Building on Success

Phoenix Spree Deutschland
Interim Report 2016

Who We Are

Phoenix Spree Deutschland ('the Company') is an investment trust founded in 2007 and listed on the London Stock Exchange. It offers shareholders exposure to the German residential market, particularly Berlin, where over 70% of our assets are located.

Over the past nine 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 Partners acts as the Property Advisor. It has an experienced team of property professionals with long-standing experience of the German residential property market.

www.phoenixspree.com

Business Report

Financial Statements

Chairman's Statement

"Market outlook remains favourable, underpinned by low interest rates and lack of supply."

€15.7m
Profit before tax, up 71.4% on H1 2015

7.8%
EPRA NAV total return for H1

+16.7%
Increase in property portfolio value, 9.8% on a like-for-like basis

5.7%
Like-for-like rent growth year-on-year

€2.42
EPRA NAV, up 6.1% in H1 2016

26.4%
New leases signed at 26.4% premium to passing rents, underpinning reversing rent strategy

The Company has built on the success of 2015 to produce another strong set of results. The first half of 2016 saw further growth in rents and property values, resulting in an EPRA NAV per share total return of 7.8% for the half year. This puts the Company well on track to achieve its target annual return per share of 8–10%.

The Company's strategy is to invest in German real estate, particularly residential property in Berlin, and to exploit its reversionary potential. In the first half, this was achieved through the re-letting of apartments at significant premiums to passing rents, and through the sale of individual apartments (condominiums) at values materially higher than for rental properties within the portfolio.

In March 2016, the Company successfully completed a £38 million share placing, the proceeds of which are being used to fund further property acquisitions. Since listing on the London Stock Exchange in June 2015, the Company has acquired more than €75 million of Berlin residential property. Further transactions are expected before the year end, and Berlin now represents over 70% of the portfolio by value.

Market conditions remain favourable, particularly in Berlin, with evidence of growing demand from investors and owner-occupiers, a limited supply of new-build property and interest rates recently reaching all-time lows. The Board remains confident that the Company is well placed to take advantage of these positive conditions and provide capital growth and dividend income to its investors. The Board is pleased to declare a dividend of 1.6p (€1.92c) per share for the first half of the year, an increase of 23% over 2015.

Robert Hingley
Chairman

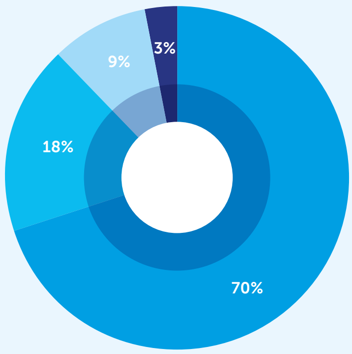
At a Glance

Since 2008 the value of the portfolio has grown by 97%. Berlin now represents more than 70% of the portfolio value, and this focus is expected to increase during the second half of 2016.

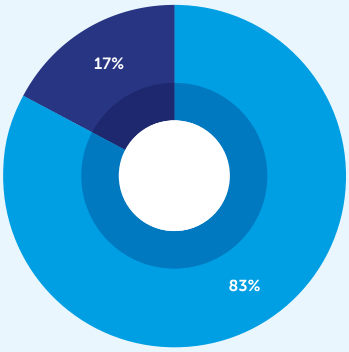
The Company's investment strategy is to acquire and manage residential property in Berlin and other selected German secondary cities. The aggregate value of the portfolio has risen from €167.8 million as at 31 December 2008 to €329.8 million as at 30 June 2016, with each year seeing an increase.

This equates to an average value per sqm of €1,775 ranging from €1,167 in Baden-Württemberg to €2,150 in Berlin. The portfolio mainly consists of classic 'alt-bau' 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. The majority of the portfolio was acquired during the period 2006 to 2008 and, as a result, the properties have benefitted from significant investment and active asset management by the Property Advisor.

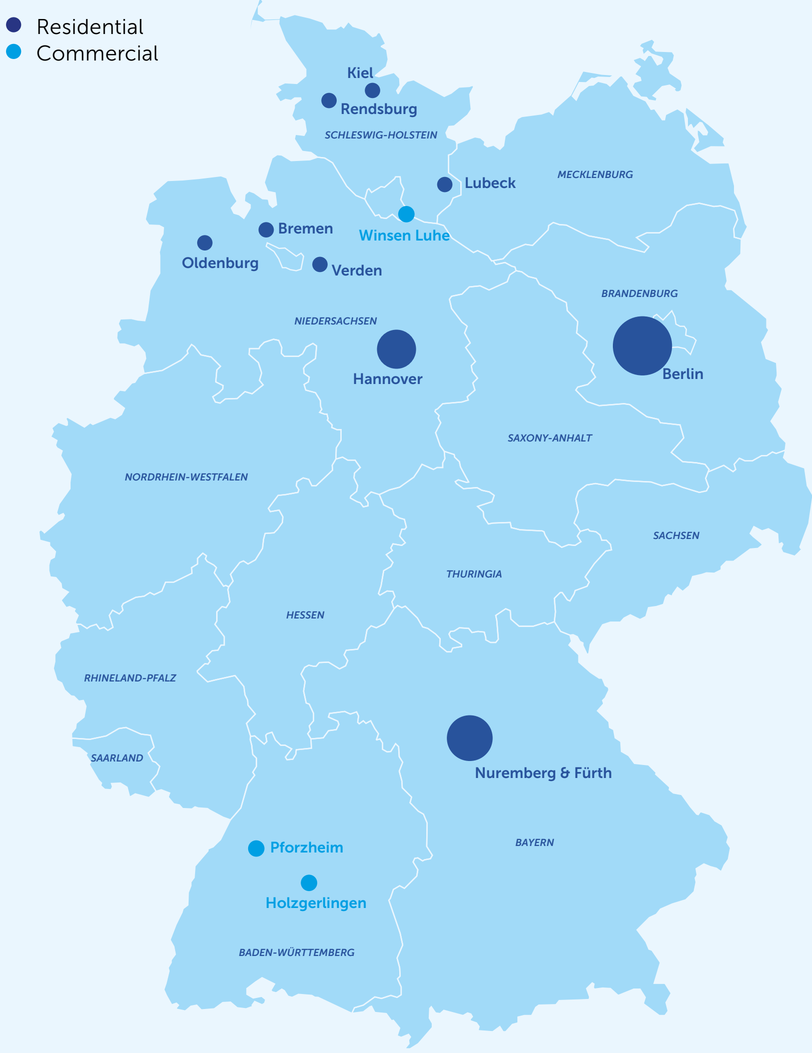
Property by location



Value by lettable areas by segment (sqm)



