



Better Futures

Phoenix Spree

Annual Report and Accounts 2023



QSIX

Introduction

Phoenix Spree Deutschland Limited (PSD, LSE: PSDL.LN), the UK listed investment company specialising in Berlin residential real estate, reports its full year audited results for the financial year ended 31 December 2023. The Board also announces its strategy to significantly accelerate condominium sales and reduce debt.



Highlights of the Year

Gross rental income

€27.5m

Like for like rent per sqm growth

4.1%

Invested in modernisation

€9.4m

Condominium sales notarised

€7.2m



Highlights of the Year

Read more on this section on pages 2-3



Chairman's Statement

Read more on this section on pages 6-7

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Highlights of the Year continued

Financial highlights

	Year to 31 December 2023	Year to 31 December 2022	2023 v 2022 % change
Income Statement			
Gross rental income (€ million)	27.5	25.9	5.9
Loss before tax (€ million)	(111.8)	(17.5)	537.1
Dividend per share in respect of the period (Euro cents (Sterling pence))	0.00 (0.00)	2.35 (2.09)	
Balance Sheet			
Portfolio valuation (€ million) ¹	675.6	775.9	(12.9)
Like-for-like valuation decrease (%) ⁴	(11.9)	(3.1)	283.9
IFRS NAV per share (€)	3.43	4.50	(23.8)
IFRS NAV per share (£) ²	2.97	3.99	(25.6)
EPRA NTA per share (€) ⁵	3.96	5.10	(22.4)
EPRA NTA per share (£) ^{2,5}	3.43	4.52	(24.0)
EPRA NTA per share total return (€%)	(22.4)	(8.4)	166.7
Net LTV ³ (%)	46.3	39.1	18.4
Operational Statistics			
Portfolio valuation per sqm (€)	3,598	4,082	(11.9)
Annual like-for-like rent growth (%) ⁴	5.6	6.1	(8.2)
Annual like-for-like rent per sqm growth (%) ⁴	4.1	3.9	5.1
EPRA vacancy (%)	2.0	2.4	(16.7)
Condominium sales notarised (€ million)	7.2	4.7	53.2

1 2022 Portfolio valuation includes investment properties under construction.

2 Calculated at FX rate GBP/EUR 1:1.153 as at 31 December 2023 (2022: GBP/EUR 1:1.128).

3 Net LTV uses nominal loan balances (note 22) rather than the loan balances on the Consolidated Statement of Financial Position which include Capitalised Finance Arrangement Fees.

4 Like-for-like excludes the impact of acquisitions and disposals in the period.

5 EPRA metrics defined and calculated in note 29.

Financial and operational summary

Portfolio valuation reflects a challenging macroeconomic backdrop

- As reported in the recent Portfolio update published in February, buyer sentiment and transaction volumes remain fragile; like-for-like Portfolio value decreased by 5.3% during H2 2023 (11.9% versus December 2022), reflecting an increase in market yields, partially offset by rental growth.

Increasing shortage of Berlin rental supply continues to drive strong rental growth

- 255 new leases were signed during the year at an average premium of 31% to passing rents, or €13.7 per sqm, a new record high, and a 5.9% increase versus 2022.
- European Public Real Estate Association (EPRA) vacancy of 2.0% (2022: 2.4%) at a record low.
- New rent table (Mietspiegel), expected to be released in May 2024 and to support in-place rent growth.

Condominium sales momentum and further disposals

- Condominiums notarised for sale during H2 2023 of €5.2 million, a 203% increase versus H2 2022, resulting in total condominium sales of €7.2 million for 2023.
- Since the financial year-end, the Company has notarised a further nine condominiums, with an aggregate value of €3.4 million.
- Reservations for a further five units, with a combined value of €1.7 million, have recently been received and are pending notarisation.
- Two rental properties sold for €7.3 million during 2023. Two further buildings have been notarised for sale since year end, with a value of €7.4 million.
- Termination of forward funding commitment to the Erkner development, removing the requirement to invest €13 million and with €1.2 million real estate transfer tax reclaimed.

Updated condominium strategy

Context

- Although only 6% of the Company's Portfolio is currently being marketed for sale as condominiums, PSD is unusual among its listed peers in that 78% of its Portfolio is already legally split into condominiums.
- Conditions in the German real estate investment market have been challenging and are expected to remain so in the near term. This contrasts with the condominium market where, despite some reductions, sales prices and market volumes, particularly for vacant units, remain robust.
- In the current Berlin market, there is now a significant valuation gap between the average per sqm value of an apartment block and the resale value of an individual apartment as a condominium.
- During 2023, the average sales value of a vacant condominium unit was €5,345 per sqm, compared to a Portfolio average valuation of €3,587 per sqm for rental units and €2,600 per sqm for the whole Portfolio implied by the current PSD share price.

Considering these factors, the Company intends to pivot its business model further from the Private Rented Sector (PRS) to condominium sales.

Updated strategy

- The Company plans to materially increase condominium sales and unlock the inherent value within its Portfolio. Initially, the proceeds will be used to reduce debt, creating a platform to refinance the current debt facility on more beneficial terms ahead of maturity in September 2026. Once this has been achieved, the Company plans to return excess capital to shareholders.
- To facilitate this, the Company plans to modify its financing arrangements, which currently limit the number of units that can be offered to the market to around 6% of the Portfolio. The Company is in advanced discussions with its principal lender, NATIXIS, and aims to conclude these discussions within the next few months.

- If the proposed amendment to its financing arrangements can be concluded, around half the split Portfolio is expected to be made available for sale as condominiums, increasing the number of buildings that could be sold as condominiums by over 500%. Units will be sold as they become vacant, and occupied units will be offered for sale to both tenants and investors. The Company aims to achieve annualised condominium sales in excess of €50 million by 2025.
- Properties not part of the condominium pool will continue to operate on a PRS model, receiving targeted investment to improve their energy efficiency and raise EPC ratings to a minimum of C in the medium term. This investment is expected to enhance property values, lower running costs and facilitate more favourable longer-term financing. By improving energy performance of these buildings, the pool of potential buyers, such as pension funds and insurance companies, will expand when market conditions improve.
- The Company will continue to review the possible sale of rental properties and portfolios at discounts to carrying value, where the Board believes it is in shareholders' interest to do so, particularly with the aims of i) facilitating the modification of the Company's current financing arrangements so as to increase the number of units which can be offered for sale as condominiums; ii) reducing overall debt levels and enhancing the Company's ability to obtain new longer-term financing on acceptable terms; and iii) providing sufficient capital for targeted investments in existing condominium properties to optimise their values.
- Rental growth is expected to be supplemented by further rent increases for qualifying tenants in the second half of 2024, following the introduction of the new Mietspiegel.
- Subject to the successful conclusion of revised financing arrangements, the Company plans a significant uplift in condominium sales.
- Vacant condominium sales values are expected to be at a significant premium to the average per sqm valuation across the Portfolio, and an even larger premium to values implied by the current share price.
- Although conditions in the investment market are expected to remain challenging for the remainder of 2024, the Company will continue to actively market single blocks of apartments and portfolios of buildings.
- The Company plans to use cash generated from future asset sales principally to pay down debt and to provide capital for targeted investment in existing condominium properties.

Annual Report and Accounts

The full Annual Report and Accounts will shortly be available to download from the Company's website www.phoenixspree.com. All page references in this announcement refer to page numbers in the Annual Report and Accounts. The Company will submit its Annual Report and Accounts to the National Storage Mechanism in the required format in due course, and it will be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

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Outlook

- The Company's rental business is expected to continue to perform well, driven by structural imbalances that support strong and accelerating rental growth.
- The tight rental market has caused market churn rates to decline and, consequently, the number of new lettings in 2024 is expected again to decline, with a greater proportion of growth expected to be achieved through in-place rental growth.

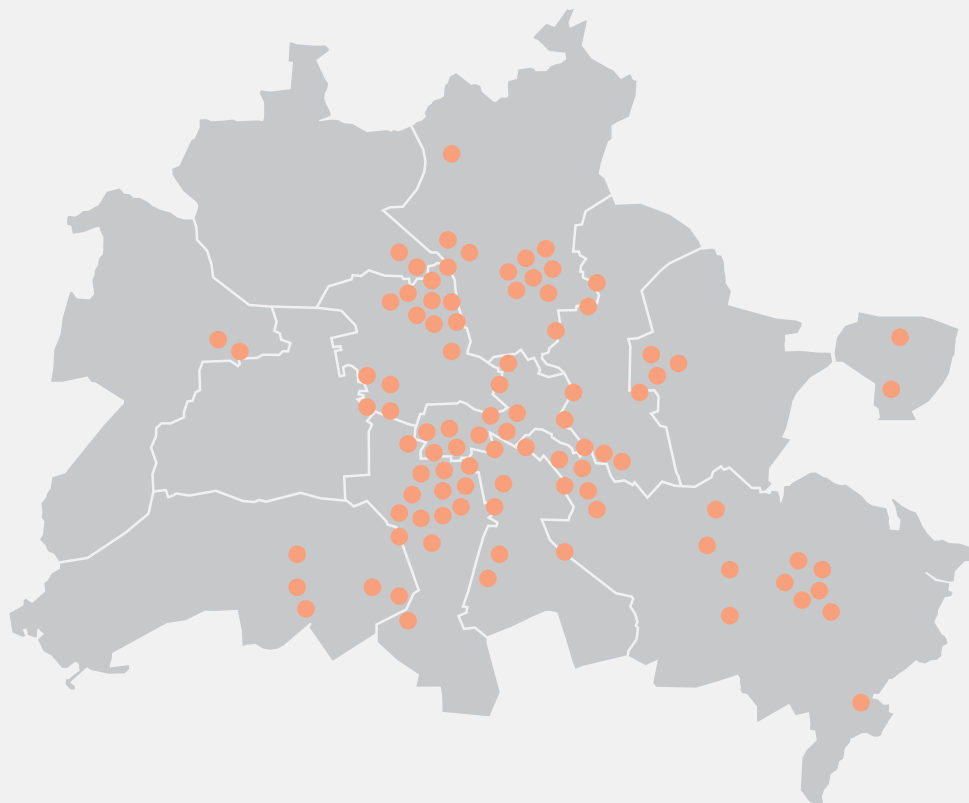
At a Glance

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

The Portfolio of properties owned by Phoenix mainly consists of classic 'Altbau' properties (older buildings) 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.

Pure-play Berlin Portfolio Total properties

Berlin
● Property location



Reported property Portfolio
valuation (million)

€675.6

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.

As at 31 December 2023, the Portfolio of properties owned by Phoenix Spree consists of 95 properties, 2,489 residential apartments, and 140 commercial units with 188 thousand sqm of useable space.

QSix 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.



Usable space
(sqm thousands)

187.8

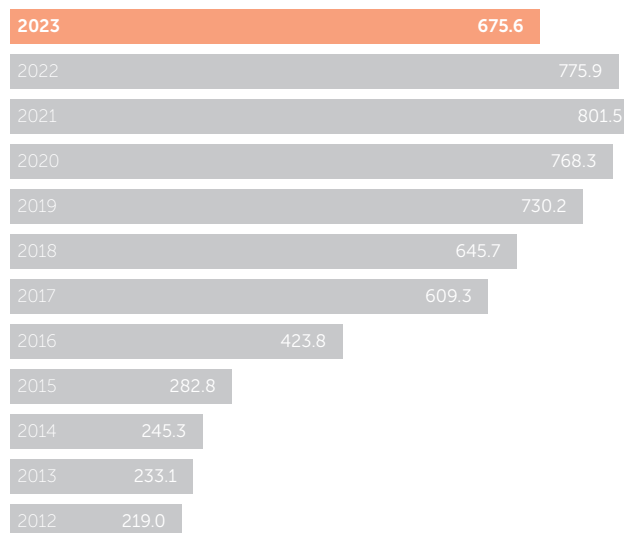
Residential
units

2,489

Commercial
units

140

Reported Portfolio valuation 2012-2023 (€ million)



Chairman's Statement

Our core rental business has remained resilient, despite the ongoing challenges posed by economic and geopolitical uncertainty. The supply-demand imbalances in the Berlin rental market are currently at their widest in recent memory, leading to record market rents. New lettings across PSD's Portfolio have been signed at an average premium of 31% to passing rents and vacancy levels are at an all-time low.

