors had a material interest in any contract which is significant to the Group's business. Directors' holdings in the Company's shares can be found in the Directors' report on page 50.

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.

Where Directors have concerns about the operation of the Board or the Company that cannot be resolved, their concerns should be recorded in the Board minutes. On resignation, a Non-executive Director should provide a written statement to the Chair, for circulation to the Board, if they have any such concerns. At 31 December 2019, the Board comprised five Non-executive Directors. Their biographical details are on pages 32 and 33.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

COMPOSITION, SUCCESSION AND EVALUATION

Board and Committee composition as at 31 December 2019

BOARD

Robert Hingley (Chairman)
Charlotte Valeur (Senior Independent Director)
Jonathan Thompson
Monique O'Keefe
Quentin Spicer

Committees

NOMINATION & REMUNERATION	AUDIT	RISK	CSR	MANAGEMENT ENGAGEMENT	PROPERTY VALUATION
• Monique O'Keefe (Chair) • Robert Hingley • Charlotte Valeur • Jonathan Thompson	• Jonathan Thompson (Chair) • Charlotte Valeur • Monique O'Keefe	• Charlotte Valeur (Chair) • Jonathan Thompson • Monique O'Keefe	• Monique O'Keefe (Chair) • Robert Hingley • Charlotte Valeur • Jonathan Thompson	• Robert Hingley (Chair) • Charlotte Valeur • Jonathan Thompson • Monique O'Keefe	• Jonathan Thompson (Chair) • Robert Hingley • Charlotte Valeur • Monique O'Keefe

At 31 December 2019, the Board comprised five Non-executive Directors. Their biographical details are on pages 32 and 33.

Changes to the composition of the committees during the year are described in the Nomination & Remuneration Committee report on pages 44 to 46.

Chairman
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 32.

Senior Independent Director
Charlotte Valeur is the Senior Independent Director who 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.

The Board
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 and financial statements, the Directors have set out the Group's investment objective and policy, which as per the 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 11 to 13 of the annual report. The Directors have reported how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Group operates and set appropriate risk controls. The Board also maintains a formal schedule of matters specifically reserved solely for their decision. These include:

- the approval of financial statements, dividends and significant changes in accounting practices;
- Board membership and powers including the appointment and removal of Board members, determining the terms of reference of the Board and its Committees, and establishing the overall control framework;
- the appointment and removal of the Property Advisor, Administrator, Company Secretary and other appropriately skilled service providers and to monitor their effectiveness;
- stock exchange related issues including the approval of the Company's announcements and communications with both shareholders and the London Stock Exchange;
- senior management and subsidiary Board appointments and remuneration, contracts and the grant of share options;
- key commercial and strategic matters including the overall objectives of the Company in line with the investment policy;
- risk assessment;

- financial matters including the approval of the budget and financial plans, changes to the Group's capital structure, business strategy, acquisitions and disposals of properties, acquisition and disposals of businesses and capital expenditure;
- other matters including regulatory and legal compliance; and
- consideration of recommendations and reports from the Board committees in place.

The schedule of matters reserved for the Board is being reviewed by the Board, with the assistance of the Company Secretary, in light of the new corporate governance provision in the AIC Code regarding Section 172 of the Companies Act 2007.

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

The Directors believe that the Board has an appropriate balance of skills, experience and independence to discharge its duties and provide effective strategic leadership and proper governance of the Company. The Board ensures it acts in a way it considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. Refer to the corporate responsibility statement on pages 22 to 29 for details on how the Board considers its stakeholders.

Independence of Non-executive Directors

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. Details of the Board's rationale for recommending Quentin's reappointment for a further period of one year, despite his non-independence, can be found in the Nomination & Remuneration report on pages 44 to 46.

At 31 December 2019, Quentin Spicer indirectly held 31,600 shares in the Company, representing 0.03% of the issued share capital which is not regarded to be significant. No other Directors held shares in the Company during the financial year.

Committees of the Board

At year end, the structure included an Audit Committee, a Risk Committee, a Property Valuation Committee, a Nomination & Remuneration Committee, a Management Engagement Committee and a Corporate Social Responsibility Committee.

During the year, Quentin Spicer stepped down from all Board Committees due to his length of service exceeding nine years and the Board therefore considering him non-independent. Robert Hingley stepped down from the Audit Committee and the Risk Committee on 29 October 2019 in line with best practice as set out in the AIC Code.

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 comprises Jonathan Thompson (chair), Monique O'Keefe and Charlotte Valeur and 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 four times 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.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee meets no less than twice a year. It is responsible for approving a strategy for discharging the Company's corporate and social responsibilities (CSR), 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 Corporate Social Responsibility 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 CSR consultant to support the Company in implementing its CSR policy and strategy. Further details on the Company's CSR policy and strategy can be found in the corporate responsibility report on page 22 to 29.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

COMPOSITION, SUCCESSION AND EVALUATION

Management Engagement Committee

The Management Engagement Committee comprises Robert Hingley (chair), Jonathan Thompson, Monique O'Keefe and Charlotte Valeur. Its role is 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.

During the year, the Management Engagement Committee 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 Management Engagement Committee considered the questionnaire, the overall performance of the Property Advisor and the terms of the Property Advisor Agreement, as set out in note 27 on page 82, 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 recommended, and subsequently approved by the Board, that PMM Residential Limited be retained as Property Advisor under the terms of the agreement set out in note 27.

In addition, the continued engagement of all third-party service providers whom the committee independently evaluates, except for the previous administrator and company secretary, was recommended to, and approved by, the Board. Apex Financial Services (Alternative Funds) Limited were appointed as company secretary and administrator effective 4 October 2019.

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. As detailed above, Robert Hingley and Quentin Spicer stepped down from the committee on 29 October 2019. 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, whistleblowing and their compliance with the Criminal Finances Act 2017.

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

The Committee carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The result of this review, the potential impact of each type of risk identified and the mitigants put in place are set out in the 'Principal Risks and Uncertainties' section of the Annual Report on pages 30 and 31.

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 47 to 49.

Nomination & Remuneration Committee

The membership and activities of the Nomination & Remuneration Committee are described in this report on pages 44 to 46.

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 Committee held during the year ended 31 December 2019 and the attendance of individual Directors.

	Board		Audit		Risk	
	Held	Attended	Held	Attended	Held	Attended
R Hingley*	4	4	6	1	4	1
Q Spicer**	4	4	6	5	4	3
J Thompson	4	4	6	6	4	4
C Valeur	4	2	6	3	4	2
M O'Keefe	4	4	6	6	4	4

	Property Valuation		Management Engagement		Nomination & Remuneration		Corporate, Social Responsibility	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R Hingley*	3	3	2	2	2	2	2	2
Q Spicer**	3	3	2	1	2	2	2	2
J Thompson	3	3	2	2	2	2	2	2
C Valeur	3	3	2	2	2	2	2	1
M O'Keefe	3	3	2	2	2	2	2	2

* Robert Hingley was a member of the Audit Committee from 25 April 2019 to 29 October 2019 and resigned from the Risk Committee on 29 October 2019.
** Quentin Spicer stepped down from the Audit Committee and the Property Valuation Committee on 25 April 2019 and the remaining committees on 29 October 2019.

During the year, 21 additional Board meetings were held. These meetings were in respect of property acquisitions, re-financing, share buybacks, the approval and execution of engagement letters and powers of attorney and directors' and officers' insurance.

Information and support for Directors

New Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Group's activities and structure.