Properties by location in Germany



EPRA NAV per share

€2.42

Interim dividend (£ pence)

1.6p

Properties

120

Usable space

186k SQM

Residential units

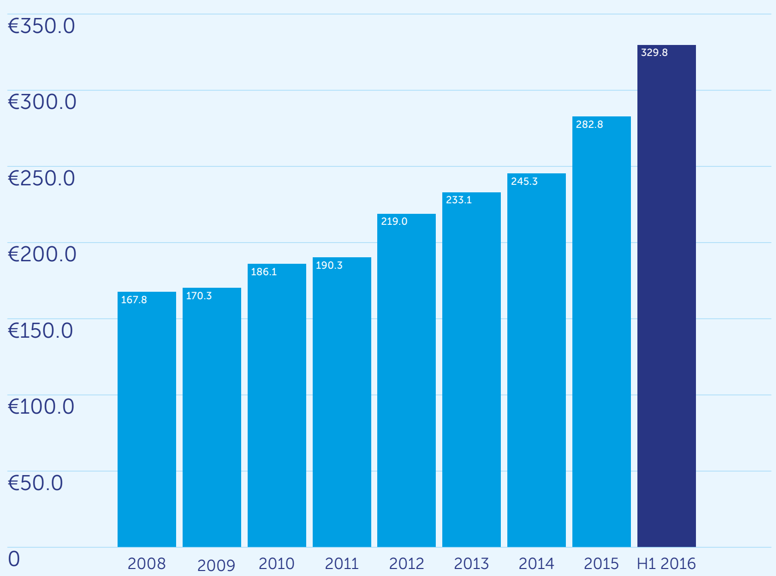
2,344

Commercial units

197

Reported property portfolio valuation 2008–2015 €m

+16.7% H1 2016



Our investment case

Significant structural growth potential within the residential market

- Demand outstripping supply and low absolute price of apartments

High-quality portfolio with embedded potential for value creation

- Berlin focused with potential for medium-term rental and capital growth

Clear strategy to deliver increases in rental income and capital growth

- Value-added strategy led by investment and hands-on approach

Potential to create value through reversionary letting and condominium sales

- Premium for lettings and condominium sales highlight embedded value within the portfolio

Strong balance sheet and capacity to grow through acquisitions

- Significant cash balances and low loan to value following recent share placing

Experienced management with record of delivering value for shareholders

- Highly experienced team managing portfolio since 2006 with significant shareholding

Operational and Financial Review

The Company has built on the success of 2015 to produce another strong set of results. The first half of 2016 saw further growth in rents and property values, and the Company successfully completed a share placing which raised £38 million, the proceeds of which are being used to fund property acquisitions.

Financial summary

€ million unless otherwise stated	30 Jun 16	30 Jun 15	31 Dec 15
Gross rental income	7.6	5.4	12.1
Profit before tax	15.7	9.1	13.0
Pre-exceptional profit before tax	17.2	10.8	19.7
Reported EPS (€)	0.14	0.13	0.14
Investment property value	329.8	258.3	282.8
Net debt	101.6	104.9	121.0
Net LTV [1]	30.8%	40.6%	42.8%
EPRA NAV per share (€)	2.42	2.19	2.28
EPRA NAV per share (£)[2]	2.02	1.55	1.67
Dividend per share (€ cents)	1.92	1.83	3.94
Dividend per share (£ pence)	1.60	1.30	2.90
EPRA NAV per share total return for period (€%)	7.8%	9.7%	10.0%
EPRA NAV per share total return for period (£%)	22.7%	-2.4%	4.5%

1 Debt less cash as a proportion of value of investment property.
2 Exchange rate of 1.20 at 30 June 2016, 1.41 at 30 June 2015, 1.36 at 31 December 2015.

Like-for-like portfolio value increase of 9.8%

As at 30 June 2016, the portfolio was valued at €329.8 million (31 December 2015: €282.8 million) by Jones Lang LaSalle GmbH ('JLL'), the Company's external property valuer. This represents an increase of 16.7% over the six-month period, equating to an average value per sqm of €1,775 (31 December 2015: €1,635) and a gross fully occupied yield of 5.2% (31 December 2015: 5.7%). Included within the portfolio are condominium properties with an aggregate value of €4.7 million (30 June 2015: Nil) of which €0.4 million was held for sale at the half year end.

On a like-for-like basis, after adjusting for the impact of acquisitions and disposals, the portfolio valuation rose by 9.8% in the six months ended 30 June 2016, compared to an increase of 10.6% for the year ended 31 December 2015. This reflects a combination of market growth, improved rents, and the increasing impact of rising condominium values on multi-family home pricing.

By geographic segment, Berlin posted the largest like-for-like increase at 13.7%. As at 30 June 2016, Berlin represented 70.1% of the portfolio by value, up from 63.4% as at 30 June 2015.

EPRA NAV increase of 6.1%

EPRA NAV per share rose by 6.1% in the first half of 2016 to €2.42 (£2.02) (31 December 2015: €2.28 (£1.67)). After taking into account the 2015 final dividend of 2.9p (€3.94 cents), which was paid in June 2016, the EPRA NAV total return in the first half of 2016 was 7.8%.

EPRA NAV per share growth in the first half, before exceptional costs associated with the share placing in Q1 2016, was 8.5%. Other factors affecting NAV growth include the costs related to recent property acquisitions and the short-term impact of un-invested cash balances from the recent fund raising.

Strong rental performance

Annualised rental income as at 30 June 2016 stood at €15.1 million (30 June 2015: €13.2 million). Adjusting for acquisitions and disposals, this represents a like-for-like increase of 4.7% compared with 30 June 2015.

Average in place rent was €7.6 per sqm as at 30 June 2016, an increase of 5.1% compared with 30 June 2015. On a like-for-like basis, the increase was 5.7%, with Berlin and Nuremberg & Fürth both experiencing a strong increase.

Market

	% of fund by value	Buildings	Res. units	Comm. units	Total units	Total sqm ('000)	Gross rent (€m)	Gross rent per sqm (€)	Valuation (€m)	Value per sqm (€)	Fully occupied gross yield %	Vacancy %	EPRA Vacancy %
Berlin (incl. Greater Area)	70%	59	1,321	100	1,421	107.6	8.9	7.9	231.3	2,150	4.5%	12.6%	2.7%
Central & North Germany	18%	42	805	47	852	50.3	3.9	7.0	59.4	1,182	7.2%	7.6%	5.5%
Nuremberg & Fürth	9%	17	200	26	226	19.6	1.4	7.2	29.3	1,496	6.1%	14.4%	1.4%
Baden-Württemberg	3%	2	18	24	42	8.4	0.8	8.6	9.8	1,167	8.8%	4.4%	0.9%
Total	**100%**	**120**	**2,344**	**197**	**2,541**	**185.8**	**15.1**	**7.6**	**329.8**	**1,775**	**5.2%**	**11.1%**	**3.2%**

Reported vacancy was 11.1% at 30 June 2016 (30 June 2015: 10.3%). On an EPRA basis, which adjusts for units undergoing development and made available for sale, the vacancy rate was 3.2% (June 2015: 5.6%).