While our core rental business continues to thrive, historically high interest rates and a weakening German economy have continued to impact buyer sentiment and investment transaction volumes. Rental yields have increased further during the financial year and the Company has reported a decline in the valuation of its properties. As at 31 December 2023, the Portfolio was valued at €675.6 million, representing a like-for-like decline of 11.9% versus the prior year. Reflecting this decline, the Euro EPRA Net Tangible Assets (NTA) total return per share for the financial year was negative 22.4%, and the Sterling return was negative 24.0%.

Although buyer sentiment in the investment market for single buildings and portfolios of buildings remains fragile, I am pleased to report that our condominium sales activity has shown a marked pick-up, both in the second half of the financial year and during the first four months of 2024.

Adapting our strategy

Our strategy of increasing asset sales (both as individual condominiums and multi-unit assets), reducing debt and, ultimately, returning excess capital to investors from disposals remains the Company's priority. During 2023, the Company marketed a significant proportion of its Portfolio as single-building sales. However, market

conditions were not conducive to achieving sales at prices which the Board believes represent fair value for assets.

Reflecting the current weakness in the transaction market, the Company now intends to place a greater emphasis on condominium sales. Our Property Advisor is in discussions with the Company's primary debt provider which, on conclusion, are intended to significantly increase the number of buildings that can be brought to market for sale as condominiums.

Further details can be found in the Report of the Property Advisor.

Our tenants

In the past financial year, the Company has reinvested over 34% of its gross revenues into making improvements to our buildings, ensuring high-quality living spaces for tenants. The results of our latest tenant satisfaction survey in the first half of 2023 continue to indicate high levels of satisfaction with both the quality of apartments and the rental process. We understand the challenges posed by the current cost of living crisis and always prioritise the health and wellbeing of our tenants. We aim to provide our tenants with a reliable and friendly rental service and remain dedicated to working constructively with those in greatest need.



“The Board and Property Advisor remain fully focused on delivering the best possible outcome for the Company's stakeholders.”

Environmental stewardship

We recognise the impact that our business has on the natural environment and local communities. As a member of EPRA, we are committed to transparency in sustainability reporting. We have implemented EPRA's Sustainability Best Practice Recommendations (sBPR) to carefully measure and minimise our environmental footprint and social impacts. I am pleased to announce that our efforts in this area were recognised for the second consecutive year with a Gold Award at the 2023 EPRA Sustainability Awards. This underscores our commitment to industry-leading reporting standards and to balancing business performance with responsible stewardship of natural resources and support for the communities in which we operate.

Charitable initiatives

The Company and its Property Advisor have made a significant impact through financial support initiatives for our charity partners. In Berlin, PSD's support for The Intercultural Initiative and Laughing Hearts helps provide crucial assistance to women, children, and those in social care. In London, our Property Advisor's support for homeless charities SPEAR and SHP is addressing the needs of homeless individuals through accommodation, health support, and employability programmes. Additionally, our Property Advisor's support for Home-Start is contributing to the wellbeing of families with young children in the UK.

Responsible business

The Board is committed to upholding ethical and transparent practices in all its operations, recognising the significance of accountability to all stakeholders. Our Corporate Responsibility (CR) Plan, 'Better Futures', serves as a guiding framework, encompassing five key pillars that are integral to our business practices.

Environmental stewardship is a top priority, as we strive to minimise our impact on the environment. Social responsibility underscores our commitment to respecting all individuals affected by our operations. Tenant satisfaction remains a focal point, as we endeavour to provide exceptional services and spaces. Community investment drives our efforts to contribute to local communities, while robust governance ensures diligent oversight and accountability.

Board

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

Property Advisor

Last year, the Board and the Property Advisor, with shareholders' approval, agreed to change the fees payable to the Property Advisor to align their incentives with the Company's short-term strategic priorities. The key element of the new agreement was to further incentivise the Property Advisor to evaluate and implement a variety of disposal strategies, including condominium sales, while reducing the level of annual management fees paid.

The Board is in the process of concluding its discussions with the Property Advisor with regard to the arrangements post July 2024 and it is expected that new arrangements will reduce the cap on fees paid for management, capital expenditure monitoring and investor relations to €4.3 million. This represents a 14% year-on-year reduction and a 40% reduction compared to the end-2022 run rate. Additionally, QSIX has informed the Company that it will use the post-tax proceeds of any future disposal fee received from the Company to buy shares in PSD. The Board believes these new proposed arrangements further align the interests of the Property Advisor and the Company. The Board intends to consult its shareholders and formalise the arrangements before the expiration of the current agreement at the end of June 2024.

In February 2024, our Property Advisor announced the appointment of Christian Daumann as Chief Executive Officer of its German operations. Christian succeeds Jörg Schwagenscheidt, who has been CEO of QSIX Germany since 2015. Jörg will remain a partner of QSIX Group, focusing on steering QSIX Germany's strategic initiatives and leveraging his extensive experience, industry contacts and political relationships. Christian brings with him over 25 years of experience in the real estate and asset management sector

and has built a formidable global network. He joins QSIX from Ivanhoé Cambridge, where he spent the previous four years as Head of Investments, Germany. His appointment reflects QSIX's commitment to maintaining a strong leadership team and furthering the Company's strategic objectives in the German market.

Outlook

The outlook for our rental business remains positive, driven by structural imbalances that continue to grow. Moreover, following the introduction of the new Mietspiegel, expected to be published in May 2024, we expect further rent increases for qualifying tenants to be permissible, supporting strong and accelerating rental growth.

While we will continue to actively market single blocks of apartments and portfolios of buildings, we expect conditions in the investment market to remain challenging for the remainder of the year.

There are signs that buyer sentiment in the condominium market has already improved, as evidenced by the acceleration in PSD's condominium sales since the first half of 2023, and we plan a further significant uplift in condominium sales if revised financing arrangements can be successfully concluded.



Robert Hingley
Chairman
29 April 2024

Stakeholder Engagement

Listening to our stakeholders

We recognise the importance of engaging with our key stakeholders, including our tenants, shareholders, regulators, partners and local communities, to take into account what is important to each of these groups.

While it is not a legal requirement for a non-UK company to comply with section 172 of the UK Companies Act 2006, we adhere to related corporate governance provisions in the AIC Code on a 'comply-or-explain' basis. The Board of Directors, both individually and collectively, acts in good faith to promote the success of the Company for the benefit of its members as a whole, taking into consideration the stakeholders and matters outlined in section 172 of the UK Companies Act 2006.

While the Board directly engages with stakeholders on certain issues, much of the stakeholder engagement occurs through the Property Advisor, with the Board receiving regular updates. The table below provides an overview of how we engage with our key stakeholders and why they are important to us.

Additional details about how the Company and its Property Advisor engage in corporate responsibility can be found in the Corporate Responsibility section of this report.

Our stakeholders

 Tenants

 Shareholders

 Partners



 People

 Local communities


 Regulators




How we engage

Key stakeholder issues	How the Company engages	Highlights
<p> Tenants</p> <p>To effectively engage with our tenants, we prioritise understanding and addressing their needs. By doing so, we not only ensure their satisfaction but also contribute to the overall success of our business and reputation as a responsible landlord. Our Property Advisor plays a crucial role in this process, as they work to gain valuable insight into the specific requirements of our tenants.</p> <p>It is important to recognise the challenges that many tenants face, particularly in light of the significant increase in the cost of living. Rising expenses, especially in heating costs, have led to a reduction in net disposable income for many individuals. This has placed additional pressure on vulnerable tenants, making it essential for us to approach our engagement with empathy and understanding.</p> <p>Prioritising health and safety is integral to our business operations. We are committed to providing a secure and healthy environment for our tenants, and we must uphold these standards rigorously.</p>	<p>The role of the Property Advisor is crucial in ensuring the smooth operation of our business activities, particularly in partnership with Core Immobilien ('Core'), who are responsible for tenant management. The Property Advisor closely monitors Core's activities to ensure that they are effectively interacting with and managing our tenants.</p> <p>One of the ways in which Core engages with our tenants is through the collection of feedback via the Property Tenant Survey. This survey serves as a valuable tool for identifying relevant issues and concerns that our tenants may have. The feedback gathered through this process is then reported to the PSD Board, enabling us to take constructive action where necessary.</p> <p>The Property Advisor has implemented a Vulnerable Tenant Policy to ensure that those who may be more vulnerable can enjoy a safe and comfortable living environment.</p> <p>Clear guidelines and protocols have been established for handling tenant complaints and resolving issues in a fair and timely manner.</p>	<p>For 2023, in addition to incoming tenants, the Property Advisor extended its survey to sitting tenants.</p> <p>The feedback received from these surveys has been invaluable in helping us understand the concerns and priorities of our tenants, and we are committed to taking the necessary steps to address them.</p> <p>Capital expenditure of €9.4 million in 2023 reflects the Company's and the Property Advisor's commitment to enhancing the quality of the Portfolio. These investments may include renovations, upgrades and maintenance projects aimed at improving the overall living and working experience for tenants.</p> <p>The Company has supported its tenants, both residential and commercial, during a period of significant inflation. Where necessary, it has agreed, on a case-by-case basis, the deferral of rental payments.</p>
<p> Shareholders</p> <p>Engaging with our shareholders is a critical aspect of our business strategy and fundamental to our future success. Both the Board and Property Advisor place significant emphasis on maintaining a productive and open dialogue with both our large institutional investors and individual retail shareholders.</p> <p>We recognise the importance of effectively communicating our Company's performance, strategy, and prospects to our shareholders. This communication is essential in building trust, transparency, and ultimately, long-term value for all parties involved.</p> <p>One of the key benefits of shareholder engagement is the opportunity to gather valuable feedback and insights from our shareholders. This feedback can provide us with a better understanding of their perspectives and expectations, which in turn can help us make more informed decisions that are aligned with the interests of our stakeholders.</p>	<p>For our large institutional investors, we understand the need for in-depth discussions regarding our business operations, financial performance and strategic direction. We actively seek to provide them with comprehensive and timely information to support their investment decisions. Through regular meetings, presentations and reports, we aim to ensure that our institutional investors are well informed and confident in their investment in our Company.</p> <p>Equally important to us are our retail shareholders, who often bring diverse perspectives and valuable insights to the table. We are committed to engaging with them through various channels, including Annual General Meetings (AGMs) and digital communication platforms.</p> <p>In addition to regular communication, we also recognise the importance of seeking input from our shareholders on key matters that impact the business. We actively encourage their participation in voting on important resolutions and seek their input on matters such as corporate governance, strategic targets and environmental sustainability.</p>	<p>Maintained shareholder engagement through regular investor updates, meetings and roadshows to ensure transparency and open communication channels.</p> <p>The AGM is a platform to provide updates to investors.</p> <p>We maintain a dedicated section on the Company website to deliver timely and relevant communications to shareholders, ensuring easy access to important information.</p> <p>We provide a responsive Investor Relations Service to address investor queries promptly and efficiently.</p> <p>The Property Advisor has organised tailored investor trips to Berlin, offering firsthand exposure to PSD's asset portfolio, regulatory environment, and industry professionals, facilitating a deeper understanding of the Company's operations and opportunities for direct engagement.</p> <p>In addition to Deutsche Numis, the Company Broker, Edison has been engaged to produce regular, in-depth research on the Company to enable investors to develop an improved understanding of the business.</p>

Stakeholder Engagement continued

Key stakeholder issues	How the Company engages	Highlights
<p> Partners</p> <p>PSD and its Property Advisor prioritise fairness, mutual respect and high standards of ethical conduct to ensure the delivery of responsive and professional services to key stakeholders.</p> <p>The Property Advisor maintains a close working relationship with all business partners and advisors, fostering regular engagement with all parties involved. The performance of each service contract is consistently monitored and reviewed by the PSD Board, demonstrating a commitment to upholding high standards across all partnerships.</p>	<p>The Property Advisor has a close working relationship with all of the Company's business partners and advisors and regularly engages with all parties.</p> <p>The PSD Board monitors the performance of each key service provider.</p> <p>The Property Advisor ensures suppliers meet the Company's standards 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 to align their values with those of the Company.</p> <p>Affirmation letters requesting confirmation of alignment with PSD's key policies and standards signed by key partners of PSD and by the Property Advisor are obtained by the Board.</p>	<p>The Board of Directors convened on 17 April 2024 to conduct a comprehensive review of the performance of the Company's service providers. This evaluation aimed to assess the effectiveness and efficiency of the current service arrangements in place.</p> <p>The Board continues to support the appointment of all service providers. The decision reflects the Board's confidence in the service providers' ability to consistently deliver high-quality services and uphold the Company's standards of excellence.</p>