Upon appointment, new Directors are briefed about their responsibilities and duties, together with relevant background information on the Company and assistance and information from representatives of the Company's service providers.

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.

All the Directors comply with mandatory continued professional development requirements set by the Jersey Financial Services Commission and are encouraged to attend industry and other seminars covering issues and developments relevant to investment companies, and Board meetings regularly include agenda items on recent developments in governance and industry issues.

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 Secretary ensures 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 & Remuneration Committee report

The Nomination & Remuneration 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, performance evaluation of the Board, its Committees and Board members, and matters relating to the remuneration the Board members receive.

Composition

The Nomination & Remuneration Committee is chaired by Monique O'Keefe, with Robert Hingley, Charlotte Valeur and Jonathan Thompson 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.

Diversity

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

The Nomination & Remuneration Committee shall ensure that any term of appointment of a Non-executive Director beyond six years is subject to particularly rigorous review, taking into account the need for progressive refreshment of the Board. The same tenure policy is applied in respect of the Chairman.

Overboarding

The Directors consider that as an investment company, the Company demands less time commitment than would be required of an executive director of an operating company. The Directors also believe that a formulaic approach to assessing whether a Director is able to effectively discharge their duties is not appropriate given the nature of the Company and directorships.

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 page 43. None of the Directors holds an executive position of a public company or chairs a public operating company.

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

Re-election

All newly appointed Directors stand for election by the shareholders at the next Annual General Meeting following their appointment. There are provisions in the Company's Articles of Association which require Directors to seek re-election 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 shareholder 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.

The Board understands that the main issue of concern which ultimately led some investors to vote against the resolutions at the 2019 AGM to re-elect the Directors and the resolution to approve the remuneration report related to the levels of disclosure surrounding the variable component of Director remuneration as set out in the 2018 Annual Report. Further information regarding this and the Board's response can be found on page 45 of this report.

Following the Board refreshment carried out in 2018 and the results of the external Board evaluation detailed below, the Board strongly recommends the re-election of each Director standing for re-election on the basis of their experience and expertise, their independence and continuing effectiveness and commitment to the Company. The Board maintains its right to appoint further members if deemed necessary and, via the Nomination & Remuneration Committee, considers succession on a regular basis.

It is the intention that Charlotte Valeur will retire from the Board following the 2020 Annual General Meeting. In addition, the Board has also considered the position of Quentin Spicer, who has been a Director of the Company since 2 April 2007. Whilst the Board no longer considers Quentin to meet the test of 'independence' under the AIC Code, the Board regards Quentin's experience as valuable and recommends his reappointment for a further period of one year whilst his replacement is found. Quentin will not participate on any of the Board's Committees during this time. The Board considers Quentin's tenure as particularly valuable to assist with induction of new Directors at a time where the Company is dealing with the introduction of new rent regulations in Berlin, a continuation vote and additional uncertainties surrounding coronavirus.

The Board has engaged an independent external recruitment company, Thomas & Dessain Executive Recruitment, to seek suitable replacements. The Board is well advanced with this process, although in light of recent events involving coronavirus, and in particular the inability of members of the Board and the Property Advisor to travel to Jersey for the interview process, the appointment of an additional Board member may take some additional time.

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 an 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.

The Directors participated in an external evaluation process during the first half of the year which was conducted by independent external consultants, Value Alpha and was in respect of the year ended 31 December 2018. The evaluation considered decision making, composition, including Directors' skills, experience and commitment, Board room dynamics, Board processes and relations with service providers, specifically the Property Advisor. Value Alpha interviewed each Director on a one-to-one confidential, non-attributable basis, using both qualitative and quantitative techniques, as well as representatives of the Property Advisor and the previous administrator. Value Alpha also observed a quarterly Board meeting and Committee meetings, and also observed an ad hoc Board meeting. The findings of the evaluation were discussed with the Chairman prior to presentation to the Board in June 2019.

The evaluation concluded with the following actionable recommendations:

- review the division of responsibilities between the Board and the Property Advisor with a view to a potential delegation of certain powers down to the Property Advisor to make various day-to-day operating processes more efficient; and
- consider going out to tender to replace the administrator and company secretary.

On 4 October 2019, the previous administrator and company secretary was replaced by Apex Financial Services (Alternative Funds) Limited. The other recommendations from the external Board evaluation have also been actioned.

Remuneration

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.

COMPOSITION, SUCCESSION AND EVALUATION

The Committee reviews Directors' fees on an annual basis. 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 and considering and making the appropriate recommendations to the Board with regard to the need to appoint external remuneration consultants.

The Directors' remuneration report on pages 50 to 51 details the remuneration policy and the Directors' remuneration during the year.

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 page 47.

The Company's approach to compliance with the AIC Code in respect of risk and internal control is described under 'Division of Responsibilities, Risk Committee' on page 42.

Remuneration

The Company's approach to compliance with the AIC Code in respect of remuneration is set out in the Nomination & Remuneration Committee report on page 45 and the Directors' remuneration report on page 51.

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 Charlotte Valeur and Monique O'Keefe as members. As explained in the corporate governance statement on page 41, Robert Hingley and Quentin Spicer resigned from the committee on 29 October 2019 and 25 April 2019, respectively. The qualifications and experience of the members of the Audit Committee during the financial year are set out in their biographical details on pages 32 and 33. 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 is detailed on page 43.

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.

During the year it was agreed that the Corporate Social Responsibility Committee would have responsibility for deciding upon which environmental guidelines to follow and report against and that the Audit Committee would oversee how this is reported upon in the annual report and financial statements.

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

Financial reporting

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

As part of this review, the Committee considered 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 conclusions 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 NAV, its profit or loss and the Property Advisor's remuneration.	The Group has appointed Jones Lang LaSalle ('JLL') to act as the Independent Property Valuer. The Audit Committee is satisfied that the valuer is independent and that it conducted its work in accordance with the Royal Institution of Chartered Surveyors Valuation Standards ('RICS'). The Property Valuation Committee reviews the valuer's report, the methodology adopted and the assumptions incorporated to assess the adequacy of the valuation. They also meet the independent valuers JLL as part of the valuation review.

AUDIT, RISK AND INTERNAL CONTROL

Impact of COVID-19 on going concern and viability statement	Mitigation
A further significant focus for the Audit Committee is the impact of COVID-19 on the going concern assumption and the viability of the Group. The potential risks to the Group include tenants defaulting on rent, a decline in the property market resulting in a reduced ability to sell condominiums, and market conditions resulting in a reduced ability to borrow and comply with bank covenants.	The Group has modelled a variety of scenarios that show the Group's ability to withstand the expected market disruption arising from COVID-19. Further details regarding the scenarios modelled can be found in the viability statement on pages 36 to 37. The Board reviewed the stress tests carried out as part of the viability review of the Company as part of the work of the Audit Committee.

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 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 was introduced for the 2019 financial statement audit process. The Chair of the Audit Committee met with the new audit partner during the year to consider the audit plan and maintained regular contact with him throughout the audit process.

The Committee met with the external auditor at the beginning of 2020 to review, challenge and agree their audit plan, and again in March 2020 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 2019:

	31 December 2019	31 December 2018
Audit fees		
Annual audit of the Company	**€195,000**	€188,000
Non-audit fees		
Review of the half-yearly report	**€29,000**	€35,000
Total	**€224,000**	€223,000

Post year end, the Company engaged the external auditor to report on the calculation of the price used in relation to the put option in place for one of the Company's subsidiaries. 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 re-appointment 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.