New lettings' premium sustained

The Company continues to let units at a significant premium to in-place rents. During the period, 159 leases were signed, representing an annualised letting rate of 12.5% of units. The average rent achieved on new lettings was €9.4 per sqm, a 5.4% increase on the same period in 2015. In Berlin new leases were signed at an average rate of €10.9 per sqm, a 37.4% premium to passing rents and an increase of 7.2% compared to 30 June 2015.

Acquisitions and disposals

As at 31 August 2016, the Company had exchanged contracts on six Berlin property packages during 2016, consisting of 375 residential and 13 commercial units, for an aggregate purchase price of €39.7 million and representing an average price per sqm of €1,771. Two of the property packages were structured as share deals, which benefit from lower acquisition costs.

Acquisitions representing a consideration of €22.9 million have completed in H1 2016, consisting of four properties notarised in 2015 and one property acquired in 2016. Taking into account properties notarised but which had not completed as at 30 June 2016, the Company's Berlin properties represent 73.1% of its portfolio value, versus 70.1% as at 30 June 2016.

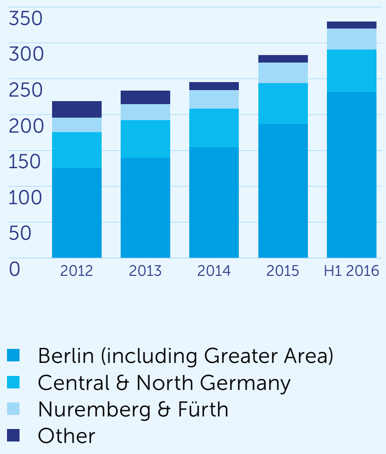
Including the acquisition of Boxhagenerstrasse, which completed in October 2015 for €16.0 million (excluding acquisition costs), as at 31 August 2016, the Company had completed or notarised 11 Berlin property acquisitions since listing on the London Stock Exchange in June 2015. In aggregate, these were acquired for €75.5 million and comprise 588 apartments and 27 commercial units, with a lettable area of c.40,650 sqm.

Condominium sales

Five apartments were notarised for sale during the first half of 2016, representing a sales value of €1.2 million. The average value per sqm achieved was €3,662. Since the period end, a further two apartments have been notarised for sale. As at 31 August 2016, 55.3% of available units at the two Berlin Kreuzberg apartment blocks had been sold.

Since the half year end, marketing of the property in Boxhagenerstrasse, in Berlin Friedrichshain, has started and the first condominium sales are expected to take place within the next two months. An additional property in Friedrichshain is being considered for privatisation which, subject to final approval, is expected to contribute to condominium sales during the first half of 2017.

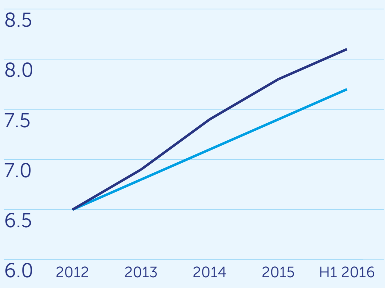
Portfolio value by region (£m)



Operational and Financial Review continued

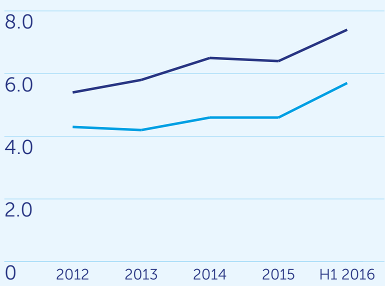
EPRA NAV €2.42, up 6.1% in H1 2016
EPRA NAV total return for H1 2016 of 7.8%
Dividend of 1.60p, up 23% on H1 2015

Like-for-like rent 2012–H1 2016 (€ per sqm)



Berlin
Phoenix Spree Deutschland total

Annual like-for-like rent growth 2012–H1 2016 (%)



Berlin
Phoenix Spree Deutschland total

The Company had expected to augment condominium sales further with a project in Berlin Moabit. The process was at an advanced stage, with planning permission granted and the application to partition having been lodged with the land registry. However, in May, the Company was informed by the authorities that they would not approve the application to split this property's entry on the land registry, since the area where the property resides had subsequently been assigned to the special protection register. This property is in the process of being let, and it is expected that the rent achieved will command a significant premium to the portfolio's average rent per sqm in Berlin.

Regional overview

As at 30 June 2016, Berlin represented 70.1% of the portfolio by value, and the region has continued its strong performance in the first half, with significant growth in rents and property values. Reported average rent per let sqm stood at €7.9, an increase of 5.3% compared with 30 June 2015. On a like-for-like basis, the increase was 7.6%, a record for the Company. The principal driver for the increase remains the strong reversionary increase achieved on re-letting. In the first half of 2016 the average rent achieved for new leases was €10.9 per sqm, a 37.4% premium to the average rent per let sqm.

In Nuremberg & Fürth, average rents increased by 7.7% compared with 30 June 2015 to €7.2 per sqm, while Northern Germany saw an increase of 4.5%. The decrease of 4.6% in Baden-Württemberg reflected the impact of a lease extension at the Company's office property in Holzgerlingen.

Financial results

Reported revenue for the six-month period was €7.6 million (six months to 30 June 2015: €5.4 million). This increase represents a combination of organic growth in rental income, the impact of acquisitions, and the full consolidation of Phoenix Spree Property Fund ('PSPF') for the period (in the period to 30 June 2015, PSPF was consolidated from 9 March 2015).

On an IFRS basis, the Company reported a profit before taxation for the period to 30 June 2016 of €15.7 million (30 June 2015: €9.1 million). This is after charging a number of one-off or non-cash items totalling €7.3 million, consisting of:

- costs relating to the placing of 22.6 million shares in March 2016 of €1.6 million (30 June 2015: €1.7 million costs relating to stock market listing);
- a charge to the profit and loss account of €2.8 million relating to the accrual of the Property Advisor performance fee (30 June 2015: zero). The charge reflects the potential fee payable to the Property Advisor, due to the increase in EPRA NAV under the terms of the Property Advisor Agreement; and
- mark-to-market interest rate swap losses of €2.9 million (30 June 2015: gain of €0.8 million).