Key stakeholder issues	How the Company engages	Highlights
<p> People</p> <p>As an organisation, PSD places significant emphasis on the employment practices of our Property Advisor, our principal partner. We recognise the importance of having a diverse range of talents and perspectives within the team, as well as ensuring that employees feel engaged in their roles. We firmly believe that these factors are essential to the long-term success of our business.</p> <p>Understanding the values and motivations of employees is crucial. It is imperative that both the Property Advisor and the Company are aware of what drives our team members, and that we reflect this understanding in the way we operate. By doing so, we can create an environment where employees feel valued, motivated, and empowered to contribute to the success of our business.</p>	<p>The Company and Property Advisor are committed to fostering a workplace culture that promotes inclusion and engagement. This means providing equal opportunities for all, and creating an environment where everyone feels respected and supported. By ensuring that all voices are heard, we can drive innovation, creativity and ultimately, achieve better results for our clients and stakeholders.</p> <p>The Property Advisor prioritises the wellbeing of its employees. By understanding the importance of work-life balance, it strives to provide a supportive and flexible work environment. This includes offering resources and programmes that promote physical and mental health, as well as opportunities for professional development and growth.</p> <p>The Property Advisor adheres to all relevant labour laws and regulations and is committed to providing fair compensation and benefits to its employees. Open communication and transparency are key priorities, ensuring that employees are informed about company policies, decisions, and any changes that may affect them.</p> <p>The Property Advisor provides leading health and welfare benefits including access to medical advice.</p>	<p>During 2023, the Property Advisor ran weekly employee town hall meetings. These meetings serve as a platform for sharing important business updates, as well as reinforcing the organisation's culture and values.</p> <p>By providing regular opportunities for open communication and transparency, the Property Advisor aims to ensure that every employee feels informed and engaged in the Company's mission and direction.</p> <p>Results from the Property Advisor's 2023 employee survey suggest that the employees are treated with respect and are provided with equal opportunities.</p> <p>The Property Advisor has adapted its working-from-home policies. Subject to line manager approval, employees are now entitled to work from home two days per week. The Property Advisor ensures systems are set up to accommodate employees working from home.</p>

Key stakeholder issues

How the Company engages

Highlights



Local communities

Local communities play a crucial role in the success of any company. By engaging in responsible investing, companies can not only ensure their long-term success, but also contribute to the wellbeing of the environment and the communities within which they operate.

Moreover, responsible investing can also help mitigate potential risks for companies operating within local communities. By proactively addressing environmental, social and governance (ESG), companies can reduce the likelihood of negative impacts such as disputes over environmental standards. This not only protects the Company's reputation and financial performance but also safeguards the interests of local stakeholders who may be affected by such events.

Through our Community Policy, we are committed to supporting initiatives that address critical social issues and make a tangible difference in the lives of those who are most vulnerable. By partnering with these charities, we aim to create better futures for individuals and families in need, and we look forward to continuing our support for these important causes.

We believe that by aligning our corporate resources with the needs of the community, we can create meaningful and lasting change. Our goal is to not only provide financial assistance but also to contribute to the development of sustainable solutions that address the root causes of social issues.

Our Company's commitment to corporate responsibility is demonstrated through our 'Better Futures' plan, which outlines our charitable giving and community support initiatives. As part of our Community Policy, we have established partnerships with various organisations to address key social issues in the areas where we operate.

In Berlin, we provide financial support to two impactful charities, The Intercultural Initiative and Laughing Hearts. The Intercultural Initiative is a refuge that offers assistance to women and children affected by domestic violence, providing them with a safe haven and necessary support services. Laughing Hearts focuses on supporting children living in children's homes and social care, aiming to improve their quality of life and provide them with opportunities for a brighter future.

In London, our Property Advisor supports homeless charities SPEAR and SHP. SPEAR receives funding to run an outreach service dedicated to assisting rough sleepers in the Wandsworth area, helping them secure accommodation and addressing their health and social care needs. Funding for SHP supports an employability programme designed to help homeless individuals or those at risk of homelessness find employment and establish a sustainable source of income.


Recognising the importance of supporting families with young children, the Property Advisor provides funding for Home-Start, a community network in the UK that utilises trained volunteers and expert support to assist families in need.

In 2023, the support provided by PSD to the Intercultural Initiative has had a significant impact on the operational capacity of a support apartment, catering to families who are transitioning out of refugee status but still requiring assistance and protection in their journey towards independent living. The financial aid extended by PSD helps ensure that they have a safe and supportive environment to rebuild their lives.

PSD's donation to Laughing Hearts in 2023 has contributed towards various enriching experiences for children. These initiatives have provided the children with opportunities to engage in new experiences, fostering their personal growth and development. Residential items for the charity's facilities have been procured, enhancing the overall quality of support provided. Additionally, the donation has facilitated participation in workshops and camps aimed at English language learning, equipping the children with valuable skills for their future.

The Property Advisor's collaboration with SPEAR in 2023 has resulted in substantial assistance being extended to over 800 homeless individuals in Southwest London. Through various initiatives and support programmes, these individuals have received crucial aid, addressing their immediate needs and working towards sustainable solutions for homelessness in the region. Similarly, the Property Advisor's engagement with SHP during 2023 has led to individuals benefiting from SHP's employability programme.

Stakeholder Engagement continued

Key stakeholder issues	How the Company engages	Highlights
<p> Regulators</p> <p>As a responsible organisation, PSD is dedicated to upholding the highest standards of compliance with regulatory frameworks. We understand the importance of adhering to all relevant laws and regulations, particularly those pertaining to tenants in Berlin, as well as building and other related regulations.</p> <p>Furthermore, PSD recognises that regulatory compliance is an ongoing responsibility, and we are dedicated to staying informed about any changes or updates to relevant laws and regulations. We are committed to continuously monitoring and adjusting our practices as necessary to ensure full compliance with all applicable requirements.</p>	<p>PSD ensures that all activities and operations are conducted in full accordance with the established legal requirements. This includes but is not limited to, tenant laws in Berlin, building codes, and other pertinent regulations. By strictly adhering to these regulations, we aim to create a transparent and trustworthy environment for all stakeholders involved.</p> <p>We are committed to ensuring that all tenant rights are respected and upheld and that any necessary legal procedures are followed in accordance with the law. Our commitment to compliance with tenant laws is a fundamental aspect of our operations, and we strive to maintain the highest standards in this regard.</p> <p>In addition to tenant laws, we understand the importance of ensuring the safety, integrity and quality of our properties, and we therefore adhere to all applicable building codes and regulations. By doing so, we aim to provide a secure and reliable environment for our tenants, while also contributing to the overall wellbeing of the community.</p> <p>In our interactions with local authorities, we adopt a constructive and positive approach. We understand the importance of aligning our activities with the local development plans and regulations. By working closely with the authorities, we strive to ensure that all our planning applications are of high quality and contribute positively to the overall development of the area.</p>	<p>The Company remains fully committed to complying with all relevant property legislation and regulation and acting in line with best practice.</p> <p>Our Property Advisor has dedicated communication lines with the Company's Property Manager, Core Immobilien, to guarantee that all tenants receive timely notification of any modifications to tenancy laws and rental rates. This proactive approach ensures that our operations consistently align with legal requirements and industry best practices.</p> <p>We are proud to be a member of EPRA. By adhering to EPRA's sBPR, we have diligently measured and minimised our environmental footprint and social impacts. For the second consecutive year, our commitment to environmental reporting was recognised with a Gold Award at the 2023 EPRA Sustainability Awards. This serves as a testament to our commitment to industry-leading reporting standards.</p>

Board Decision-making

Board decision-making and stakeholder considerations

Key decision/item	Stakeholder	How stakeholders' views were considered	Actions taken as a result of this engagement	Long-term effects of decision
People	Our Property Advisor employees	<p>As an organisation, PSD places emphasis on the employment practices of our Property Advisor, our principal partner. We recognise the importance of having a diverse range of talents and perspectives within the team, as well as ensuring that employees feel engaged in their roles. We believe that these factors are essential to the long-term success of our business.</p> <p>We are committed to fostering a workplace where every individual feels valued and supported.</p>	<p>During 2023, the Property Advisor ran weekly employee town hall meetings. These meetings serve as a platform for sharing important business updates, as well as reinforcing the organisation's culture and values.</p> <p>The senior members of the Property Advisor actively engage with staff and, where necessary, provides a confidential platform for open and honest feedback, ensuring they are informed about company policies, decisions, and any changes that may affect them.</p> <p>The Property Advisor offers resources and programmes that promote physical and mental health, as well as opportunities for professional development and growth.</p> <p>The Property Advisor also provides leading health and welfare benefits including access to medical advice and promotes work from home practices.</p>	By aligning operations with what drives team members, our Property Advisor can cultivate an environment where employees feel appreciated, motivated, and empowered to make meaningful contributions to the success of our business.
Our tenants	Tenants	<p>We recognise the challenges faced by tenants due to a rise in inflation and a potential reduction in disposable income.</p> <p>The Property Advisor provides regular updates on rent arrears and maintains a vulnerable tenant list.</p> <p>For 2023, in addition to incoming tenants, the Property Advisor extended its tenant survey to sitting tenants.</p> <p>The feedback received from these surveys has helped us understand the concerns and priorities of our tenants.</p>	<p>In some cases, we have offered support to our tenants by offering flexible arrangements for rental payments. This approach allows us to work with tenants on a case-by-case basis, tailoring solutions to their specific needs.</p> <p>We aim to maintain positive and supportive relationships with our tenants, even during challenging times. By working together, we can navigate financial distress and find solutions that benefit everyone involved.</p>	<p>The Board better understands adverse circumstances as they impact tenants.</p> <p>This understanding allows the Company to develop more effective strategies to address issues such as financial hardship and other difficulties that may affect tenants.</p>
Humanitarian crises	All stakeholders	The ongoing conflicts in Ukraine and the Middle East have caused severe hardship and displaced millions from their homes.	The Company made available several furnished apartments on a rent-free basis for Ukrainian refugees. These tenants have transitioned into long-term tenancies.	The Board is aware of the Company's social responsibilities and its obligation to all stakeholders to ensure it acts as a responsible corporate citizen during a period of extreme hardship.

Board Decision-making continued

Key decision/item	Stakeholder	How stakeholders' views were considered	Actions taken as a result of this engagement	Long-term effects of decision
Charitable giving	All stakeholders	Through its Community Investment Policy, the Board is committed to supporting charities where there is a connection with either 'homelessness' or 'families'.	The Company continues to support two Berlin charities, The Intercultural Initiative, a women and children's refuge that helps women and children affected by domestic violence, and Laughing Hearts, which helps children living in children's homes and social care. In the UK our Property Advisor continues to support SPEAR, SHP and Home-Start.	Breaking the cycle of disadvantage by providing support to women and children affected by domestic violence, and broadening children's experiences to give them a more positive outlook for the future.
Environmental reporting	All stakeholders	<p>The Board recognises that the German property sector needs to play a major role in Germany achieving its environmental targets.</p> <p>The Board has listened to the Company's stakeholders and recognises that the nature of the Company's business has environmental and social impacts and that the Company has a responsibility to consider and minimise these impacts where possible.</p>	<p>The Company has strengthened its ESG monitoring and reporting by introducing EPRA's sBPR and capturing our ESG measurements within their framework. In 2023, the Company attained an EPRA Gold Award for its commitment to environmental reporting.</p> <p>The Company has mandated external consultants to begin the process of establishing the carbon footprint of the Portfolio.</p>	<p>Improved monitoring of the Portfolio's environmental impact and future reduction in the Company's environmental footprint.</p> <p>Creating more attractive homes for tenants, that benefit the environment and society as a whole.</p> <p>Reducing the carbon footprint of the Portfolio of buildings owned by the Company.</p>
Shareholder engagement	Shareholders	During 2023, the Board regularly considered feedback from shareholders, the Property Advisor and the Company's corporate broker in relation to the level of shareholder contact and research coverage.	<p>We consistently engage in open communication with our shareholders, to discuss our financial performance and corporate initiatives.</p> <p>We also actively participate in various conferences and industry events to maintain a dialogue with the investment community.</p> <p>Our Investor Relations team regularly schedules ad hoc meetings and calls with both current and potential shareholders to address any inquiries or concerns.</p> <p>To ensure that our Board are well informed, we provide a quarterly investor relations report that highlights significant investor developments and their potential impact on decision-making processes.</p>	Our proactive approach to shareholder engagement underscores our commitment to transparency and accountability.
Corporate strategy and asset management	Shareholders	The Board acknowledges the current undervaluation of its shares in comparison to the published net asset value (NAV) and has taken into consideration the feedback from shareholders regarding potential measures to rectify this situation.	<p>The Board and Property Advisor are taking proactive steps to address the current share price discount to NAV.</p> <p>As outlined in the Report of the Property Advisor, the Company is taking necessary measures to further accelerate condominium sales.</p>	Balanced capital management in the light of the prevailing economic and industry backdrop.