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

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

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

The Committee has considered the provisions of the 2019 FRC Ethical Guide which is effective from 15 March 2020 and will amend its policy accordingly in relation to non-audit services provided by the auditor.

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 42 and of its assessment of the principal and emerging risks is set out on pages 30 to 31.

Jonathan Thompson
Chair of the Audit Committee
5 April 2020

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report provides details on remuneration in the year. Although it is not a requirement under Companies Law 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 LSE, 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. Accordingly, resolutions to approve the Directors' remuneration report and the Directors' remuneration policy will be proposed at the forthcoming AGM. There has been no change to the policy during the year.

This report is not subject to audit.

Voting at Annual General Meeting

The Directors' remuneration report for the year ended 31 December 2018 was approved by the shareholders at the AGM held on 21 June 2019. The votes cast by proxy were as follows:

	Directors' remuneration report	
	Number of votes cast	% of votes cast
For	36,441,755	83.01%
Against	7,469,480	16.99%
At Chairman's discretion	–	–
Total votes cast	43,911,235	100%
Number of votes withheld	–	–

The Company has actively sought to engage with significant shareholders who voted against the resolutions. The dialogue was initiated in order to better understand their voting decisions. Further information regarding this dialogue and subsequent Board response can be found on page 45 of this report.

Directors' remuneration for the year ended 31 December 2019

The fees paid to the Directors for the year ended 31 December 2019 (and prior year) are set out below:

Audited	**2019**				2018		
	Annual Fee £	**Special projects £**	**Expenses £**	**Total* £**	Annual Fee £	Special projects £	Total £
R Hingley	**50,000**	**–**	**1,427**	**51,427**	50,000	25,275	75,275
M O'Keefe	**40,000**	**–**	**249**	**40,249**	40,000	4,916	44,916
Q Spicer	**40,000**	**–**	**485**	**40,485**	40,000	5,069	45,069
C Valeur	**40,000**	**–**	**71**	**40,071**	40,000	5,008	45,008
J Thompson	**45,000**	**–**	**2,373**	**47,373**	45,000	12,423	57,423
Total	**215,000**	**–**	**4,605**	**219,605**	215,000	52,691	267,691

* Total Director fees for 2019 in the table above reconciles to the Directors' fees in note 8 when converted from EUR to GBP at an average rate of EUR/GBP 1.14.

During 2018, additional attention was required from the Directors over and above their normal duties with respect to a significant transaction that was considered but not pursued. It was agreed by the committee that additional remuneration based on time spent on the special project, of an amount up to or equal to the annual salary of each Director, could be expensed to the Group. The additional remuneration was not 'variable' in that it was not linked to the performance of the Company. Details of the additional remuneration payable to the Directors are disclosed above as special projects and within note 12 to the consolidated financial statements.

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 2019, the interest of the Directors in the ordinary shares of the Company are set out below:

	31 December 2019	31 December 2018
Quentin Spicer	**31,600**	23,200

There have been no changes to the interests between 31 December 2019 and the date of this report.

None of the Directors had a material interest in the Company's transactions, arrangements or agreements during the period.

Remuneration policy

The Directors have agreed that it is best practice for the remuneration policy to be put to shareholder vote at least once every three years and in any year if there is to be a change in the policy. Accordingly, the Directors' remuneration policy will be put forward for shareholder approval for the first time at the 2020 Annual General Meeting. There has been no change to the remuneration policy during the year.

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

The Group's policy, designed to support strategy and promote long-term sustainable success of the Company, is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Group properly and to reflect its specific circumstances. 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 2020.

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 otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.

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 2019 and the expected fees payable in respect of the year ending 31 December 2020 are set out in the table below:

	Expected annual fees for the year to 31 December 2020 £	**Annual fees for the year to 31 December 2019 £**
Chairman	50,000	**50,000**
Chair of the Audit Committee	45,000	**45,000**
Non-executive Directors	40,000	**40,000**
Total remuneration paid to Directors	215,000	**215,000**

Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by:

Monique O'Keefe
Chair of the Nomination & Remuneration Committee
5 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules.

Jersey company law requires the Directors to prepare Group financial statements for a period of not more than 18 months in accordance with generally accepted accounting principles. The Directors are required under the Listing Rules of the FCA to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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 IFRS as adopted by the EU to present fairly the financial position and performance of the Group.

In preparing the Group financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Article 4 of the IAS Regulation. 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' Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the Consolidated Financial Statements, prepared in accordance with the applicable set of accounting standards (as detailed above) and Company (Jersey) Law 1991, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group;
- the management report includes a fair and balanced review of the development and performance of the business and the position of the Group, together with a description of the principal and emerging risks and uncertainties they face, as well as the business model and strategy of the Group; and
- the Annual Report and Consolidated Financial Statements, as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

So far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Auditor is aware of that information.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

For and on behalf of the Board

Jonathan Thompson
Director
5 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PHOENIX SPREE DEUTSCHLAND LIMITED

Opinion

We have audited the Group financial statements of Phoenix Spree Deutschland Limited for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Group financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 30 to 31 that describe the principal risks and explain how they are being managed or mitigated;
- the Board's confirmation set out on page 42 in the annual report that it has carried out a robust assessment of the Group's principal risks, including those that would threaten its business model, future performance, solvency or liquidity;
- the Board's statement set out on pages 36 to 37 in the financial statements about whether the Board considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Board's identification of any material uncertainties to the Group ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Board's statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit; or
- the Board's explanation set out on pages 36 to 37 in the annual report as to how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties held by the Group

Risk of material misstatement

The Group owns a Portfolio of residential and commercial investment properties. The total value of the Portfolio at 31 December 2019 was €730.2 million (2018: €645.7 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 in determining the fair value of the investment properties at 31 December 2019.

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 47 to 48; the significant accounting judgements and estimates on page 70; significant accounting policies on pages 64 to 65 and notes 17 and 18 to the Financial Statements on pages 74 to 77.

The audit risk relating to the Directors' assessment of the value 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.

Valuation of investment properties held by the Group continued

Audit approach adopted

We audited the independent valuation of investment properties, the accounting treatment and disclosures in the financial statements.

Our audit work included:

- Assessing the external valuer's qualifications, expertise and terms of engagement and assessing their independence and objectivity;
- Auditing the inputs provided by the Property Advisor to the valuer and checking that these were consistent with the underlying accounting records;
- Checking ownership of the properties by reference to land registry records;
- Visiting two investment properties to audit the existence and condition of the 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 Property Advisor and the valuer, as well as obtaining evidence to support the explanations received;
- Meeting with the valuer and challenging them on the appropriateness of key assumptions in the valuation, including specific discussion of the valuation of properties acquired in the year, increases in value outside of an average range, reductions in property values, uplifts for condominiumisation and densification and the valuation approach for properties designated as held for sale at the year end;
- Meeting with the Property Advisor and discussing the impact of the Mietendeckel rent legislation on property valuations. We also attended a seminar run by a legal firm to understand the impact of this legislation; and
- Engaging an independent auditor's expert to assist us in challenging assumptions made by the valuer in respect of the Berlin property market.

Impact of COVID-19 on going concern and viability statement

Risk of material misstatement

The Group has set out its analysis of the potential impact on its operations and financial position of the COVID-19 pandemic in the description of the principal risks on pages 30 to 31, the going concern statement on pages 36 to 37, the viability statement on pages 36 to 37 and the description of events after the reporting date on page 35. The potential risks to the Group include tenants defaulting on rent, a decline in the property market resulting in a reduced ability to sell condominiums, and market conditions resulting in a reduced ability to borrow and comply with bank covenants.