The results were positively affected by a revaluation gain of €21.7 million (30 June 2015: €9.0 million). Excluding the revaluation gain, the Company reported a loss before tax of €6 million (30 June 2015: profit before tax of €0.2 million).

The Company invested €1.3 million in property renovations during the first half. It is expected that the majority of investment in 2016 will take place during the second half of the year.

Reported earnings per share for the period were €14 (June 2015: €13).

In line with its policy of paying a dividend which is equivalent to 2.5% of EPRA NAV, the Board has declared a dividend of 1.60p (€1.92 cents) per share (30 June 2015: 1.30p (€1.83 cents) for the first half of the year. The dividend is expected to be paid on or around 14 October 2016 to shareholders on the register at close of business on 30 September 2016, with an ex-dividend date of 29 September 2016.

Balance sheet

As at 30 June 2016, the Company had gross borrowings of €143.6 million (30 June 2015: €121.8 million) and cash balances of €42.0 million (30 June 2015: €16.9 million),

Key performance indicators

	2016 HY	2015 FY	2015 HY	2014	2013
Like-for-like property value growth (%)	9.8	10.6	5.5	8.6	8.8
Like-for-like property rent per sqm (€)	7.7	7.4	7.2	7.1	6.8
EPRA vacancy (%)	3.2	3.9	5.6	4.1	8.0
Condominium sales (€m)	1.2	4.7	–	–	–
EPRA NAV per share (€)	2.42	2.28	2.19	2.06	1.92
Dividend per share (p)	1.60	2.90	1.30	–	–

resulting in net debt of €101.6 million (30 June 2015: €104.9 million) and a net loan to value of 30.8% (30 June 2015: 40.6%). The increase in cash balances, and resulting fall in net loan to value, is reflective of the recent share placing which resulted in a fundraising of £38 million before costs. The Company is in the process of deploying these proceeds in the form of property acquisitions within the Berlin region.

In January 2016, the Company entered into a €16.7 million six year facility with DG Hyp relating to properties notarised during the second half of 2015. The effective interest rate on the new facility is 1.3%. As at 30 June 2016 the Company had drawn 100% of this facility.

The average interest rate payable on the Company's debt as at 30 June 2016 was 2.0% (30 June 2015: 2.2%). €8.4 million of debt is due for repayment in November 2016 and the Company expects to refinance this debt upon maturity.

Market outlook

The first half of 2016 has seen the Company achieve record rental prices, while experiencing good demand for its condominium sales. Demand for residential property from all tenants, owner-occupiers and investors remains healthy. Despite recent increases, property values, on average, remain below the cost of construction. Recent declines in long-term bond yields have increased the relative attraction of residential property as an investment, while reducing financing costs for property owners. For example, as at 31 August 2016, the net yield on the Company's portfolio stood at a premium of around 400 bps to 10 year bunds, which in June 2016 moved into negative territory for the first time. Population growth in most German cities, coupled with limited supply of residential property, is also supportive of further growth in rents and property values. The Company therefore believes there remains significant scope for further growth in property values and that its portfolio, with its focus on Central Berlin, is well placed to take advantage of these trends.

Key performance indicators

The Company 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.

Key Performance Indicators

The Company has chosen a number of KPIs’ which the Board believes are relevant to help investors understand the performance of the Company and the underlying property portfolio.

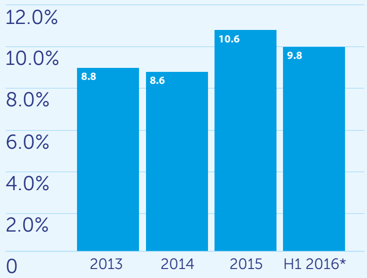
In the six months to 30 June 2016, the property portfolio grew by 9.8% on a like-for-like for basis. This increase was driven by a 5.7% like-for-like improvement in average rent per let sqm, while EPRA vacancy declined to 3.2%.

The Company continued to sell part of its rental portfolio as condominiums, agreeing sales of €1.2 million in the first half of 2016. There were no condominium sales in the first half of 2015.

EPRA NAV per share increased by 6.1% in H1 2016 to €2.42, while the declared dividend for the half year was 1.6p per share, and increase of 23% on H1 2015.

Like-for-like property portfolio value growth 2013–H1 2016 (%)

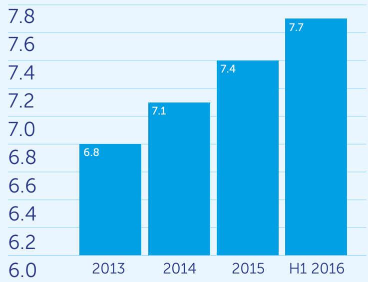
9.8%



* 6 month increase

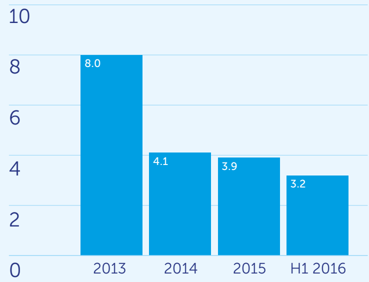
Like-for-like portfolio rent per sqm 2013–H1 2016 (€)

€7.7



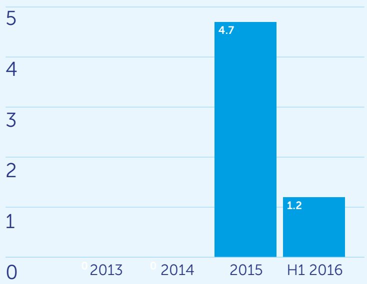
EPRA vacancy 2013–H1 2016 (%)

3.2%



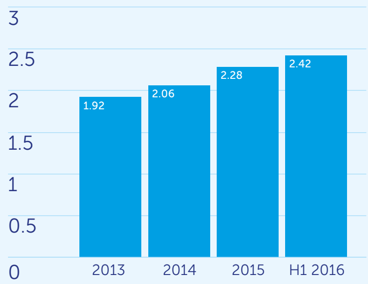
Condominium sales based on notarisations 2013–H1 2016 (€m)

€1.2m



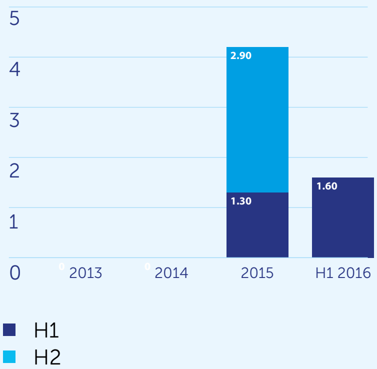
EPRA NAV per share 2013–H1 2016 (€)