Our Strategy

An active approach to portfolio management

We are committed to enhancing the quality of our property portfolio for the benefit of our tenants and to maximise returns for our investors while managing risks effectively. In order to achieve our strategic goals, it is essential to collaborate closely with all our key stakeholders, including tenants, shareholders, regulators, partners, and local communities.

2023 gross rental income invested in property enhancements

34.0%

Our key stakeholders



Tenants

We aim to create for our tenants modern, well-maintained homes at affordable rents.

Shareholders

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

Partners

We respect and value our partners, treating them fairly, 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 our business.

Local communities

We aim to make a positive contribution to the local environment in which our properties are located, through improving the external facades of the buildings and supporting local charities.

Regulators

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

» Read more page 8

Our Business Model

Underpinning our strategy is a business model that involves our Property Advisor's active management of the portfolio of assets.

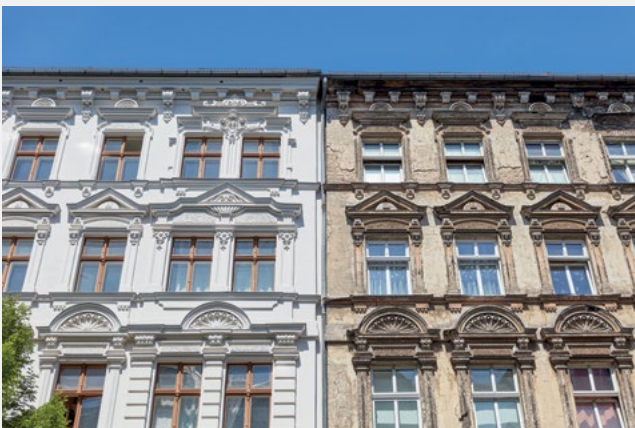
The key stages of this process are: Originate, Invest, Optimise and Monetise.



→ Originate

The Portfolio has been assembled by acquiring apartment buildings which offer the potential for medium-term value creation. For example, properties may be rented at rates well below current market levels, have development capacity, or have the potential to be resold profitably as condominiums.

» Read more on pages 18-24

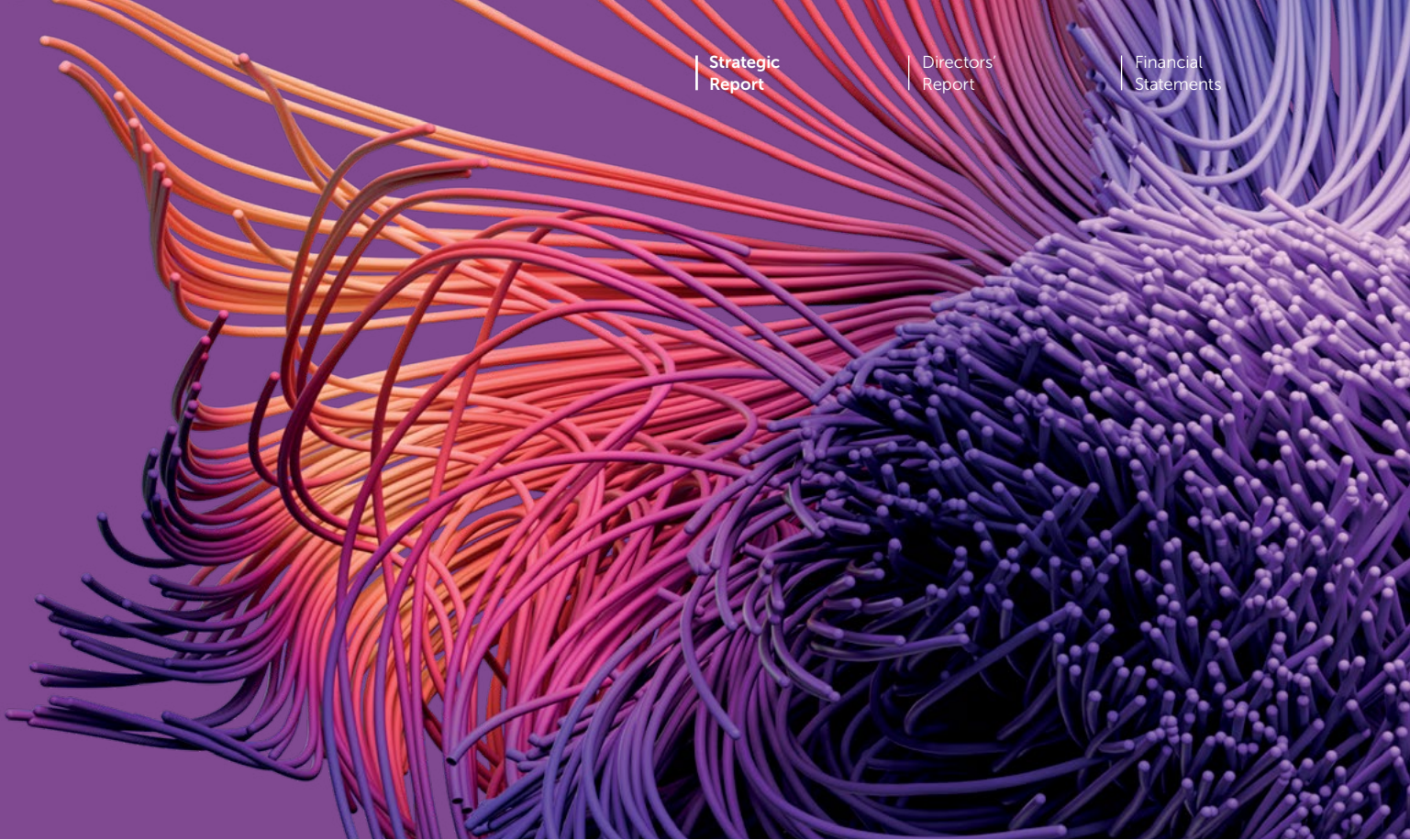


→ Invest

A business plan is formulated for each property which analyses medium-term investment requirements and the potential return on investment. Vacant apartments are considered for modernisation and vacant attic space is reviewed for conversion to residential space. At all times, strive to reduce our environmental impact during the property refurbishment process.

» Read more on pages 18-24

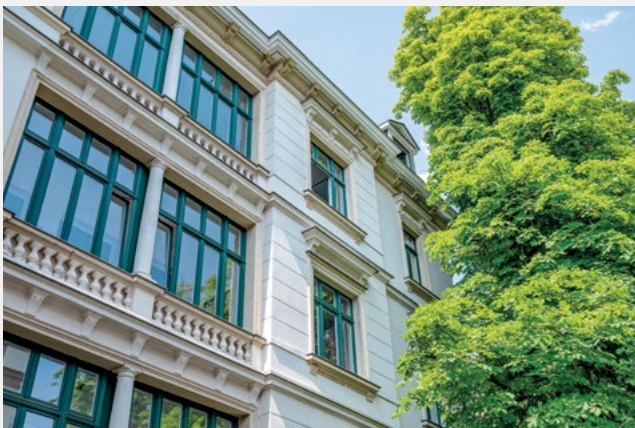




→ Optimise

For properties considered to be core rental buildings, vacant units are re-let after refurbishment at the prevailing market rent. Tenant lists are reviewed carefully and, where appropriate, rent increases are applied for, either where tenants are paying less than the statutory rent level (Mietspiegel), where modernisation has been undertaken (and these costs are allowed to be recouped), or where the lease contains provisions for indexation.

» Read more on pages 18-24



→ Monetise

Through asset sales (both as individual condominiums and multi-unit assets), we aim to reduce debt and, ultimately, return excess capital to investors from disposals. Reflecting the current weakness in the transaction market for single building and portfolio sales, the Company now intends to place a greater emphasis on condominium sales.

» Read more on pages 18-24



Report of the Property Advisor: Strategy

Proportion of Portfolio with condominium
permissions as at 31 December 2023

78%

Value per sqm of condominiums
notarised for sale in 2023

€5,345

Background

Although the Company's PRS business continues to perform strongly, with rental values and growth well supported by the positive trends that continue to exist within the Berlin residential property market, it remains too early to predict when the real estate valuation cycle will reach its inflexion point. Since the beginning of the current downturn in real estate values, the Company's primary focus has been optimising asset sales and debt reduction.

However, conditions across the German real estate market for whole building and portfolio sales have been challenging and are expected to remain so in the near term. This contrasts with the condominium market, where liquidity remains, particularly for vacant units. Given this, the Company now believes that the best way to maximise shareholder returns in the medium term is to focus on exploiting the significant arbitrage that currently exists in the Berlin residential market between the average per sqm value of an apartment as a rental unit and the resale value per sqm of an apartment to a private buyer as a condominium.

German Federal Government legislation enacted in 2022 has placed significant restrictions on the ability of landlords to split their properties into condominiums. This legislation is, however, not retrospective and does not impact assets that have already been split into condominiums. These measures will inevitably increase the scarcity of condominiums available for sale in the future, further exacerbating the supply-demand imbalance which currently exists. With over 1,900 units, representing 78% of its Portfolio, already legally split in the land registry, the Company is well placed to benefit from this trend over the longer term.

Proposed condominium sales expansion

Contingent upon the finalisation of revised financing arrangements, the Company plans to pursue a significant expansion of condominium sales. Although the Company has no debt maturing until September 2026, the current terms of its financing arrangements allow only a relatively small number of buildings from the Portfolio to be marketed as condominiums at any given time. At present, whilst over 78% of the portfolio is legally split into condominiums, only 6% is being marketed for sale. However, it is hoped that a successful conclusion to the Company's revised financing arrangements will permit a significant increase in the number of condominium units that can potentially be made available for sale.

Vacant condominiums, which command a significant premium compared to occupied condominiums and rental units, will be made available for sale through a process of natural churn. Realised sales prices for vacant condominiums in 2023 were €5,345 per sqm, a 48.6% premium to the 2023 average per sqm valuation of the Portfolio as a whole and a 106% premium to the valuation of the Portfolio implied by the current share price. These sales will be supplemented with sales of occupied units to tenants and investors. When the condominium strategy is fully implemented, the Company aims to achieve an annualised sales rate in excess of €50 million.

The Company will continue to review the possible sale of rental properties and portfolios at discounts to carrying value, where the Board believes it is in shareholders' interests to do so, particularly with the aims of i) facilitating the modification of the Company's current financing arrangements so as to increase the number of units which can be offered for sale as condominiums; ii) reducing overall debt levels and enhancing the Company's ability to obtain new longer-term financing on acceptable terms; and iii) providing sufficient capital for targeted investments in existing condominium properties to optimise their values.

Energy-focused capital expenditure to improve values of PRS properties

Investors in residential real estate are increasingly placing a premium on sustainable practices, not only for environmental benefits but also for their potential to generate more stable returns and mitigate future regulatory risks. Reflecting this, PSD is increasingly integrating energy efficiency criteria into its capital expenditure decisions.