In the event of a material loss of, or delay to, incoming cash resources, the Group could suffer cash pressure or default against borrowing covenants. The assessment of these risks in an uncertain economic environment requires judgement, and a risk of material misstatement arises in respect of an incorrect application of the going concern basis of preparation or the failure to disclose a material uncertainty. As a result, the potential impact of the COVID-19 outbreak was considered to be one of most significance in the audit and was therefore determined to be a key audit matter.

Audit approach adopted

We audited the Group's assessment of the application of the going concern basis of preparation, including the Viability Statement Memorandum prepared by the Property Advisor in response to the COVID-19 pandemic.

Our audit work included:

- Checking the integrity and accuracy of the cash flow forecasts and covenant calculations included in the Viability Statement Memorandum;
- Challenging the Property Advisor and the Directors on the reasonableness of the assumptions made in the forecasts in the Viability Statement Memorandum, particularly in respect of the impact of the Mietendeckel rent legislation in Berlin, the impact of COVID-19 on rent arrears, a reduction in condominium sales, a reduction in capital expenditure, the planned refinancing of existing debt and the impact of these assumptions on covenant compliance;
- Corroborating the reasonableness of assumptions and explanations provided by the Property Advisor and the Directors to supporting information where available;
- Stress-testing the cash flow forecasts to assess the impact of assumptions worse than those included in the Viability Statement Memorandum;
- Considering mitigating actions available to the Group and the level of headroom in the forecasts under various scenarios;
- Discussing our findings with the Property Advisor and the Audit Committee; and
- Auditing the accuracy and completeness of disclosures made in the financial statements in respect of risks, going concern, viability and post balance sheet events.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users, we take into account the qualitative nature and size of the misstatements. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (Overall Materiality, OM). During planning OM was calculated as €7.3 million, being 1% of the value of the property Portfolio, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of €182,500, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 88 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 52 – statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 47 to 49 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the AIC Code set out on pages 38 to 46 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the AIC Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the AIC Code.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 52, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF PHOENIX SPREE DEUTSCHLAND LIMITED

Auditor's responsibilities for the audit of the financial statements continued

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

A further description of our responsibilities for the audit of the financial statements is included in appendix 1 of this auditor's report. This description, which is located on page 57 forms part of our auditor's report.

Use of our report

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

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

5 April 2020

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard as applied to listed 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 2019

Continuing operations	Notes	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Revenue	6	**22,600**	22,681
Property expenses	7	**(14,196)**	(15,763)
Gross profit		**8,404**	6,918
Administrative expenses	8	**(3,103)**	(3,194)
Gain on disposal of investment property (including investment property held for sale)	10	**858**	1,026
Investment property fair value gain	11	**41,491**	66,146
Performance fee due to Property Advisor	27	**(2,798)**	(4,010)
Separately disclosed items	12	**(278)**	(966)
Operating profit		**44,574**	65,920
Net finance charge	13	**(16,013)**	(9,491)
Profit before taxation		**28,561**	56,429
Income tax expense	14	**(5,817)**	(11,071)
Profit after taxation		**22,744**	45,358
Other comprehensive income		**–**	–
Total comprehensive income for the year		**22,744**	45,358
Total comprehensive income attributable to:			
Owners of the parent		**22,293**	45,094
Non-controlling interests		**451**	264
		22,744	45,358
Earnings per share attributable to the owners of the parent:			
From continuing operations			
Basic (€)	30	**0.22**	0.46
Diluted (€)	30	**0.22**	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	**As at 31 December 2019 €'000**	As at 31 December 2018 €'000
ASSETS			
Non-current assets			
Investment properties	17	**719,521**	632,933
Property, plant and equipment	19	**54**	88
Other financial assets at amortised cost	20	**876**	2,406
Deferred tax asset	14	**2,529**	948
		722,980	636,375
Current assets			
Investment properties – held for sale	18	**10,639**	12,747
Other financial assets at amortised cost	20	**1,590**	–
Trade and other receivables	21	**7,937**	7,531
Cash and cash equivalents	22	**42,414**	26,868
		62,580	47,146
Total assets		**785,560**	683,521
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	23	**17,752**	3,642
Trade and other payables	24	**7,236**	10,429
Derivative financial instruments	25	**–**	1,354
Other financial liabilities	26	**6,951**	–
Current tax	14	**1,413**	1,387
		33,352	16,812
Non-current liabilities			
Borrowings	23	**258,502**	191,632
Derivative financial instruments	25	**15,979**	4,637
Other financial liabilities	26	**–**	7,135
Deferred tax liability	14	**60,825**	53,458
		335,306	256,862
Total liabilities		**368,658**	273,674
Equity			
Stated capital	28	**196,578**	196,578
Treasury shares	28	**(11,354)**	–
Share based payment reserve	27	**6,808**	4,010
Retained earnings		**221,859**	207,270
Equity attributable to owners of the parent		**413,891**	407,858
Non-controlling interest	29	**3,011**	1,989
Total equity		**416,902**	409,847
Total equity and liabilities		**785,560**	683,521

The financial statements on pages 58 to 88 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Monique O'Keefe
Director
5 April 2020

Quentin Spicer
Director
5 April 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2018	162,630	–	33,953	169,634	366,217	1,725	367,942
Comprehensive income:							
Profit for the year	–	–	–	45,094	45,094	264	45,358
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	45,094	45,094	264	45,358
Transactions with owners – recognised directly in equity:							
Issue of shares	33,948	–	(33,948)	–	–	–	–
Dividends paid	–	–	–	(7,458)	(7,458)	–	(7,458)
Performance fee	–	–	4,010	–	4,010	–	4,010
Adjustment to performance fee	–	–	(5)	–	(5)	–	(5)
Balance at 31 December 2018	**196,578**	**–**	**4,010**	**207,270**	**407,858**	**1,989**	**409,847**
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**

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Profit before taxation	**28,561**	56,429
Adjustments for:		
Net finance charge	**16,013**	9,491
Gain on disposal of investment property	**(858)**	(1,026)
Investment property revaluation gain	**(41,491)**	(66,146)
Depreciation	**16**	16
Performance fee charge	**2,798**	4,010
Operating cash flows before movements in working capital	**5,039**	2,774
(Increase)/decrease in receivables	**(393)**	6,492
(Decrease)/increase in payables	**(3,193)**	3,908
Cash generated from operating activities	**1,453**	13,174
Income tax paid	**(5)**	(4,678)
Net cash generated from operating activities	**1,448**	8,496
Cash flow from investing activities		
Proceeds on disposal of investment property (net of disposal costs)	**13,526**	86,021
Interest received	**62**	54
Capital expenditure on investment property	**(6,459)**	(7,943)
Property additions	**(32,208)**	(47,329)
Disposals/(additions) to property, plant and equipment	**18**	(12)
Net cash used in investing activities	**(25,061)**	30,791
Cash flow from financing activities		
Interest paid on bank loans	**(6,160)**	(5,118)
Repayment of bank loans	**(124,032)**	(54,680)
Drawdown on bank loan facilities	**188,594**	27,660
Dividends paid	**(7,704)**	(7,458)
Acquisition of treasury shares	**(11,536)**	–
Net cash generated from financing activities	**39,162**	(39,596)
Net increase/(decrease) in cash and cash equivalents	**15,549**	(309)
Cash and cash equivalents at beginning of year	**26,868**	27,182
Exchange (losses) on cash and cash equivalents	**(3)**	(5)
Cash and cash equivalents at end of year	**42,414**	26,868

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Cash flow from increase/(decrease) in debt financing	**64,562**	(27,020)
Non cash flow from increase in debt financing	**16,418**	–
Change in net debt resulting from cash flows	**80,980**	(27,020)
Movement in debt in the year	**80,980**	(27,020)
Debt at the start of the year	**195,274**	222,294
Debt at the end of the year	**276,254**	195,274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

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

The Group invests in residential and commercial property in 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, International Accounting Standards and International and Financial Reporting Interpretation Committee ('IFRIC') interpretations (collectively 'IFRS') as adopted by the European Union ('IFRS as adopted by the EU').