€2.42



Dividend per share 2013–H1 2016 (£ pence)

1.60p



Forward Looking Statements

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

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, included in the consolidation as a whole as required by DTR 4.2.4R;

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

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

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

By order of the Board of Directors

Robert Hingley
Non-executive Director and Chairman
22 September 2016

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

Continuing operations	Note	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Revenue	5	**7,624**	5,368	12,070
Property expenses	6	**(6,324)**	(2,901)	(7,258)
Gross profit		**1,300**	2,467	4,812
Other operating income		**57**	73	261
Administrative expenses	7	**(1,406)**	(692)	(2,410)
Gain on disposal of investment property	8	**422**	–	670
Investment property fair value gain	15	**21,662**	8,979	18,148
Operating profit before exceptional costs		**22,035**	10,827	21,481
Exceptional item – transaction costs	9	**(1,592)**	(1,682)	(2,256)
Exceptional item – impairment of goodwill		**–**	–	(4,493)
Operating profit		**20,443**	9,145	14,732
Net finance charge	10	**(4,788)**	(1,381)	(3,164)
Gain on financial asset	11	**–**	1,368	1,395
Profit before taxation		**15,655**	9,132	12,963
Income tax expense	12	**(3,269)**	(1,096)	(2,640)
Profit after taxation		**12,386**	8,036	10,323
Other comprehensive income		**–**	–	–
Total comprehensive income for the year		**12,386**	8,036	10,323
Total comprehensive income attributable to:				
Owners of the parent		**12,144**	7,899	9,721
Non-controlling interests		**242**	137	602
		12,386	8,036	10,323
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	22	**0.14**	0.13	0.14
Diluted (€)	22	**0.14**	0.13	0.14

Condensed Consolidated Statement of Financial Position
As at 30 June 2016

Continuing operations	Note	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
ASSETS				
Non-current assets				
Goodwill	14	–	4,493	–
Investment properties	15	329,493	258,331	283,554
Property, plant and equipment		31	31	30
Deferred tax asset	12	749	284	296
Loans and receivables	16	1,409	1,355	1,382
		331,682	264,494	285,262
Current assets				
Investment properties – held for sale	15	354	–	–
Trade and other receivables		2,037	2,051	2,286
Cash and cash equivalents		42,039	16,876	12,757
		44,430	18,927	15,043
Total assets		376,112	283,421	300,305
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	17	8,418	4,327	11,523
Trade and other payables		935	1,732	2,684
Current tax		9	–	–
		9,362	6,059	14,207
Non-current liabilities				
Borrowings	17	135,218	117,471	122,278
Derivative financial instruments	18	4,734	1,843	1,869
Other financial liabilities	19	3,113	–	–
Deferred tax liability	12	14,500	9,198	10,786
		157,565	128,512	134,933
Total liabilities		166,927	134,571	149,140
Equity				
Stated capital	21	164,230	115,150	115,150
Share-based payment reserve	20	4,101	–	1,264
Retained earnings		40,854	31,539	32,125
Equity attributable to owners of the parent		209,185	146,689	148,539
Non-controlling interest		–	2,161	2,626
Total equity		209,185	148,850	151,165
Total equity and liabilities		376,112	283,421	300,305

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2016

	Attributable to the owners of the parent					
	Stated capital €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2015	**67,708**	**8,949**	**23,640**	**100,297**	**(4)**	**100,293**
Comprehensive income:						
Profit for the period	–	–	7,899	7,899	137	8,036
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	7,899	7,899	137	8,036
Transactions with owners – recognised directly in equity:						
Issue of share capital	39,052	–	–	39,052	–	39,052
Performance fee	8,390	(8,390)	–	–	–	–
Synthetic equity fee	–	(559)	–	(559)	–	(559)
Acquisition of subsidiary	–	–	–	–	2,028	2,028
Balance at 30 June 2015	**115,150**	**–**	**31,539**	**146,689**	**2,161**	**148,850**
Comprehensive income:						
Profit for the period	–	–	1,822	1,822	465	2,287
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	1,822	1,822	465	2,287
Transactions with owners – recognised directly in equity:						
Dividends paid	–	–	(1,236)	(1,236)	–	(1,236)
Performance fee	–	1,264	–	1,264	–	1,264
Balance at 31 December 2015	115,150	1,264	32,125	**148,539**	2,626	**151,165**
Comprehensive income:						
Profit for the period	–	–	12,144	12,144	242	12,386
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	12,144	12,144	242	12,386
Transactions with owners – recognised directly in equity:						
Issue of share capital	49,080	–	–	49,080	–	49,080
Dividends paid	–	–	(3,414)	(3,414)	–	(3,414)
Performance fee	–	2,837	–	2,837	–	2,837
Recognition of redemption liability	–	–	(1)	(1)	(2,868)	(2,869)
Balance at 30 June 2016	**164,230**	**4,101**	**40,854**	**209,185**	**–**	**209,185**

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2016

Continuing operations	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Profit before tax	**15,655**	9,132	12,963
Adjustments for:			
Net finance charge	**4,788**	1,381	3,164
Gain on disposal of investment property	**(422)**	–	(670)
Investment property revaluation gain	**(21,662)**	(8,979)	(18,148)
Gain on financial asset	**–**	(1,368)	(1,395)
Depreciation	**5**	–	6
Performance fee charge	**2,837**	–	1,264
Impairment of goodwill	**–**	–	4,493
Operating cash flows before movements in working capital	**1,201**	166	1,677
Decrease/(Increase) in receivables	**481**	(323)	1,807
(Decrease)/Increase in payables	**(1,749)**	(3,533)	1,250
Cash (used in)/generated from operating activities	**(67)**	(3,690)	4,734
Income tax (paid)/received	**–**	(19)	5
Net cash (used in)/generated from operating activities	**(67)**	(3,709)	4,739
Cash flow from investing activities			
Proceeds on disposal of investment property	**2,277**	–	5,502
Acquisition of subsidiary	**–**	1,165	1,165
Bank interest received	**102**	13	6
Capital expenditure on investment property	**(1,303)**	(1,253)	(3,934)
Property additions	**(25,183)**	–	(17,413)
Additions to property, plant and equipment	**(6)**	–	(23)
Loans to partners	**–**	–	(1,365)
Net cash used in investing activities	**(24,113)**	(75)	(16,062)
Cash flow from financing activities			
Interest paid on bank loans	**(1,756)**	(2,228)	(3,978)
Repayment of bank loans	**(6,815)**	(46,000)	(46,000)
Drawdown on bank loan facilities	**16,650**	65,833	72,266
Share issue	**49,080**	–	–
Cash settled synthetic equity fee	**–**	(559)	(559)
Dividends paid	**(3,414)**	–	(1,236)
Net cash generated from financing activities	**53,745**	17,046	20,493
Net increase in cash and cash equivalents	**29,565**	13,262	9,170
Cash and cash equivalents at beginning of period	**12,757**	3,583	3,583
Exchange (losses)/gains on cash and cash equivalents	**(283)**	31	4
Cash and cash equivalents at end of period	**42,039**	16,876	12,757

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2016

1. General information
Phoenix Spree Deutschland Limited is a public limited company which is listed on the premium segment of the main market of the London Stock Exchange and is incorporated and domiciled in Jersey, and operates out of Jersey and Germany. The Group's principal activity is the holding of investment properties located in Germany. The Company's Ordinary Shares were admitted to trading on the London Stock Exchange on 15 June 2015.