PSD's housing stock is primarily comprised of Altbau buildings, notable for their pre-World War II origins, distinctive architectural features and historical importance. These buildings are typically centrally located and carry a valuation premium compared to more generic 'out of town' housing schemes constructed in the latter half of the 20th century. However, older construction methods used for Altbau buildings typically result in higher energy usage and carbon output when compared to new-build properties designed with modern

construction techniques and materials. To mitigate the environmental impact of these historic structures and optimise the value of PRS units within its Portfolio, the Company plans to strategically invest in capital improvements aimed at reducing emissions, enhancing energy efficiency and improving buildings and their surroundings. Environmental capital expenditure is focused, with consideration given to apartment accessibility, potential future regulatory requirements, state support initiatives and potential future returns. Enhancements include:

- **Smart controls and thermostats:** Implementing advanced controls to allow residents to manage heating more effectively, thereby reducing unnecessary energy consumption and emissions.
- **LED lighting:** Switching to LED lighting, which uses less energy than traditional bulbs and lasts longer, lowering both emissions and ongoing maintenance costs.
- **Procurement:** Using products and materials that have a low environmental impact, so long as their technical performance meets the required standards.
- **Insulation upgrades:** Enhancing insulation in walls and floors to improve energy retention.
- **Window replacement:** Installing modern, energy-efficient windows with double or triple glazing to minimise heat loss.
- **Heating system upgrades:** Transitioning to more efficient heating solutions, including boilers, access to renewable energy district heating, plumbing upgrades and more efficient radiators.



Report of the Property Advisor: Financial and Operational Highlights

Financial highlights for the 12 months to 31 December 2023

€ million (unless otherwise stated)	Year to 31 December 2023	Year to 31 December 2022
Gross rental income	27.5	25.9
Investment property fair value loss	(97.3)	(42.2)
Loss before tax	(111.8)	(17.5)
Reported EPS (€)	(1.07)	(0.17)
Investment property value	675.6	775.9
Net debt (Nominal balances) ¹	313.0	303.3
Net LTV (%)	46.3	39.1
IFRS NAV per share (€)	3.43	4.50
IFRS NAV per share (£) ²	2.97	3.99
EPRA NTA per share (€) ³	3.96	5.10
EPRA NTA per share (£) ²	3.43	4.52
Dividend per share in respect of the period (Euro cents)	–	2.35
Dividend per share in respect of the period (Sterling pence)	–	2.09
Euro EPRA NTA per share total return for the period (%)	(22.4)	(8.4)
Sterling EPRA NTA per share total return for the period (%) ²	(24.0)	(3.2)

- 1 Nominal loan balances as per note 22 rather than the loan balances on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance as per IAS 23.
- 2 Calculated at FX rate GBP/EUR 1.153 (2022: GBP/EUR 1:1.128).
- 3 Further EPRA net asset measures can be found in notes 28 and 29.

Financial results

Revenue for the financial year to 31 December 2023 was €27.5 million (2022: €25.9 million). The Company recorded a loss before tax of €111.8 million (2022: loss before tax €17.5 million), reflecting the non-cash impact of a revaluation loss of €97.3 million (2022: revaluation loss of €42.2 million).

Property expenses were marginally up by 1.1% over the year, due primarily to service charge increases and related energy/utility price movements. Administration costs and legal and professional fees increased by 15.4% over the year, with higher legal costs from transactional activity. Reported loss per share for the period was (€1.07) (2022: (€0.17)).

Reported EPRA NTA per share declined by 22.4% in the period to €3.96 (£3.43) (2022: €5.10 (£4.52)). The Euro EPRA NTA total return for the period was (22.4)% (2022: (8.4)%). The Sterling EPRA NTA per share total return was (24.0)% (2022: (3.2)%), reflecting a strengthening of the Pound against the Euro during the financial year.

Table: Portfolio valuation and breakdown

	31 December 2023	31 December 2022
Total sqm ('000)	187.8	188.8
Valuation (€ million)	675.6	775.9
Like-for-like valuation (decline) (%)	(11.9)	(3.1)
Value per sqm (€) ¹	3,598	4,082
Fully occupied gross yield (%)	3.3	3.0
Number of buildings	95	96
Residential units	2,489	2,553
Commercial units	140	135
Total units	2,629	2,688

- 1 Value per sqm provided by Jones Lang LaSalle ('JLL') based on Portfolio valuation excluding assets under construction of €5.3 million in 2022.

Berlin market: transaction volumes and valuations

2023 was characterised by historically high interest rates and a weakening German economy. Buyer sentiment and investment transaction volumes, which have declined by over 70% from their 2021 peak, have remained fragile, and values have fallen as rental yields rise. Against this backdrop, the Company has reported a decline in the valuation of its properties during the financial year.

Like-for-like decline in Portfolio valuation of 11.9%

As at 31 December 2023, the Portfolio was valued at €675.6 million (2022: €775.9 million). This valuation represents an average value per sqm of €3,598 (2022: €4,082) and a gross fully occupied yield of 3.3% (2022: 3.0%). Included within the Portfolio are seven multi-family properties valued as condominiums, with an aggregate value of €35.1 million (2022: six properties; €30.1 million).

On a like-for-like basis, after adjusting for the impact of disposals, the Portfolio valuation declined by 11.9% during the year to 31 December 2023 and by 5.3% during the second half of the financial year. Cumulatively, the like-for-like decline in the valuation of the Portfolio since peak prices in June 2022 has totalled 18%.

With the exception of Donaustrasse, which was sold after the reporting period, all rental assets within the Portfolio experienced valuation declines driven by yield expansion, partially offset by rental growth.

Table: Rental income and vacancy rate

	31 Dec 2023	31 Dec 2022
Total sqm ('000)	187.8	188.8
Annualised net rental income (€ million)	22.3	21.4
Net cold rent per sqm (€)	10.4	10.0
Like-for-like rent per sqm growth (%)	4.1	3.9
Vacancy (%)	5.0	6.2
EPRA vacancy (%)	2.0	2.4

Like-for-like rental income per sqm growth of 4.1%

After considering the impact of acquisitions and disposals, like-for-like rental income per sqm grew 4.1% compared with 2022. Like-for-like total rental income grew 5.6% over the same period, driven by vacancy reduction and the leasing of 39 new rental units which were brought to market for the first time. Net cold rent was €10.4 per sqm as at 31 December 2023, an increase from €10.0 per sqm as at 31 December 2022.

The Company welcomed the release by The Senate Department for Urban Development, Building and Housing of a new transitional Berlin Mietspiegel (rent index) announced on 15 June 2023. This replaces the previous rent index of 2021 and all rents for all qualifying tenants have been adjusted to reflect permissible increases. A new Mietspiegel is scheduled to be released in May 2024 and it is expected that this will provide scope for further permissible rent increases to qualifying tenants, supporting rental growth from the third quarter of 2024 onwards.

The Company has always managed rent-to-income multiples for new tenants conservatively and, notwithstanding current cost of living pressures, rent collection levels have remained stable.

EPRA vacancy remains low

Reported vacancy as at 31 December 2023 was 5.0% (2022: 6.2%). On an EPRA basis, which adjusts for units undergoing development and refurbishment, the vacancy rate was 2.0% (2022: 2.4%). In Berlin, which excludes Brandenburg properties, EPRA vacancy of 1.6% (2022: 2.4%) was at a record low.

Reversionary re-letting premium steady at 31%

Market rents are at record levels, with new lettings across the Portfolio signed at an average premium of 31.3% to passing rents (2022: 31.8%) or €13.7 per sqm (2022: €13.0 per sqm).

The continuing shortage of apartments becoming available for re-letting is expected to result in fewer new lettings in 2024. Therefore, it is expected that in-place rent increases will be a more important driver of overall rental growth going forward.

During the year to 31 December 2023, 255 new leases were signed (2022: 319 new leases), representing a letting rate of approximately 10.1% of occupied units (2022: 12.9%). The year-on-year decline reflects the shortage of available rental property that currently exists in the Berlin rental market, with tenants therefore more reluctant to relocate within the city.

Historically, the reversionary rental premium for the Portfolio overall has been dampened by the inclusion of lettings from the acquisition in Brandenburg in 2020, where rents were lower than those achieved in central Berlin. However, in 2023, both rental values and the reversionary premium in Brandenburg matched those recorded in central Berlin.

Report of the Property Advisor: Financial and Operational Highlights continued

Table: EPRA Net Initial Yield (NIY)

All figures in € million unless otherwise stated	31 Dec 2023	31 Dec 2022
Investment property	675.6	775.9
Reduction for non-controlling interests' share and property under development	(5.5)	(12.3)
Completed property portfolio	670.1	763.6
Estimated purchasers' costs	55.0	63.2
Grossed up completed property portfolio valuation	725.1	826.8
Annualised cash passing collected rental income	22.3	21.4
Property outgoings	(3.8)	(3.6)
Annualised collected net rents	18.6	17.8
EPRA NIY (%)	2.6	2.1

Portfolio investment

Excluding acquisitions, in the year ended 31 December 2023, a total of €9.4 million was invested in the Portfolio (2022: €16.4 million). This investment is recorded as capital expenditure in the financial statements. Additionally, there was a further €1.8 million

(2022: €1.5 million) spent on maintaining the assets, which is expensed through the Profit and Loss account. The decrease in capital expenditure from the previous year is attributed to a decline in renovation and modernisation activity for vacant apartment improvements, reflecting a decline in unit

churn, as well as a lower level of renovation expenditure on the assets in Brandenburg. The Company will continue to carefully consider all elements of discretionary capital expenditure, in line with the Company's strategy to balance investment against the intention to reduce debt levels.

Table: EPRA capital expenditure (€ million)

	31 Dec 2023	31 Dec 2022
Acquisitions	5.6	11.6
Like-for-like portfolio	5.9	7.4
Development	3.0	8.5
Other	0.5	0.5
Total capital expenditure	15.0	28.0

Disposals of rental properties

During the financial year, the Company completed the sale of two properties for €7.3 million. These buildings were acquired in 2008 for €2.3 million and, prior to notarisation, had a carrying value of €7.9 million.

The Company marketed a significant proportion of its Portfolio as single-building sales and portfolios of apartment blocks. However, market conditions were not conducive to achieving sales at prices which the Board believed represented fair value for the assets, with the few transactions that were agreed generally failing to proceed to sales. The beginning of 2024 has shown some signs of buyer sentiment improving, with offers notarised on two buildings with a combined value of €7.4 million.

In December 2023, the Company terminated its forward funding commitment to the Erkner development, a portfolio of development properties in Brandenburg. The Company elected not to continue with the project given the decline in property values that has been observed across Berlin during the past 18 months and more expensive financing conditions.

The Company had made an initial payment of €5.5 million after notarisation in March 2022. The termination of the agreement resulted in a loss on disposal of €4.1 million net of real estate transfer tax and removed the requirement to fund a further €13 million of development payments in 2024. No penalty payments were attached to the cancellation of the project and no further payments will be made by the Company. The negative impact on EPRA NTA resulting from the termination of the Erkner project was 1.1%.

The Company will not seek to undertake further acquisitions and the Portfolio remains under continuous review for potential disposals.

Condominium sales

The second half of 2023 saw a material upturn in condominium sales. This was driven by tentative signs of an improvement in buyer sentiment, an increase in the number of condominiums made available for sale, targeted price adjustments and greater visibility in forward bank lending rates for buyers.

During the year to 31 December 2023, 25 condominium units were notarised for sale for an aggregate value of €7.2 million (2022: €4.7 million). This represents a 53% increase versus the prior year, with notarisations in the second half of the financial year increasing significantly (H1 2023: €2.0 million). Since the year-end, the Company has notarised a further nine condominiums, with an aggregate value of €3.4 million.

The average achieved notarised value per sqm for the residential units in 2023 was €3,976, representing a 7.2% premium to their average carrying value as at 31 December 2022, with vacant units achieving an average sale value of €5,345 per sqm. This premium is lower than has been achieved historically, following price reductions in the second half of the financial year to stimulate demand.

Debt and gearing

The Company has loan facilities with two principal lenders, NATIXIS Pfandbriefbank AG and Berliner Sparkasse, with an average remaining duration of the loan book exceeding 2.8 years and none of the Company's debt reaching maturity until

September 2026. Despite interest rate rises during 2023, the Company's interest rate hedging policy has largely negated the impact on our cash borrowing costs.