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

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2019.

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 period to 31 December 2022. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base and the Group's investments, borrowing and debt repayment plans and show that the Group should be able to operate within the level of its current resources and expects to comply with all covenants for the foreseeable future. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes from managing its capital and its risks are set out in the Strategic Report. After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has considered the current economic environment in its going concern assessment, including COVID-19, the Mietendeckel and the continuation vote, further information can be found in the Viability Statement on page 36 to 37. 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies continued

2.3 Basis of consolidation continued

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 and 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 Company operates ('the functional currency') is the Euro (€). The presentational currency of the consolidated financial statements is also the Euro (€).

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from such transactions are recognised in the consolidated statement of comprehensive income.

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

2.6 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 Advisor's fees and expenses'. The settlement of the Property Advisor performance fees is detailed in note 27. Due to the nature of the settlement of the performance fee, any movement in the amount payable at the year end is reflected within the share based payment reserve on the consolidated statement of financial position.

2.11 Investment property

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

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

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

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

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

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

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

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 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.

2. Summary of significant accounting policies continued

2.14 Borrowing costs continued

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 statement of financial position at fair value, based on counterparty quotes. The gain or loss on the swaps is recognised in the income statement 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 2019, as adopted by the European Union:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
IFRS 16 – Leases	Accounting periods beginning on or after 1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	Accounting periods beginning on or after 1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	Accounting periods beginning on or after 1 January 2019
Annual Improvements 2015–2017 Cycle	Accounting periods beginning on or after 1 January 2019

IFRS 16 – Leases
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Financial impact of the initial application of IFRS 16
Being that the Group is not a lessee there has been no substantial financial impact that requires disclosure on the adoption of this standard.

IFRIC 23 Uncertainty over Income Tax Treatments
The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a Group;
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Amendments to IFRS 9 Prepayment Features with Negative Compensation
The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

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FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies continued

2.18 New standards and interpretations continued

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments continued

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

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
IFRS 17 – Insurance Contracts	Accounting periods beginning on or after 1 January 2021
IFRS 10 and IAS 28 (amendments)	Accounting periods beginning on or after 1 January 2020
Amendments to IFRS 3	Accounting periods beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8	Accounting periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Accounting periods beginning on or after 1 January 2020

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

3. Financial risk management

3.1 Financial risk factors

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

Risk management is carried out by the Risk Committee 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 Euro, 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 found constitutional, can affect both the rental income, and the value of property. The Group seeks to mitigate any effect of the Mietendeckel using strategies set out in pages 11 to 13 of the strategic review.

e) Market risk – COVID-19
The broader impact of the novel coronavirus (COVID-19) outbreak will depend on how the virus spreads and the response 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.

3.3 Credit risk
The risk of financial loss due to counterparties' 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.

The gearing ratios for the reporting periods are as follows:

	As at 31 December 2019 €'000	As at 31 December 2018 €'000
Borrowings	**(276,254)**	(195,274)
Cash and cash equivalents	**42,414**	26,868
Net debt	**(233,840)**	(168,406)
Equity	**416,902**	409,847
Net debt to equity ratio	**56%**	41%

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FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 is based on the rules, regulations and market as at that date, and does not take into account the potential effects of the Mietendeckel which came into law after the reporting date.

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 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 focussed on the different revenue streams that existed within the Group. In these periods the Group's principal reportable segments under IFRS 8 were as follows:

- Residential; and
- Commercial

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

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

Management has 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 2019 €'000	31 December 2018 €'000
Rental income	**17,941**	17,508
Service charge income	**4,659**	5,173
	22,600	22,681

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

	31 December 2019 €'000
Within 1 year	**1,462**
1-2 years	**1,119**
2-3 years	**857**
3-4 years	**773**
4-5 years	**736**
Later than 5 years	**593**
	5,540

Revenue comprises rental income earned from residential and commercial property in Germany. There are no individual tenants that account for more 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 three years.

7. Property expenses

	31 December 2019 €'000	31 December 2018 €'000
Property management expenses	**1,066**	1,024
Repairs and maintenance	**1,665**	1,710
Impairment charge – trade receivables	**61**	29
Other property expenses	**5,306**	7,053
Property Advisor's fees and expenses	**6,098**	5,947
	14,196	15,763

8. Administrative expenses

	31 December 2019 €'000	31 December 2018 €'000
Secretarial and administration fees	**896**	880
Legal and professional fees	**1,329**	1,160
Directors' fees	**246**	300
Audit and accountancy fees	**761**	840
Bank charges	**19**	54
Loss on foreign exchange	**49**	133
Depreciation	**16**	16
Other income	**(213)**	(189)
	3,103	3,194

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 pages 50 to 51.

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FOR THE YEAR ENDED 31 DECEMBER 2019

9. Auditor's remuneration
An analysis of the fees charged by the auditor and its associates is as follows:

	31 December 2019 €'000	31 December 2018 €'000
Fees payable to the Group's auditor and its associates for the audit of the consolidated financial statements:	**195**	188
Fees payable to the Group's auditor and its associates for other services:		
– Audit-related assurance services	**29**	27
– Other	**–**	8
	224	223

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

	31 December 2019 €'000	31 December 2018 €'000
Disposal proceeds	**13,616**	86,959
Book value of disposals	**(12,668)**	(84,995)
Disposal costs	**(90)**	(938)
	858	1,026

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

11. Investment property fair value gain

	31 December 2019 €'000	31 December 2018 €'000
Investment property fair value gain	**41,491**	66,146

Further information on investment properties is shown in note 17.

12. Separately disclosed items
These relate to legal and professional fees incurred during a significant transaction which was considered by the Board but not pursued totalling €278,000 (December 2018: €966,000).

13. Net finance charge

	31 December 2019 €'000	31 December 2018 €'000
Interest income	**(62)**	(54)
Interest from related party loans	**(54)**	(83)
Fair value loss on interest rate swap	**9,988**	2,658
Finance expense on bank borrowings	**6,325**	5,499
Fair value charge on redemption liability	**(184)**	1,471
	16,013	9,491

14. Income tax expense

The tax charge for the period is as follows:	31 December 2019 €'000	31 December 2018 €'000
Current tax charge	**31**	3,151
Deferred tax charge – origination and reversal of temporary differences	**5,786**	7,920
	5,817	11,071

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

	31 December 2019 €'000	31 December 2018 €'000
Profit before tax on continuing operations	**28,561**	56,429
Tax at German income tax rate of 15.8% (2018: 15.8%)	**4,513**	8,916
Income not taxable	**(136)**	(162)
Losses carried forward not recognised	**1,440**	2,317
Total tax charge for the year	**5,817**	11,071

Reconciliation of current tax liabilities

	31 December 2019 €'000	31 December 2018 €'000
Balance at beginning of year	**1,387**	2,914
Tax paid during the year	**(5)**	(4,678)
Current tax charge	**31**	3,151
Balance at end of year	**1,413**	1,387

Reconciliation of deferred tax

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

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 2019 was 15.8% (2018: 15.8%).