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

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2015.

The comparative figures for the financial year ended 31 December 2015 are extracted from but do not comprise, the Group's annual financial statements for that financial year.

The condensed interim financial statements were authorised and approved for issue on 20 September 2016.

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

Identification of business risks
The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31 December 2015 being compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments and interest rate movements on bank borrowings. The Directors consider that the significant areas of judgement made by management that have a significant effect on the Group's performance and estimates with a significant risk of material adjustment in the second half of the year are unchanged from those identified in the Annual Report for the year ended 31 December 2015.

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

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

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

a) Current prices in an active market, and its third party independent experts, for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

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

c) Discounted cash flow ('DCF') 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.

3. Critical accounting judgements and estimates continued

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

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

4. Segmental information

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

- Residential
- Commercial

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

31 December 2015 (audited)

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Goodwill	–	–	–	**–**
Investment property	235,350	48,204	–	**283,554**
Loans and receivables	–	–	1,382	**1,382**
Other assets	12,486	2,557	326	**15,369**
Liabilities	(113,283)	(23,202)	(12,655)	**(149,140)**
Net assets	**134,553**	**27,559**	**(10,947)**	**151,165**
Revenue	10,018	2,052	–	**12,070**
Property expenses	(6,024)	(1,234)	–	**(7,258)**
Other operating income	–	–	261	**261**
Administrative expenses	–	–	(2,410)	**(2,410)**
Gain on disposal of investment property	670	–	–	**670**
Investment property fair value gain	15,062	3,086	–	**18,148**
Operating profit	**19,726**	**3,904**	**(2,149)**	**21,481**
Exceptional costs				**(2,256)**
Impairment of goodwill				**(4,493)**
Net finance charge				**(3,164)**
Gain on financial asset				**1,395**
Income tax expense				**(2,640)**
Profit for the year				**10,323**

Notes to the Condensed Consolidated Financial Statements continued

For the six months ended 30 June 2016

4. Segmental information continued

30 June 2015 (unaudited)

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Goodwill	–	–	4,493	**4,493**
Investment property	214,415	43,916	–	**258,331**
Loans and receivables	–	–	1,355	**1,355**
Other asset	15,709	3,218	315	**19,242**
Liabilities	(102,530)	(21,000)	(11,041)	**(134,571)**
Net assets	**127,594**	**26,134**	**(4,878)**	**148,850**
Revenue	4,455	913	–	**5,368**
Property expenses	(2,408)	(493)	–	**(2,901)**
Other operating income	–	–	73	**73**
Administrative expenses	–	–	(692)	**(692)**
Gain on disposal of investment property	–	–	–	**–**
Investment property fair value gain	–	–	8,979	**8,979**
Operating profit	2,047	420	8,360	**10,827**
Exceptional costs				**(1,682)**
Net finance charge				**(1,381)**
Gain on financial asset				**1,368**
Income tax expense				**(1,096)**
Profit for the period				**8,036**

30 June 2016 (unaudited)

	Residential €'000	Commercial €'000	Unallocated €'000	**Total €'000**
Goodwill	–	–	–	**–**
Investment property	273,479	56,014	–	**329,493**
Loans and receivables	–	–	1,409	**1,409**
Other assets	37,559	7,620	31	**45,210**
Liabilities	(135,958)	(27,847)	(3,122)	**(166,927)**
Net assets	**175,080**	**35,787**	**(1,682)**	**209,185**
Revenue	6,328	1,296	–	**7,624**
Property expenses	(5,249)	(1,075)	–	**(6,324)**
Other operating income	–	–	57	**57**
Administrative expenses	–	–	(1,406)	**(1,406)**
Gain on disposal of investment property	422	–	–	**422**
Investment property fair value gain	17,979	3,683	–	**21,662**
Operating profit	19,480	3,904	(1,349)	**22,035**
Exceptional costs				**(1,592)**
Net finance charge				**(4,788)**
Gain on financial asset				**–**
Income tax expense				**(3,269)**
Profit for the period				**12,386**

5. Revenue

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Rental income	**7,624**	5,368	12,070

6. Property expenses

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Property management expenses	**529**	419	942
Repairs and maintenance	**543**	426	921
Doubtful debt expense	**130**	(46)	153
Other property expenses	**742**	1,030	1,404
Property Advisors' fees and expenses	**1,543**	1,072	2,574
Property Advisors' performance fee	**2,837**	–	1,264
	6,324	2,901	7,258

7. Administrative expenses

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Secretarial and administration fees	**304**	82	400
Legal and professional fees	**587**	493	1,386
Directors' fees	**44**	–	108
Accountancy fees	**121**	96	319
Audit fees	**51**	37	156
Bank charges	**11**	15	39
Loss/(profit) on foreign exchange	**283**	(31)	(4)
Depreciation	**5**	–	6
	1,406	692	2,410

8. Gain on disposal of investment property

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Net proceeds	**2,277**	–	5,502
Book value of disposals	**(1,855)**	–	(4,832)
	422	–	670

9. Exceptional costs

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Professional fees associated with stock market listing, share placing and acquisition of subsidiaries	**1,592**	1,682	2,256
	1,592	1,682	2,256

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

10. Net finance charge

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
Interest income	**(102)**	(13)	(6)
Loss/(gain) on interest rate swap	**2,865**	(834)	(808)
Interest payable on bank borrowings	**1,640**	1,213	2,853
Finance arrangement fees	**141**	28	138
Finance cost of redemption liability	**244**	–	–
Early termination fee	**–**	987	987
	4,788	1,381	3,164

11. Financial assets at fair value through profit and loss

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Equity interest in Phoenix Spree Property Fund GmbH and Co.KG:			
Balance at the beginning of the period	–	36,859	36,859
Gain on financial asset	–	1,368	1,395
Acquisition of subsidiary	–	(38,227)	(38,254)
	–	–	–