As at 31 December 2023, PSD had gross borrowings of €324.0 million (2022: €315.8 million) and cash balances of €11.0 million (2022: €12.5 million), resulting in net debt of €313.0 million (2022: €303.3 million) and a net loan-to-value (LTV) ratio on the Portfolio of 46.3% (2022: 39.1%).

The change in gross debt in the period resulted from an additional drawdown from the NATIXIS facility, which includes borrowings to fund historical capital expenditure and

the acquisition of Donaustrasse. Partly offsetting this drawdown were repayments of debt following the sale of properties and condominiums, alongside amortisation of debt held with Berliner Sparkasse.

The majority of PSD's debt effectively has a fixed interest rate through hedging. As at 31 December 2023, the blended interest rate of PSD's loan book was 2.5% (2022: 2.2%). The increase in the blended rate is a direct result of the movement in 3-month Euribor rates from 1.6% (31 December 2022) to 3.9% applied to the unhedged debt.



Report of the Property Advisor: Financial and Operational Highlights continued

Outlook

The long-term outlook for Berlin residential property remains well underpinned. The current landscape of the residential construction industry across Germany suggests a significant decrease in new construction activity in the coming years which will exacerbate the existing market dynamics. Despite a longstanding shortage of housing, there has been a notable reduction in the initiation of new residential projects, with many existing projects facing postponement or cancellation. The ifo Institute estimate the number of residential construction companies operating in Germany, and building residential units, experiencing the termination of development projects in 2023 to be the highest since records began in 1991. As a result, the ifo Institute projects a decrease in apartments completed in Germany to 175,000 per annum by 2025, versus a Federal Government target of 400,000.

The economics of new construction are being challenged, following a 25% increase in construction costs over the past three years. This contrasts with sales prices for new-build residential, which have risen by an average of only 7% over the same period. These dynamics have resulted in a situation where, in many parts of Germany, tenanted multi-family properties are trading at values which are up to 40% lower than the cost of new construction. To the extent that new build is occurring, it is highly polarised, with a focus on high-end buildings commanding rental values that are out of reach for most tenants, or on social housing initiatives. The larger 'middle-market' in central Berlin continues to be poorly served by new construction activity.

Absent a significant shift in German government policy to incentivise new build for the mid-market PRS sector, the supply-demand imbalance which currently exists will only grow wider. In a constrained Berlin rental market, characterised by positive net inward migration and vacancy which is currently near record lows, investors can be confident of the enduring stability of their rental income.

By contrast, a combination of 'higher-for-longer' interest rates and a weakening German economy have presented significant headwinds for real estate values and transaction volumes. The Covid pandemic and the war in Ukraine heralded the onset of monetary tightening across the globe and prime residential yields have risen, from a starting point of below 2.0% in 2021, to 3.7% currently. Rental yields during the era of low interest rates had fallen to a lower level in Germany than in most European countries, and the adjustment in pricing as interest rates have risen has consequently been more pronounced. Notwithstanding the health of the rental market, growth in rental income has been insufficient to offset a broad-based decline in asset values.

Whilst consensus expert opinion now predicts that monetary tightening has come to an end, soon to be replaced by interest rate cuts, current transaction volumes and observed transaction values across the residential market have yet to recover. Real estate owners generally remain 'net sellers' of assets as they seek to deleverage following asset value declines and refinance at rates which are likely to remain at more elevated levels than before the onset of the current real estate downturn. At the same time, uncertainty about the extent and duration of the interest rate cycle and associated correction in property values continues to weigh on capital deployment decisions for most potential institutional buyers.

The disequilibrium between investor sentiment on the one hand, and the robust health of the rental market on the other, will inevitably come to an end at some point. However, whilst declining interest and risk-free rates will be helpful, the precise timing of this remains difficult to predict.

The Company has not been immune from these trends and it is against this backdrop that the Company intends to pivot its strategy towards enhanced condominium sales. Whilst the institutional buyer market for apartment blocks and portfolios of apartments could remain challenging for the foreseeable future, there currently exists a liquid market for vacant single apartments sold to private buyers. Moreover, given that legislation passed in 2021 has made any future splitting of buildings in Berlin into condominiums extremely difficult, it is expected that future supply shortages will increase.

With over 78% of its portfolio already split as condominiums the Company is in a strong position to accelerate condominium sales. In so doing, it is hoped the value within the Portfolio which the Property Advisor and Board strongly believe exists can be clearly demonstrated. During 2023, the average achieved sales value of a vacant condominium was €5,345 per sqm. At 150 Sterling pence per PSD share, equity markets currently value the Portfolio at €2,600 per sqm. Whilst the number of units that have historically been made available for sale has been constrained, the Company is, subject to the successful conclusion of current debt renegotiations, targeting condominium sales in excess of €50 million per annum in 2025. By demonstrating the condominium potential within the Portfolio through accelerating condominium sales, it is hoped that the discount to NAV currently ascribed by the equity market can be addressed.

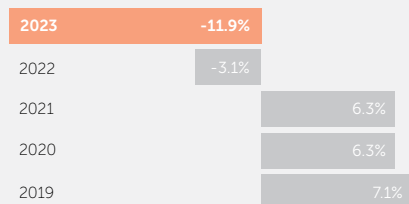
Key Performance Indicators

The Company has chosen Key Performance Indicators (KPIs), which the Board believes will help investors understand the performance of the Company and the underlying portfolio:

- The value of the Portfolio declined by 11.9% on a like-for-like basis during the year to 31 December 2023 (2022: 3.1% decrease).
- The EPRA vacancy of the Portfolio stood at 2.0% (2022: 2.4%).
- The Group continued with its targeted condominium programme, notarising sales of €7.2 million in the year to 31 December 2023 (2022: €4.7 million).
- EPRA NTA per share decreased by 22.4% to €3.96 as at 31 December 2023 (2022: €5.10).
- In line with the Company's strategy of conserving cash, no dividend was paid in relation to the financial year ended 31 December 2023. (Financial year 2022: 2.35 Euro cents per share (2.09 Sterling pence per share)).
- Like-for-like Portfolio rent per sqm increased by 4.1% as at 31 December 2023 (2022: 3.9%).

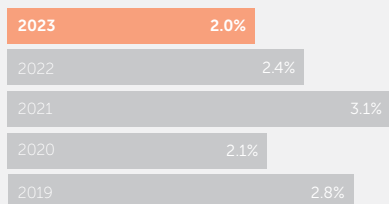
Like-for-Like Portfolio valuation decline

-11.9%



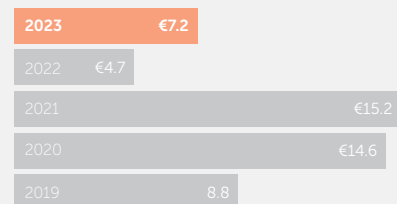
EPRA vacancy

2.0%



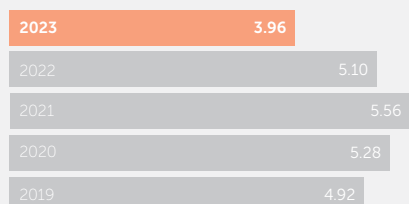
Condominium notarisations (million)

€7.2



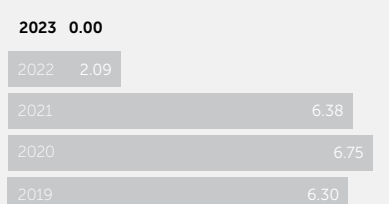
EPRA NTA per share

€3.96



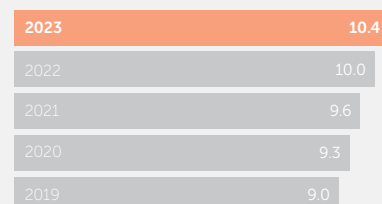
Dividend per share

0.00p



Like-for-like portfolio rent per sqm

€10.4



Corporate Responsibility

Committed to acting responsibly

We understand that our actions have environmental and social impacts, and we are committed to operating with integrity and transparency to benefit all our stakeholders.

To formalise our commitment, we have integrated corporate responsibility into our Company Values, business model, and 'Better Futures' CR Plan. This ensures that corporate responsibility is a core part of how we do business.

One of the ways we have demonstrated our commitment to corporate responsibility is by joining EPRA. This has enabled us to report more transparently on our ESG performance. We have adopted EPRA's sBPR and have included our ESG measurements within that framework.

In 2023, we were proud to receive a Gold Award for our EPRA sBPR Report, in recognition of our commitment to best practice in reporting, demonstrating our ongoing dedication to transparency and accountability in our corporate responsibility efforts.

In line with our commitment to transparency, we regularly communicate our progress on these initiatives to our stakeholders through various channels such as annual reports and sustainability reports. We understand that open and honest communication is essential in building trust and demonstrating our dedication to corporate responsibility.

Looking ahead, we are continuously seeking new opportunities to further integrate corporate responsibility into all aspects of our business. This includes exploring innovative technologies, engaging with industry peers and experts, and staying abreast of evolving best practices in the field of corporate responsibility.

Our Company Values

Our Company Values shape the way we conduct ourselves, interact with others and approach challenges, ensuring that we always strive to do the right thing.

We believe that it is crucial to not only uphold these values within our organisation but also to share them with our key business partners. Many of these partners are integral to the day-to-day operations of PSD, and their values and behaviours must align with ours.

Transparency, integrity and respect are at the core of our Company Values. We are committed to conducting our business openly and honestly, holding ourselves accountable for our actions, and treating others with fairness and dignity.

In addition to ethical conduct, sustainability is a fundamental component of our Company Values. We strive to be good stewards of the environment and contribute to a more sustainable future for generations to come.

Our Company Values

Responsible

We hold ourselves to the highest ethical standards and expect the same from all our partners and their employees. Whether we are interacting with our tenants, suppliers or investors, we conduct ourselves with integrity and transparency. We understand the impact our actions can have, and we take that responsibility seriously. By acting responsibly, we build trust and credibility, which are essential for long-term success.



Fair

Fairness guides our relationships with all our stakeholders. We recognise that each stakeholder has unique needs and concerns, and we strive to balance those interests to the best of our ability. We are committed to providing fair treatment to our employees, partners, investors and tenants. We also understand the importance of investing responsibly and addressing environmental and social impacts. By doing so, we not only create a more sustainable business but also contribute to the wellbeing of our communities.



Excellence

We strive to deliver outstanding results in all aspects of our business. This commitment to excellence extends to our choice of business partners, as we seek out individuals and organisations with strong industry experience and a record of success. We also take a rigorous approach to managing our business and executing our strategy, always seeking opportunities for improvement.



Respectful

We value our partners and their employees as integral parts of our business success. We understand that they are the face of our Company to our tenants and investors, and we treat them with respect.



Better Futures

Our 'Better Futures' CR Plan outlines specific initiatives and targets to minimise our environmental footprint, enhance social impact and promote good governance. This includes commitments to reduce energy consumption, minimise waste generation, support community initiatives and maintain high ethical standards in all aspects of our operations.

Environmental (E)



Our commitment to environmental protection

We recognise the significance of reducing our environmental impact and are committed to implementing measures that contribute to a greener and more sustainable future. Through the incorporation of renewable energy sources, improvements in energy efficiency, and the promotion of responsible utility use, we are dedicated to making a positive difference for our planet.

Improving energy performance of buildings

We are focused on enhancing the energy performance of buildings within our Portfolio. We are working towards optimising energy usage and minimising waste by prioritising energy efficiency in our properties.

Encouraging responsible utility use

While we are committed to implementing sustainable initiatives at the organisational level, we also recognise the importance of engaging our tenants in environmental protection. Through educational campaigns, incentive programmes and the provision of resources for sustainable practices, we actively encourage our tenants to minimise their utility use and adopt environmentally friendly habits.

Measuring our progress

As part of our commitment to environmental protection, we understand the importance of accountability and transparency. We have established monitoring and reporting mechanisms to track our environmental performance, assess the effectiveness of our sustainability initiatives and identify areas for further improvement. By regularly evaluating our progress and engaging with stakeholders, we strive to continuously enhance our environmental stewardship and ensure that our efforts yield tangible results.