Factors affecting future tax charges
The Group has accumulated tax losses of approximately €29.0 million (2018: €17.6 million) in Germany, which will be available to set against suitable future profits should they arise, subject to the criteria for relief. No deferred tax asset is recognised as there is insufficient certainty the losses can be utilised by Group entities.

15. Dividends

	31 December 2019 €'000	31 December 2018 €'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2019 of 2.35 cents (€) (2.1 pence) (2018: 2.35 cents (€) (2.1 pence)) per share	**2,420**	2,420
Proposed dividend for the year ended 31 December 2019 of 5.15 cents (€) (4.4 pence) (2018: 5.15 cents (€) (4.62 pence)) per share	**5,034**	5,189

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 12 June 2020. The total estimated dividend to be paid is 4.4 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.

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	100.0	Investment property
Phoenix Spree Deutschland II Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland III Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland IV Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland V Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland VII Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland IX Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland X Limited	Jersey	100.0	Finance vehicle
Phoenix Spree Deutschland XI Limited	Jersey	100.0	Investment property
Phoenix Spree Deutschland XII Limited	Jersey	100.0	Investment property
Phoenix Property Holding GmbH & Co. KG	Germany	100.0	Holding Company
Phoenix Spree Mueller GmbH	Germany	94.9	Investment property
Phoenix Spree Gottlieb GmbH	Germany	94.9	Investment property
PSPF Holdings GmbH	Germany	100.0	Holding Company
Accentro 5. WE GmbH	Germany	94.9	Investment property
Phoenix Spree Property Fund Ltd & Co. KG	Germany	94.8	Investment property
PSPF General Partner (Guernsey) Limited	Guernsey	100.0	Management of PSPF

During the year the Group acquired an interest of 94.9% in Accentro 5. WE GmbH for consideration of €23.6 million. The net assets acquired included investment property of €43.5 million and borrowings of €16.4 million. The objective of the acquisition was to acquire a single asset, being the investment property, and for this reason the acquisition has been treated as an asset acquisition, and not a business combination.

17. Investment properties

	2019 €'000	2018 €'000
Fair value		
At 1 January	**645,680**	609,257
Capital expenditure	**6,459**	7,943
Property additions	**49,198**	47,329
Disposals	**(12,668)**	(84,995)
Fair value gain	**41,491**	66,146
Investment properties at fair value – as set out in the report by JLL	**730,160**	645,680
Assets considered as "Held for Sale" (Note 18)	**(10,639)**	(12,747)
At 31 December	**719,521**	632,933

The property Portfolio was valued at 31 December 2019 by the Group's independent valuers, Jones Lang LaSalle GmbH ('JLL'), in accordance with the methodology described below. The valuations were performed in accordance with the current Appraisal and Valuation Standards, 8th edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS).

The valuation is performed on a building-by-building basis from source information on the properties including current rent levels, void rates and non-recoverable costs provided to JLL by the Property Advisors PMM Residential Limited. Assumptions with respect to rental growth, adjustments to non-recoverable costs and the future valuation of these are those of JLL. JLL also uses comparable market transactions alongside their own assumptions to justify their valuations. Such valuation estimates however, are inherently subjective and actual values can only be determined in a sales transaction.

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

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

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

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

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

Discounted cash flow methodology (DCF)

The fair value of investment properties is determined using discounted forecast cash flows, cross checked against comparable market transactions where available.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property.

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

The principal inputs to the valuation are as follows:

	Year ended 31 December 2019 Range	Year ended 31 December 2018 Range
Residential properties		
Market rent		
Rental value (€ per sqm)	**9–15**	7–14
Stabilised residency vacancy (% per year)	**2**	2
Tenancy vacancy fluctuation (% per year)	**8**	8–10
Commercial properties		
Market rent		
Rental value (€ per sqm)	**2–32**	4–31
Stabilised commercial vacancy (% per year)	**0–25**	0–25
Tenancy vacancy fluctuation (% per year)	**8**	8–10
Estimated Rental Value (ERV)		
ERV per year per property (€'000)	**62–2,322**	60–1,201
ERV (€ per sqm)	**8–15**	8–14
Financial rates – blended average		
Discount rate (%)	**4**	4
Portfolio yield (%)	**2.9**	3.0

The rental values used in the valuation do not take into account the impact of the Mietendeckel rent restrictions, which were only enacted after the reporting date.

17. Investment properties continued

Sensitivity

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

- Vacancy: A change in vacancy by 1% would not materially affect the investment property fair value assessment.
- Discount rate: An increase of 0.5% in the discount rate would reduce the investment property fair value by €101.9 million, and a decrease in the discount rate of 0.5% would increase the investment property fair value by €169.7 million.

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

The Group values all investment properties in one of three ways:

Rental scenario

Where properties have been valued under the Discounted Cash Flow methodology and are intended to be held by the Group for the foreseeable future, they are valued under the rental scenario. This will equal the investment properties line in the non-current assets section of the consolidated statement of financial position.

Condominium scenario

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

Disposal scenario

Where properties have been notarised for sale prior to the 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 2019 €'000	31 December 2018 €'000
Rental scenario	**703,650**	619,430
Condominium scenario	**23,956**	22,330
Disposal scenario	**2,554**	3,920
Total	**730,160**	645,680

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

	31 December 2019 €'000	31 December 2018 €'000
Investment properties	**41,429**	65,717
Properties held for sale (see note 18)	**62**	429
	41,491	66,146

18. Investment properties – held for sale

	2019 €'000	2018 €'000
Fair value – held for sale investment properties		
At 1 January	**12,747**	106,897
Transferred from investment properties	**10,064**	5,850
Transferred (to) investment properties	**–**	(15,434)
Capital expenditure	**434**	–
Properties sold	**(12,668)**	(84,995)
Valuation gain on apartments held for sale	**62**	429
At 31 December	**10,639**	12,747

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

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:

	2019 €'000	2018 €'000
Rental scenario	**–**	1,931
Condominium scenario	**8,085**	6,896
Disposal scenario	**2,554**	3,920
	10,639	12,747

Investment properties held for sale are all expected to be sold within 12 months of the reporting date based on Management's 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 €0.6 million (2018: €5.2 million).

19. Property, plant and equipment

	Equipment €'000
Cost or valuation	
As at 1 January 2018	133
Additions	12
As at 31 December 2018	145
Disposals	(18)
As at 31 December 2019	**127**
Accumulated depreciation and impairment	
As at 1 January 2018	41
Charge for the year	16
As at 31 December 2018	57
Charge for the year	16
As at 31 December 2019	**73**
Carrying amount	
As at 31 December 2018	88
As at 31 December 2019	**54**

20. Other financial assets at amortised cost

	31 December 2019 €'000	31 December 2018 €'000
Current		
At 1 January	**–**	–
Transfer from non-current other financial assets at amortised cost	**1,554**	–
Accrued interest	**54**	–
Interest adjustment related to prior period	**(18)**	–
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 bear interest at 4% per annum, and have a maturity of less than five years.