12. Taxation

	Six months ended 30 June 2016 (unaudited) €'000	Six months ended 30 June 2015 (unaudited) €'000	Year ended 31 December 2015 (audited) €'000
The tax charge for the period is as follows:			
Current tax charge	8	8	(24)
Deferred tax charge	3,261	1,088	2,664
Current tax charge for the period	**3,269**	1,096	2,640

The movement in respect of deferred taxation is as follows:

	Capital gains on properties €'000 (Liability)	Interest rate swaps €'000 Asset	Total €'000 (Net liability)
Balance at 1 January 2015	(3,211)	237	(2,974)
Acquisition of subsidiary	(5,011)	159	(4,852)
Movement for the period	(976)	(112)	(1,088)
Deferred tax at 30 June 2015	**(9,198)**	**284**	**(8,914)**
Movement for the period	(1,588)	12	(1,576)
Deferred tax at 31 December 2015	**(10,786)**	**296**	**(10,490)**
Movement for the period	(3,714)	453	(3,261)
Deferred tax at 30 June 2016	**(14,500)**	**749**	**(13,751)**

13. Dividends

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Dividends on participating shares proposed for approval (not recognised as a liability at 30 June 2016)			
Proposed interim dividend for the year ended 31 December 2016 of 1.60p (€1.92c) (2015: 1.30p (€1.83c)) per share	1,771	1,202	–
Proposed final dividend for the year ended 31 December 2015 of 2.90p (€3.94c) (2014: Nil) per share	–	–	3,639
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2015 of 1.3p (2014: Nil) per share	–	–	1,236
Final dividend for the year ended 31 December 2015 of 2.9p (2014: Nil) per share	3,414	–	–

14. Goodwill

	€'000
Cost:	
1 January 2015	193
Acquisition of subsidiary	4,493
At 30 June 2015, 31 December 2015 and 30 June 2016	**4,686**
Accumulated impairment losses:	
At 1 January 2015	(193)
Impairment charge for the period	–
At 30 June 2015	(193)
Impairment charge for the period	(4,493)
At 31 December 2015 and 30 June 2016	(4,686)
Carrying amount:	
At 30 June 2015	4,493
At 31 December 2015	–
At 30 June 2016	–

15. Investment properties

	€'000
Fair value	
At 1 January 2015	115,192
Capital expenditure	1,253
Additions on acquisition	132,907
Revaluation gain	8,979
At 30 June 2015	**258,331**
Capital expenditure	2,681
Disposals	(4,832)
Property additions	17,413
Revaluation gain	9,169
Investment properties at fair value – as set out in the report by JLL	282,762
Properties notarised for sale not completed at year end	792
At 31 December 2015	**283,554**
Capital expenditure	1,303
Disposals	(1,855)
Reclassified as investment properties – held for sale	(354)
Property additions	25,183
Revaluation gain	21,662
At 30 June 2016	**329,493**

The property portfolio was valued at 30 June 2016 by the Group's independent valuers, JLL, in accordance with the methodology described below.

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

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

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.

Notes to the Condensed Consolidated Financial Statements continued
For the six months ended 30 June 2016

15. Investment properties continued

Discounted cash flow method

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 frequency of inflows and outflows (monthly, quarterly, annually) is contract and market-derived.

An appropriate discount rate is then applied to the cash flow. If the frequency of the time points selected for the cash flow is, for example, quarterly, the discount rate must be the effective quarterly rate and not a nominal rate. The DCF method assumes that cash outflows occur in the same period that expenses are recorded. The exit yield is normally separately determined and differs from the discount rate.

The discount rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consist of an interest rate for a risk-free investment, as well as a premium, to account for specific investment risks associated with real estate investments.

The exit yield (capitalisation rate) is used to capitalise the stabilised net operating income at year ten into perpetuity, as it is assumed that properties are kept in stock after the detailed ten year planning period. The exit yield is based on each property's individual discount rate.

Comparable valuation method

Where the Group has identified properties that may be suitable for disposal in the medium term, the valuation is based on comparable values for properties with similar attributes in a disposal scenario. This includes the Company's properties identified for privatisation.

The table below sets out the assets valued using the DCF method versus comparable valuations:

	As at 30 June 2016 €'000	As at 30 June 2015 €'000	As at 1 December 2015 €'000
DCF method	**325,197**	258,331	269,842
Comparable valuation method	**4,296**	–	12,920
Total	**329,493**	258,331	282,762

	€'000
Fair value	
At 1 January 2016	**–**
Reclassified from investment properties	354
At 30 June 2016	**354**

Investment properties are reclassified as current assets, and described as 'held for sale' when at the balance sheet date the Group has obtained and implemented all relevant permissions required to sell individual units, and contracts for sale have been notarised.

16. Loans and receivables

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Loans issued – initial recognition at fair value	**1,338**	1,338	1,338
Accrued interest	**71**	17	44
	1,409	1,355	1,382

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.

17. Borrowings

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Current liabilities			
Bank loans – Hypothekenbank Frankfurt AG	–	4,327	–
Bank loans – EuroHypo AG	–	–	2,978
Bank loans – Deutsche Hypothekenbank AG	8,418	–	8,545
	8,418	4,327	11,523
Non-current liabilities			
Bank loans – Deutsche Genossenschafts-Hypothekenbank AG	132,275	104,662	119,262
Bank loans – Deutsche Hypothekenbank AG	–	9,721	–
Bank loans – Kreissparkasse Boblingen District Savings Bank	2,943	3,088	3,016
	135,218	117,471	122,278
	143,636	121,798	133,801

During the period, the Group refinanced its bank borrowings and drew down €16,650,000 (six months ended 30 June 2015: €65,833,000 and year ended 31 December 2015 €72,266,000). The terms of the loan are interest at a rate of three-month EURIBOR plus a margin and the final maturity date is on 31 January 2022. Interest rate risk is hedged by the use of interest rate swaps.

18. Derivative financial instruments

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Interest rate swaps – carried at fair value through profit or loss			
Balance at start of period	1,869	1,496	1,496
From acquisition	–	1,181	1,181
Loss/(Gain) in movement in fair value through profit or loss	2,865	(834)	(808)
Balance at end of period	4,734	1,843	1,869

19. Other financial liabilities

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Balance at start of period	–	–	–
Recognition of redemption liability	2,869	–	–
Finance cost on redemption liability	244	–	–
Balance at end of period	3,113	–	–

The redemption liability relates to the put option held by the minority shareholders of PSPF for the purchase of the minority interest in PSPF. The option period starts on 6 June 2020. The valuation of the purchase price will be based on the last published financial results as at the date the option is put to the parent.