Social (S)



Respecting people

Our partners and their employees are the face of our Company with tenants and investors. Our key partner, QSix, shares our commitment to excellence and prioritises the recruitment, development and retention of skilled individuals.

Valuing our customers

For our tenants, we understand the importance of having a place to call home, and we strive to ensure that our properties meet their expectations. From well-maintained living spaces to responsive property management, we aim to create a positive and comfortable living environment for all our tenants. We also recognise the significance of providing a highly professional service for our investors. We are committed to delivering transparent and efficient investment information.

Investing in our communities

Quality housing is a fundamental need for individuals and families. By investing in improvements to our portfolio of buildings, we are directly impacting the wellbeing of its residents. Access to safe and affordable housing not only provides stability for families but also fosters a sense of pride and belonging within the community.

Supporting our charities

We are committed to supporting charitable organisations that address critical social issues and make a tangible difference to the lives of the most vulnerable. By partnering with these charities, we aim to create better futures for individuals and families in need.

Governance (G)



Board composition and independence

We are committed to maintaining an independent Board that upholds the highest standards of governance. Our Company has a diverse Board that can provide a range of perspectives and expertise to guide the organisation.

Monitoring of policies and structures

Policies and structures are continually monitored to maximise accountability and transparency, identify areas for improvement and ensure that we are operating in line with best practices and ethical standards.

Measuring and reporting

We understand the importance of providing timely and accurate information, and we are committed to reporting both our successes and areas for improvement. We have established clear metrics to track our progress and hold ourselves accountable for achieving goals. Our metrics are chosen to align with our strategic objectives and provide meaningful insights into our performance.

Listening to our stakeholders

We engage with our stakeholders, including employees, tenants, investors and the wider community, so that we can make more informed decisions that reflect the needs and expectations of those we serve.

Environmental



Protecting our environment

Environmental responsibilities

As the global community continues to grapple with the challenges of climate change, it has become increasingly evident that businesses, including those in the property sector, have a crucial role to play in mitigating environmental impact. We are committed to understanding and addressing our carbon footprint, while encouraging our tenants to embrace sustainable practices. We aim to contribute to Germany's target of achieving climate neutrality by 2045, five years ahead of the EU target.

To this end, we have established an Environment Policy that provides clear guidance for our team and key suppliers,

including our Property Advisor, on operating in a manner that reduces our environmental footprint and we are committed to measuring our impact on the environment and ensuring transparent reporting of our findings.

In 2023, we continued to enhance our measurement and reporting processes for our Portfolio, aligning with EPRA's sBPR framework. This framework enables us to comprehensively assess and communicate our ESG performance. For detailed insights into our ESG performance, we encourage you to explore our EPRA sBPR Reports published in 2021, 2022 and 2023.

In addition, we engage with expert third-party providers who deliver regulatory-focused reports. These reports enable us to stay abreast of current and potential future developments in the ESG regulatory framework at the European, German and Berlin levels and help ensure that the Company is well positioned to navigate the evolving landscape of environmental regulations and requirements.

We are committed to continuously improving our practices and approaches. We aim not only to meet regulatory requirements but also to make a meaningful and positive contribution to the environment and society.

Environmental measures

Measure	What we do
Refurbishment	We prioritise the refurbishment of existing housing stock to improve sustainability. By working with contractors to minimise waste and reuse materials during the refurbishment process, we extend the life of buildings and ensure a positive environmental contribution.
Procurement	We adhere to a Sustainable Procurement Policy, aiming to use products and materials with low environmental impact, provided they meet required standards and are economically viable for refurbished properties.
Utility usage	While we do not have direct control over tenants' utility usage, we encourage them to reduce consumption by providing helpful hints and advice. We also strive to ensure a greater proportion of electricity supplied to our buildings comes from renewable sources.
Waste management	We educate tenants on proper waste recycling and work with waste providers on disposal routes to better manage tenants' waste. Many of our properties have been recognised with recycling awards.
Measurement	We continue to strengthen our ESG monitoring and reporting. While we may not have direct control over utility usage in our properties, we have increased the percentage of our portfolio that is measurable from 25% in 2020 to over 90% currently. We also adhere to EPRA's sBPR framework for ESG reporting.
Business partners	We encourage our business partners to minimise their environmental impact. Our Property Advisor has implemented energy-saving products in their offices and appointed Environment Champions to promote reduced utility usage, improved recycling, and reduced paper consumption among employees.

Corporate Responsibility continued

Social



Respecting people

The Company places significant emphasis on investing in the development of its Board. Each member of the Board is required to undertake professional training throughout the year. This training is often facilitated by external third-party entities with relevant expertise, the Property Advisor or other service providers. Furthermore, an annual appraisal is conducted for each Board member.

QSix plays a crucial role in our operations as our Property Advisor. With an experienced team of property professionals who possess extensive knowledge of the German residential property market, QSix is generally the face of PSD. Given the significance of this partnership, the company values upheld by QSix must be aligned with those of PSD. Furthermore, the treatment of QSix employees must be consistent with the principles outlined in our People Policy.

In line with our People Policy, QSix believes that every individual within the workforce should be treated with dignity, fairness and consideration. QSix recognises the value of investing in their employees' professional development and wellbeing.

“I joined QSix in October 2021 as Head of Compliance, having previously spent five years at a specialist financial services regulatory consultancy. I am working to achieve the Diploma in Investment Compliance and recently passed the second unit of the Diploma award, ‘Combating Financial Crime’. QSix funded the exam unit and allowed me time off work to revise. Financial institutions face increasing regulatory scrutiny and reputational risks related to financial crime, and the knowledge I’ve gained helps me to enhance and safeguard QSix’s risk management framework.”

Camilla Riddell
Head of Compliance

Creating the right working environment

Work environment	Work-life balance	Home working	People policies
Access to training programmes	Commitment to health and wellbeing	Hybrid model	Anti-Slavery and Human Trafficking Policy
On-the-job support and coaching	Leading health and welfare benefits	Employee engagement through surveys	Sharing with key business partners
Annual Development Reviews	Access to medical and legal advice	Balancing productivity and employees' needs	Verification of compliance with the above policy



Social



Our customers

We are committed to providing good-quality, affordable homes with a reliable, friendly rental service. We understand that our tenants are at the heart of our business activity, and their satisfaction and wellbeing are important to us.

In 2023, we have made further improvements in our buildings for the benefit of our tenants. This includes renovating common areas such as staircases and elevators to enhance the overall living experience. Additionally, we have been proactive in providing amenities such as bike storage and playgrounds where possible.

We also strive to create a sense of community within our properties, fostering an environment where tenants feel welcomed and supported.

Our tenants

We understand the importance of high standards of customer service and have entrusted the day-to-day management of our properties to Core Immobilien, a reputable management agent known for their expertise in tenant engagement. Through their interactions with our tenants, Core ensures that any concerns or issues are addressed promptly and efficiently.

In addition to direct engagement, we also value the feedback of our tenants through regular surveys. These surveys provide us with invaluable insights into the needs and preferences of our tenants. Accordingly, we can tailor our services to deliver a high standard of responsible service that meets their expectations.

Health and safety

We prioritise the health and safety of our tenants. Through regular inspections and renovation efforts, we seek to provide a secure environment and mitigate any potential hazards. We are pleased to report that in 2023, there have been no major health and safety incidents across our Portfolio.

Vulnerable tenants

Our commitment to protecting vulnerable tenants is reflected in our Vulnerable Tenant Policy. We understand that certain individuals may require additional support and protection, and our procedures are designed to ensure that these tenants receive the care and attention they need. By adhering to this policy, we aim to create a safe and secure environment for all tenants, regardless of their circumstances.

Our shareholders

We are committed to upholding robust corporate governance and ensuring regular, transparent communication on business developments. This includes providing a dedicated investor resource to promptly address any investor inquiries and facilitate visits to our Berlin location, affording investors the opportunity to personally assess the Portfolio, engage with our Berlin team, and exchange insights on industry trends with external experts.

Our business partners

We value our business partners as integral contributors to our business. Collaborating with the right partners is essential in delivering exceptional results for our tenants and investors. We hold our partners to the same high standards of responsibility and fairness that we uphold, as detailed in our Suppliers Code of Conduct. Our partners must align with our key policies and Company Values, which are shared with them on an annual basis. We request their affirmation that they are conducting their operations in accordance with these principles. This mutual commitment to excellence and integrity forms the foundation of our strong and productive partnerships.



Corporate Responsibility continued

Social



Investing in our communities

We recognise that the look and feel of a neighbourhood influences how individuals perceive their homes and the community at large and, in 2023, we allocated €9.4 million towards building improvement programmes across our Portfolio.

Our commitment to being a responsible corporate citizen extends to our charitable endeavours. We have a strategic approach to our charitable giving, guided by our Community Investment Policy, with a focus on supporting charities related to 'homelessness' or 'families'. By aligning our philanthropic efforts with these areas, we aim to make a meaningful and lasting difference in the lives of those in need within our communities.

“It’s heartwarming to know that our children are being given the opportunity to experience cultural, sporting, and art activities that they may not have had access to otherwise. Laughing Hearts is truly fostering a brighter future for our children. Keep up the amazing work!”

A message of appreciation from the families of children supported by laughing hearts.

Our charitable initiatives

The Intercultural Initiative

In 2023, PSD continued its support for a women’s refuge dedicated to assisting individuals affected by domestic violence. PSD’s ongoing commitment to supporting the refuge has helped to ensure that these individuals receive the necessary emergency shelter, advice and counselling, empowering them to overcome the challenges posed by domestic violence and move towards a brighter future.

Laughing Hearts

PSD has continued its support for the Laughing Hearts charity, which is dedicated to enhancing the lives of children in children’s homes and social care. The charity offers these children access to cultural, sporting and art activities, as well as social events that they would not typically have the opportunity to participate in. By doing so, the aim is to disrupt the cycle of disadvantage and broaden the children’s horizons, ultimately fostering a more positive outlook for their future.

Single Homeless Project (SHP)

QSix, our key partner and Property Advisor, continued to support SHP for a fourth year. Their funding with SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income that enables them to afford housing. In 2023, their Achieving Potential employability programme was funded by QSix.

QSix also donated towards the Big Give Christmas match funding campaign which helped to support people with micro-grants for emergency funding to help them pay for things such as energy bills, food, identification, mobile phones, or qualifications to progress with their career goals. QSix also funded recovery sessions as part of the Opportunities Programme, which include therapy, art, sports, gardening and music.

Funds donated by QSix were also used for ‘move-on packs’ for people who are about to move back into their own accommodation. This helps to give them basic furnishings for their home such as a kettle, towels and bedding, to live independently.

SPEAR

QSix provides funding to SPEAR to run an outreach service, helping rough sleepers in Southwest London to secure accommodation and to support them in addressing vital health and social care needs. In the 2022/23 year, this helped 845 people experiencing homelessness to access SPEAR’s services.

Home-Start

For the second consecutive year, QSix has extended its support to Home-Start. Home-Start is known for its unique volunteer-led home visiting support, which is aimed at assisting families in various communities across the UK. The organisation’s primary goal is to ensure that no parent or family feels isolated in the challenging responsibility of raising children. Home-Start strongly believes that ‘childhood can’t wait’, emphasising the urgency of providing necessary support to families. Through its dedicated volunteers, Home-Start strives to stand alongside families, offering them the support they need to navigate the complexities of parenthood.

Governance



Governing responsibly

The Board aims to foster a corporate governance culture that upholds integrity, accountability and transparency throughout the organisation.

In line with our 'Better Futures' CR Plan, we have established comprehensive policies for each of its pillars, along with a robust measurement framework to track our progress. To ensure effective oversight, we have implemented a structured framework that monitors the successful execution of our CR Plan.

We work closely with QSIX to ensure their relevant policies are aligned with our own values and policies. We require QSIX to periodically validate their adherence to these policies and, in instances where they outsource key functions, they are mandated to ensure that their business partners also comply with these policies.

QSIX has established an ESG Task Force to oversee the implementation of our plan throughout the business. This Task Force provides regular progress reports on the CR Plan to PSD's ESG Committee, which in turn reports directly to the Board.