	31 December 2019 €'000	31 December 2018 €'000
Non-current		
At 1 January	**2,406**	2,323
Transfer to current other financial assets at amortised cost	**(1,554)**	–
Additions	**–**	83
Accrued interest	**24**	–
At 31 December	**876**	2,406

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 2019 €'000	31 December 2018 €'000
Current		
Trade receivables	**1,219**	1,045
Less: impairment provision	**(223)**	(313)
Net receivables	**996**	732
Prepayments and accrued income	**508**	549
Investment property disposal proceeds receivable	**375**	1,167
Service charges receivable	**5,271**	4,766
Prepaid treasury shares	**182**	–
Other receivables	**605**	317
At 31 December	**7,937**	7,531

Prepaid treasury shares consist of a transaction for the Company's own shares which had yet to settle at 31 December 2019.

Aging analysis of trade receivables

	2019 €'000	2018 €'000
Up to 12 months	**977**	731
Between 1 year and 2 years	**19**	1
Over 3 years	**–**	–
	996	732

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 2019, and on 1 January 2019 was determined as set out below.

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

As noted below, a loss allowance of 50% (2018: 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 2019**
Expected loss rate (%)	**0%**	**50%**	**100%**	
Gross carrying amount (€'000)	**889**	**214**	**116**	**1,219**
Loss allowance provision (€'000)	**–**	**(107)**	**(116)**	**(223)**

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

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

	31 December 2019 €'000	31 December 2018 €'000
Balance at the beginning of the year	**313**	342
Impairment losses recognised	**61**	360
Amounts written off as uncollectable	**(151)**	(389)
Balance at the end of the year	**223**	313

All impairment losses relate to the receivables arising from tenants.

22. Cash and cash equivalents

	31 December 2019 €'000	31 December 2018 €'000
Cash at bank	**40,737**	25,626
Cash at agents	**1,677**	1,242
Cash and cash equivalents	**42,414**	26,868

23. Borrowings

	31 December 2019 Nominal value €'000	31 December 2019 Book value €'000	31 December 2018 Nominal value €'000	31 December 2018 Book value €'000
Current liabilities				
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	**–**	**–**	2,596	2,596
Bank loans – NATIXIS Pfandbriefbank AG	**784**	**192**	–	–
Bank loans – Mittelbrandenburgische Sparkasse	**16,418**	**16,418**	–	–
Bank loans – Berliner Sparkasse	**1,142**	**1,142**	1,046	1,046
	18,344	**17,752**	3,642	3,642
Non-current liabilities				
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	**–**	**–**	122,054	122,054
Bank loans – NATIXIS Pfandbriefbank AG	**190,000**	**186,636**	–	–
Bank loans – Berliner Sparkasse	**71,866**	**71,866**	69,578	69,578
	261,866	**258,502**	191,632	191,632
	280,210	**276,254**	195,274	195,274

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

All borrowings are secured against the investment properties of the Group. As at 31 December 2019, the Company had €50 million of undrawn debt facilities (2018: €1.2 million). A summary of the loans as at the year end is as follows:

	Amount €'000	Interest rate %	Maturity
Berliner Sparkasse	9,183	1.72	31/12/2026
	7,573	1.74	31/12/2026
	12,464	1.89	28/02/2027
	4,944	1.93	31/08/2027
	3,465	1.05	31/08/2027
	10,436	1.95	30/11/2027
	3,344	1.09	30/11/2027
	11,730	2.30	30/04/2028
	7,338	2.00	31/12/2028
	2,531	2.14	30/07/2026
NATIXIS Pfandbriefbank AG	29,000	1.89	09/11/2026
	58,000	1.89	09/11/2026
	103,000	1.89	09/11/2026
Mittelbrandenburgische Sparkasse	16,418	1.35	31/12/2020
Accrued interest due to NATIXIS Pfandbriefbank AG	784		
	280,210		

24. Trade and other payables

	31 December 2019 €'000	31 December 2018 €'000
Trade payables	**1,597**	1,808
Accrued liabilities	**1,319**	4,592
Service charges payable	**4,320**	4,028
Deferred income	**–**	1
	7,236	10,429

25. Derivative financial instruments

	31 December 2019 €'000	31 December 2018 €'000
Interest rate swaps – carried at fair value through profit or loss		
Balance at 1 January	**5,991**	3,333
Loss in movement in fair value through profit or loss	**9,988**	2,658
Balance at 31 December	**15,979**	5,991

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were €202,932,000 (2018: €206,690,000). At 31 December 2019 the fixed interest rates vary from 0.775% to 1.07% (2018: 0.625% to 1.01%) above the main factoring Euribor rate.

Maturity analysis of interest rate swaps

	31 December 2019 €'000	31 December 2018 €'000
Less than 1 year	**–**	1,354
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**–**	–
More than 5 years	**15,979**	4,637
	15,979	5,991

At 31 December 2018 the Company had interest rate swaps which were in excess of the debt being hedged. These were disclosed as having a maturity of less than 12 months.

26. Other financial liabilities

	31 December 2019 €'000	31 December 2018 €'000
Current		
Balance at beginning of year	**–**	–
Transferred from non-current liabilities	**6,951**	–
Balance at end of year	**6,951**	–
Non-current		
Balance at 1 January	**7,135**	5,663
Profit share attributable to NCI in PSPF	**(184)**	1,472
Transferred to current liabilities	**(6,951)**	–
Balance at 31 December	**–**	7,135

The redemption liability relates to the put option held by the minority shareholders of PSPF for the purchase of the minority interest in PSPF. The option period starts on 6 June 2020 and ends three months later. The amount of the purchase price will be based on the EPRA NAV on the latest reporting date as well as the movement in the EPRA NAV during the period and the proportion of EPRA NAV attributable to the non-controlling interest in PSPF.

A portion of the liability (€1,070k, 2018: (€1,124k)) is recognised to cover the tax charge of the minority in PSPF on the proceeds received if they choose to exercise their put option.

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

27. Share based payment reserve

	Performance fee €'000
Balance at 1 January 2018	33,953
Adjustment to performance fee	(5)
Transfer to stated capital – settled by issue of shares	(33,948)
Fee charge for the period	4,010
Balance at 31 December 2018	4,010
Fee charge for the period	2,798
Balance at 31 December 2019	**6,808**

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'). 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 within the Property Advisor and Investor Relations Agreement.

The fee will be settled in shares of the Company and, being determined by reference to an equity based formula, meets the definition of a share based payment arrangement.

Property Advisor fees (from 1 January 2019)

Under the new Property Advisory Agreement for providing property advisory services, the Property Advisor will be entitled to a Portfolio and Asset Management Fee as follows:

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

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

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

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

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

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

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

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

Details of the fees paid to the Property Advisor are set out in note 34.

28. Stated capital

	31 December 2019 €'000	31 December 2018 €'000
Issued and fully paid: At 1 January	**196,578**	162,630
Issued during the year at €4.11 per share	**–**	33,948
At 31 December	**196,578**	196,578

The number of shares in issue at 31 December 2019 was 100,751,410 (31 December 2018: 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 2019, the Group held 3,000,000 of the Company's shares (2018: nil).