The recognition of the redemption liability has been accounted for as a reduction in the non-controlling interest with the remainder of the recognition against the Group's retained earnings. Also see the Condensed Consolidated Statement of Changes in Equity for the recognition accounting.

20. Share-based payment reserves

	Synthetic equity fee €'000	Performance fee €'000	Share-based payment total €'000
Balance at 1 January 2015	559	7,607	8,166
Fee charge for the period	–	783	783
Equity settled during the period	–	(8,390)	(8,390)
Cash settled during the period	(559)	–	(559)
Balance at 30 June 2015 (unaudited)	**–**	**–**	**–**
Fee charge for the period	–	1,264	1,264
Balance at 31 December 2015 (audited)	**–**	**1,264**	**1,264**
Fee charge for the period	–	2,837	2,837
Balance at 30 June 2016 (unaudited)	**–**	**4,101**	**4,101**

21. Stated capital

	As at 30 June 2016 (unaudited) €'000	As at 30 June 2015 (unaudited) €'000	As at 31 December 2015 (audited) €'000
Issued and fully paid:			
40,522,364 participating shares of no par value, issued at a consideration of £1 each	**60,027**	60,027	60,027
5,896,369 participating shares of no par value, issued at a consideration of £1.11 each	**7,681**	7,681	7,681
19,237,484 participating shares of no par value, issued at a consideration of £1.46 each	**39,052**	39,052	39,052
4,216,080 participating shares of no par value, issued at a consideration of £1.44 each	**8,390**	8,390	8,390
	115,150	115,150	115,150
22,619,047 participating shares of no par value, issued at a consideration of £1.68 each on 4 March 2016	**49,080**		
	164,230		

22. Earnings per share

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)	Year ended 31 December 2015 (unaudited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**12,144**	7,899	9,721
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (Number)	**84,661,574**	59,635,559	69,872,297
Effect of dilutive potential Ordinary Shares (Number)	**2,075,930**	–	638,818
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share (Number)	**86,737,504**	59,635,559	70,511,115
Earnings per share (€)	**0.14**	0.13	0.14
Diluted earnings per share (€)	**0.14**	0.13	0.14

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

	As at 30 June 2016 (unaudited)	As at 30 June 2015 (unaudited)	As at 31 December 2015 (unaudited)
Net assets (€'000)	**209,185**	146,689	148,539
Number of participating Ordinary Shares	**92,491,344**	69,872,197	69,872,298
Net asset value per share (€)	**2.26**	2.10	2.13
EPRA net asset value			
Net assets (€'000)	**209,185**	146,689	148,539
Add back deferred tax assets and liabilities, derivative financial instruments, goodwill, redemption liability and share-based payment reserves	**14,384**	6,264	11,095
EPRA net asset value (€'000)	**223,569**	152,953	159,634
EPRA net asset value per share (€)	**2.42**	2.19	2.28

24. Financial instruments

Fair value of financial instruments

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

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

The interest rate swaps are expected to mature between February 2019 and February 2022.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

25. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

R Prosser is a Director of Estera Fund Administrators (Jersey) Limited which provides administration services to the Company.

A Weaver is a partner of the Jersey law firm, Appleby, which provides legal services to the Company and a member of Appleby Group.

During the six month period ended 30 June 2016, an amount of €378,664 (June 2015: €432,160 and December 2015: €718,721) was payable to Estera Fund Administrators (Jersey) Limited for accounting, administration and secretarial services. At June 2016, €330,229 (June 2015: €370,680 and December 2015: €125,671) was outstanding.

During the six month period ended 30 June 2016, an amount of €39,523 (June 2015: €348,770 and December 2015: €375,595) was payable to Appleby, law firm for legal and professional services. At June 2016 €30,354 (June 2015: €Nil and December 2015: €11,352) was outstanding.

M Northover is a Director and shareholder of PMM Partners (UK) Limited, the Company's appointed Property Advisor. During the six month period ended 30 June 2016, an amount of €1,543,000 (June 2015: €1,072,000 and December 2015: €2,574,000) was payable to PMM Partners (UK) Limited. At June 2016 €Nil (June 2015: €Nil and December 2015: €Nil) was outstanding.

The Property Advisor is also entitled to an asset and estate management performance fee. The charge for the period in respect of the performance fee was €2,837,000 (June 2015: €Nil and December 2015 €1,264,000).

In March 2015, the Group also entered into an option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund GmbH & Co.KG from the remaining partners being M Hilton and P Ruddle, both Directors of PMM Partners (UK) Limited. The options are excisable on the fifth anniversary of the majority interest acquisition for a period of three months thereafter at the fair value of the remaining interest.

The Group entered into a loan agreement with M Hilton and P Ruddle in connection with the acquisition of PSPF. At the period end an amount of €704,500 (June 2015: €677,500 and December 2015: €691,000) each was owed to the Group. The loans bear interest of 4% per annum.

Notes to the Condensed Consolidated Financial Statements continued
For the six months ended 30 June 2016

26. Subsequent events
On 1 July 2016, the Group acquired 94.9% of Invador Grundbesitz GmbH, a company incorporated in Germany, for a consideration of €8,604,000. The Company owns the residential properties at Gottlieb-Dunkel-Straße 53–58, Bergholzstraße 15 and Tempelhofer Weg 2a–2g.

Provisional fair value is based on the latest available results and estimates. The fair values of the business combination will be set out in the Annual Report and Accounts for the year ending 31 December 2016.

Invador Grundbesitz GmbH	Provisional fair value €'000
Investment properties	15,100
Trade and other receivables	178
Trade and other payables	(7,003)
Deferred tax	(1,300)
Net assets	**6,975**
Non-controlling interest	(356)
Goodwill	1,985
Fair value of consideration	**8,604**
Cash consideration	(8,604)
Cash acquired	47
Cash outflow arising on acquisition	**(8,557)**

On 1 July 2016, the Group acquired 94.9% of Laxpan Mueller GmbH, a company incorporated in Germany for a consideration of €8,857,000. The Company owns the residential properties at Müllerstraße 122a–c and Lüderitzstraße 48,48a–h,50,52.

Provisional fair value is based on the latest available results and estimates. The fair values of the business combination will be set out in the Annual Report and Accounts for the year ending 31 December 2016.

Laxpan Mueller GmbH	Provisional fair value €'000
Investment properties	14,000
Trade and other receivables	411
Trade and other payables	(5,555)
Deferred tax	(900)
Net assets	**7,956**
Non-controlling interest	(406)
Goodwill	1,307
Fair value of consideration	**8,857**
Cash consideration	(8,857)
Cash acquired	96
Cash outflow arising on acquisition	**(8,761)**

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