29. Non-controlling interests

	Non-controlling interest %	31 December 2019 €'000	31 December 2018 €'000
Phoenix Spree Mueller GmbH (formerly Laxpan Mueller GmbH)	5.1%	**1,197**	1,026
Phoenix Spree Gottlieb GmbH (formerly Invador Grundbesitz GmbH)	5.1%	**1,076**	963
Accentro 5. WE GmbH	5.1%	**738**	–
		3,011	1,989

30. Earnings per share

	31 December 2019	31 December 2018
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**22,293**	45,094
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	**100,389,943**	97,945,250
Effect of dilutive potential ordinary shares (Number)	**1,721,657**	1,014,078
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	**102,111,600**	98,959,328
Earnings per share (€)	**0.22**	0.46
Diluted earnings per share (€)	**0.22**	0.46

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

	31 December 2019	31 December 2018
Net assets (€'000)	**413,889**	407,858
Number of participating ordinary shares	**97,751,410**	100,751,410
Net asset value per share (€)	**4.23**	4.05

EPRA net asset value

	31 December 2019	31 December 2018
Net assets (€'000)	**413,889**	407,858
Add back deferred tax assets and liabilities, derivative financial instruments and share based payment reserves (€'000)	**67,467**	53,137
Total EPRA net asset value (€'000)	**481,356**	460,995
EPRA net asset value per share (€)	**4.92**	4.58

The derivative financial liability relating to swap contracts in respect of borrowings repaid has not been added back as they no longer have a hedging objective (€nil (2018: €1.354 million)).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

32. Financial instruments

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

Principal financial instruments

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

- 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 2019 €'000	31 December 2018 €'000
At amortised cost		
Trade and other receivables – current	**7,247**	6,982
Cash and cash equivalents	**42,414**	26,868
Other financial assets at amortised cost	**2,466**	2,406
	52,127	36,256

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

	31 December 2019 €'000	31 December 2018 €'000
Held at amortised cost		
Borrowings payable: current	**17,752**	3,642
Borrowings payable: non-current	**258,502**	191,632
Other financial liabilities	**6,951**	7,135
Trade and other payables	**7,236**	10,429
	290,441	212,838
Fair value through profit or loss		
Derivative financial (asset)/liability – interest rate swaps	**15,979**	4,637
Excess hedge due to property disposal	**–**	1,354
	15,979	5,991
	306,420	218,829

Fair value of financial instruments

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

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

The interest rate swaps are expected to mature between 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 2019	31 December 2018
Financial assets/(liabilities)	–	(1,354)
Interest rate swaps – Level 2 – current	(15,979)	(4,637)
Interest rate swaps – Level 2 – non-current	(15,979)	(5,991)

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

Financial risk management

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

- Interest rate risk
- Foreign exchange risk
- Credit risk
- 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 (Euro).

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 2019	31 December 2018
Financial assets		
Cash and cash equivalents	349	1,142
Financial liabilities		
Trade and other payables	(317)	(350)
Net position	32	792

32. Financial instruments continued

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

	Weakened by 10% increase/ (decrease) in post-tax loss and impact on equity €'000	Strengthened by 10% increase/ (decrease) in post-tax loss and impact on equity €'000
31 December 2019	**3**	**(3)**
31 December 2018	79	(79)

Credit risk management

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

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

The Group holds cash at the following banks: Barclays Private Clients International Jersey Ltd, Deutsche Bank AG and Berliner Sparkasse. The split of cash held at each of the banks respectively at 31 December 2019 was 73%/26%/1% (31 December 2018: Barclays Private Clients International Jersey Ltd, Barclays Bank Plc Frankfurt and Deutsche Bank the split was 57%/33%/10%). Barclays and Deutsche Bank have credit ratings of A and A- respectively, Berliner Sparkasse has a credit rating of A+.

The Group holds no collateral as security against any financial asset. The carrying amount of financial assets recorded in the financial 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

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2019					
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**

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2018					
Borrowings payable: current	3,642	–	–	–	3,642
Borrowings payable: non-current	–	–	–	191,632	191,632
Other financial liabilities	–	7,135	–	–	7,135
Trade and other payables	10,429	–	–	–	10,429
	14,071	7,135	–	191,632	212,838

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

33. Capital commitments

	31 December 2019 €'000	31 December 2018 €'000
Contracted capital commitments at the end of the year	**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:

PMM Residential Limited (formerly PMM Partners (UK) Limited), was the Group's appointed Property Advisor. Partners of PMM Residential Limited formerly sat on the Board of PSD and it retains a shareholding in the Group. During the year ended 31 December 2019, an amount of €6,097,647 (€5,943,969 Management Fees and €153,688 Other expenses and fees) (2018: €5,947,282 (€5,858,791 Management Fees and €88,491 Other expenses and fees)) was payable to PMM Residential Limited (formerly PMM Partners (UK) Limited). At 31 December 2019 €9,000 (2018: €7,450) was outstanding. Fees payable to the Property Advisor in relation to overseeing capital expenditure during the year were €511,000 (2018: €458,000).

The Property Advisor is also entitled to an asset and estate management performance fee. The charge for the period in respect of the performance fee was €2,798,000 (2018: €3,995,000). 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 (Guernsey) Limited entity in 2019. During the period, fees of £129,450 were charged (2018: €nil) with £nil (2018: £nil) outstanding.

34. Related party transactions continued

In March 2015 the Group entered into an option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund GmbH & Co. KG (PSPF) from the remaining partners being M Hilton and P Ruddle, both Directors of PMM Partners (UK) Limited. The options are to be exercised on the fifth anniversary of the majority interest acquisition for a period of three months thereafter at the fair value of the remaining interest. For their role as the limited partner in Phoenix Spree Property Fund GmbH & Co. KG they were also paid €120,000 (2018: €120,000) each.

The Group also entered into an unsecured loan agreement with M Hilton and P Ruddle in connection with the acquisition of PSPF. At the year end an amount of €795,000 (2018: €768,195) each was owed to the Group. The loans bear interest of 4% per annum.

Fees payable to key management personnel during the year amounted to €246,000 (2018: €300,000).

Dividends paid to Directors in their capacity as a shareholder amounted to €1,735 (2018: €1,740).

35. Events after the reporting date

The Company had exchanged contracts for the sale of three condominiums in Berlin with aggregated consideration of €1.6 million prior to the reporting date. The sale of these units subsequently completed in Q1 2020.

Since the Balance Sheet date, The Company has exchanged contracts for the sale of four condominiums with aggregated consideration of €1.4 million. These four units await completion as of the date of this report.

The Company continued with buying back its own shares. In Q1 2020, 425,000 PSD shares have been purchased back with average price paid of £3.11, a 25% discount to December 2019 EPRA NAV per share of £4.16.

The final draft of the new Berlin-specific rent cap (or "Mietendeckel") became law following publication in the official gazette on 23 February 2020. The new rules allow the limitation of housing rents, such that rates are no longer set at free market levels. The financial impact and the Company's future business model and strategy are largely dependent on the timing and eventual outcome of any legal action. These have been outlined in more detail in the strategic review on pages 11 to 13 of this document.

The broader impact of the coronavirus (COVID-19) outbreak will depend on how the virus spreads and the response of the authorities. The current impact on the Company is difficult to quantify as the outbreak length and severity is unknown. A variety of scenarios have been modelled and the result of these is set out in the Viability Statement on page 36 to 37. The Property Advisor has considered and will continue to monitor the threat and implications for PSD of the Coronavirus.

PROFESSIONAL ADVISORS

Property Advisor	PMM Residential Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator, Company Secretary and Registered Office (from 4 October 2019)	Apex Financial Services (Alternative Funds) Limited 12 Castle Street St. Helier Jersey JE2 3RT
(until 4 October 2019)	Estera Fund Administrators (Jersey) Limited Estera Secretaries (Jersey) Limited 13-14 Esplanade St. Helier Jersey JE1 1EE
Registrar	Link Asset Services (Jersey) Limited 12 Castle Street St. Helier Jersey JE2 3RT
Principal Banker	Barclays Private Clients International Limited 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	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
Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Independent Property Valuer	Jones Lang LaSalle GmbH Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

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