Principal Risks and Uncertainties

The Board recognises the importance of effective risk evaluation and management. The Board acknowledges that the Company currently faces increased risks, including challenging macroeconomic conditions characterised by high interest rates, adversely affecting property values and yields and resulting in weak investor demand for property compared to other types of investment.

In conjunction with the Property Advisor, key risks and risk mitigation measures are reviewed regularly and discussed formally during Board meetings.

Risk	Impact	Mitigation	Movement
Economic and geopolitical risk	<p>The global economic and political environment remains uncertain.</p> <p>The German economy remains weak. After contracting in 2023, current forecasts predict only modest GDP growth for 2024.</p> <p>Increased tensions in the Middle East have significant implications for investment risk. Heightened geopolitical instability in the region can lead to market volatility, increased oil prices, and potential disruptions to global supply chains.</p> <p>The ongoing war in Ukraine has negatively impacted gas, energy and raw material supplies to Germany and the rest of Europe. This could again lead to a sustained period of cost inflation for the Company and its tenants.</p> <p>Rising inflation has directly impacted the cost of building materials and the construction workforce, which could again negatively impact the Company's renovation and modernisation projects.</p>	<p>Although the Board and Property Advisor cannot control external macroeconomic risks, economic indicators are constantly monitored by both the Board and Property Advisor and Company strategy is tailored accordingly.</p> <p>The Company monitors costs and cash balances closely at all times and plans budgets for capital expenditure that take into consideration the potential for cost inflation. The Company has suspended dividend payments to preserve cash.</p> <p>The Board receives regular performance and market trend reports from Property Advisor.</p>	Increased
Financing and interest rate risk	<p>The Company relies on borrowing to finance the portfolio of properties. Changes in interest rates can therefore affect financing costs and profitability.</p> <p>Difficult market conditions, falling property prices and higher interest rates can reduce the availability of financing, increase financing costs and cause higher than planned leverage. These issues could affect the Company's ability to obtain new/extended financing on acceptable terms when its current loan facilities mature in September 2026.</p> <p>Covenant testing on the Company's loan facilities could be negatively impacted if asset valuations decline further. This could potentially trigger requirements for additional security, repayment of facilities or higher borrowing costs.</p> <p>Inadequate management of financing risks could lead to insufficient funds for sustaining business operations and timely repayment of existing debt facilities.</p> <p>Current financing arrangements limit the number of buildings within the Portfolio that can be designated as condominium sales at any given time.</p>	<p>The Company seeks to manage its LTV ratio through the property cycle to ensure that, in the event of a significant decline in property values, its financial position remains robust.</p> <p>Interest rate risk is managed through the use of derivative instruments with matching maturity or fixed-rate debt. At least 80% of drawn loan facilities are hedged.</p> <p>The Company continues to model expected revenues, property values and covenant levels, and these are reported to the Board as part of its annual viability assessment.</p> <p>The Company took on new covenants when signing its facility with NATIXIS in January 2022: Interest coverage ratio (ICR), debt yield and LTV covenants. Only the debt yield and ICR covenants are 'hard' covenants, resulting in an event of default in case of breach. The LTV covenant is a 'cash trap' covenant (the requirement to hold all related rental income in NATIXIS accounts until sufficient debt is repaid to return within the covenant level), with no event of default. The Company carried out extensive sensitivity analysis before signing this facility and, even in the most stressed rent scenarios, no covenants were breached.</p> <p>If rent levels or property values were to fall to a point where the covenants were in danger of being breached, the Company would use its surplus cash and seek to make further property sales to pay down debt balances.</p> <p>The Company is in regular contact with its financing partners and regularly reviews its financing covenants. They are subject to biennial valuations, the next of which is due in 2024.</p> <p>The Company is seeking to renegotiate financing terms with NATIXIS which would significantly increase the number of buildings within the Portfolio that can be designated for condominium sales.</p> <p>Disposal activity within the Portfolio is closely monitored in the light of underlying property market conditions to ensure that the Company's LTV ratio and debt refinancing schedules remain appropriate.</p> <p>In light of weak current market conditions, the Company has suspended dividend payments to preserve cash and will prioritise the reduction of debt from the proceeds of any property disposals, to facilitate renegotiation of its financing arrangements which mature in September 2026.</p>	Increased

Risk	Impact	Mitigation	Movement
Valuation risk	<p>Macroeconomic uncertainty and higher interest rates pose a risk to the Company's asset valuations.</p> <p>The Company's Portfolio valuation is subject to valuation movements as a result of changes in yields and market conditions. If property yields increase and valuations fall as a result of macroeconomic uncertainty, or rising interest rates, this could have a negative impact.</p> <p>The viability of investment projects can be hampered if capital values and achievable sale prices fall. This could lead to delays, budget overruns or project cancellations.</p> <p>A material and/or unplanned decline in the value of the Portfolio could impact the Company's ability to refinance on acceptable terms or breach financial covenants (see Financing and interest rate risk).</p>	<p>The Company monitors the macroeconomic environment and market conditions closely to identify potential risks at an early stage and take mitigating actions where feasible.</p> <p>The Company maintains a diversified portfolio of assets across different Berlin locations and tenants to reduce over-reliance on any single part of the Portfolio.</p> <p>Modernisation and renovation projects for individual units are typically short in duration, giving good visibility on expected costs, rents and values at completion. Timeframes are continually assessed to optimise timing.</p> <p>The Company seeks to maintain appropriate levels of financial flexibility through available cash, committed credit facilities and access to debt markets.</p>	Increased
Inability to sell properties including condominiums	<p>During the 2023 financial year, there has been a significant deterioration in investor and consumer confidence in reaction to inflationary pressures and consequential interest rate rises.</p> <p>A higher cost of financing has seen investor appetite for German residential assets weaken, particularly for single building and portfolio sales. In parallel with this, a number of larger market participants are now net sellers of assets as they seek to reduce leverage. As pricing expectations between buyers and sellers have differed, transaction volumes have dropped.</p> <p>Higher mortgage rates combined with economic and geopolitical uncertainty can hurt buyer sentiment for condominiums.</p> <p>Asset disposals at a discount to book value may undermine confidence in the published EPRA NTA.</p>	<p>The Company continually monitors the Portfolio to ascertain the potential for disposals of buildings.</p> <p>The Company regularly reviews whether any current or future changes in the property market outlook present risks which should be reflected in the execution of its asset management and capital position.</p> <p>The Company is in regular contact with its independent valuers who provide regular assessments of the property market outlook.</p> <p>The Property Advisor maintains a strong network of Berlin residential investors and actively monitors valuation and liquidity trends in the Berlin residential market.</p> <p>The Company has been actively marketing single buildings, portfolios of buildings and condominiums across a wide variety of platforms.</p> <p>The Company can flex asking prices, in order to stimulate demand in instances when it considers it is in the best interests of shareholders to do so.</p> <p>The Company is in discussions with its principal lenders to amend its financing arrangements to enable it to sell condominiums in a significantly larger number of buildings than is currently permissible.</p>	Increased
Share price discount to NAV	<p>During 2023, the Company's share price has traded consistently at a significant discount to EPRA NAV.</p> <p>Lack of liquidity or low market capitalisation may make the Company less attractive to institutional investors and cause the shares to be excluded from relevant market indices.</p> <p>In March 2024, the Company was excluded from the FTSE EPRA index, leading to several investors having to sell shares, with a consequent adverse impact on the share price.</p>	<p>The Company receives regular advice from its Property Advisor, corporate broker and financial public relations company, with a view to securing new investor demand for PSD shares. Additionally, the shareholder register is regularly reviewed to identify investor underweight holdings and/or sellers of the shares. The Property Advisor makes every effort to reach out to these investors to ensure that they are fully informed when making investment decisions.</p> <p>The Company has a dedicated Investor Relations resource that is available to discuss share price movements, industry developments and the performance of the Company.</p> <p>The Company has mandated Edison Research to provide additional coverage of the Company.</p>	Increased

Principal Risks and Uncertainties continued

Risk	Impact	Mitigation	Movement
Legal and regulatory risk	<p>Changes in legislation or regulation affecting property rights, rental laws, zoning, environmental regulations, and taxation can have implications for the ability of the Company to successfully implement its strategy. Regulatory risks can additionally impact operational costs and the costs of legal compliance.</p> <p>The Federal Government introduced laws which allow States to block the splitting of apartment blocks into condominiums. The Berlin Government has adopted these proposals.</p> <p>Further tightening of the Mietpreisbremse laws, which limit the amount that landlords can increase rent in apartments in certain zoned areas, could negatively impact the Company's reversionary re-letting strategy.</p>	<p>The Company reviews and monitors emerging policy and legislation to ensure that appropriate steps are taken to ensure compliance.</p> <p>The Company engages with external advisors to advise on potential policy and regulatory implications of political events.</p> <p>Blocking the ability of landlords to split assets at the land registry is likely to be a net positive for the Company since the supply of condominiums will be materially reduced, increasing the value of the existing stock. With 78% of the Company's Portfolio already split in the land registry as condominiums, the Company is likely to benefit from this.</p>	Unchanged
Tenant and tenancy law risk	<p>Property laws remain under constant review by both the Federal Government and the coalition government in Berlin.</p> <p>During the 2023 financial year, there has been increasing use of online platforms by tenants to ascertain if rents prescribed by landlords are compliant with all tenancy laws and regulations. If the Company is shown to be non-compliant, this could lead to litigation.</p> <p>A significant increase in the cost of living has reduced net disposable income and placed more pressure on vulnerable tenants, which could lead to defaults on rents. This, in turn, could place financial pressure on the Company.</p>	<p>The Company has historically been able to adapt its business model to accommodate new rent regulations.</p> <p>The Property Advisor regularly monitors the impact that existing and proposed laws or regulations could have on future rental values.</p> <p>The Property Advisor maintains regular contact with a broad network of professional advisors and industry participants to ensure that it is kept up to date on property tenancy laws and regulations, both current and future.</p> <p>The Property Advisor is in constant dialogue with the Company's Property Manager (Core Immobilien) to ensure that tenants are notified on a timely basis of any changes to tenancy laws and rental levels.</p> <p>The Company, through its Property Advisor and Property Manager, maintains close contact with tenants. The creditworthiness of new tenants is closely monitored and strict income-to-rent criteria for incoming tenants are maintained.</p> <p>The Company has in place a Vulnerable Tenant Policy which maintains a vulnerable tenant list which is reviewed by the Board. In instances of hardship, the Company seeks to support its tenants, both residential and commercial.</p>	Unchanged
IT and cyber security risk	<p>As cyber-crime remains prevalent, this is considered a significant risk by the Company. A breach could lead to the illegal access of commercially sensitive information and the potential to impact investor, supplier and tenant confidentiality and disrupt the business of the Company.</p> <p>The Russian and Chinese states have been linked to cyber-attacks on government and international infrastructure and the risk of an increase in these attacks is highly likely now that Russia is subject to international sanctions due to its invasion of Ukraine.</p>	<p>IT systems and infrastructure relied on by the Company are subject to review. Service providers are required to report to the Board on request, and at least annually, on their IT controls and procedures.</p> <p>A detailed review has been undertaken of the cyber security of the Company and its outsourced processes. As part of this review, the Company has required all its key service providers to confirm to the Company their procedures and protocols around cyber security on an annual basis. Additionally, the Company has requested that all service providers carry out cyber penetration testing and report back to the Board with any significant observations. No material concerns have arisen from these reviews.</p> <p>Service providers are also required to hold detailed risk and control registers regarding their IT systems. The Property Advisor and the Board review service organisations' IT reports as part of Board meetings each year. No material concerns have arisen from these reviews.</p> <p>The Board believes that, while the risk of cyber-attacks has increased due to the sanctions imposed on Russia, the risk to its service providers directly remains relatively low. The secondary risk from cyber-attacks on digital infrastructure, such as payment systems, remains high and the Board, and the Property Advisor, will continue to monitor the situation.</p>	Unchanged

Risk	Impact	Mitigation	Movement
Outsourcing risk	The Company's future performance depends on the success of its outsourced third-party suppliers, particularly the Property Advisor, QSix, but also its outsourced property management to Core. IFRS (International Financial Reporting Standards) and German GAAP accountants and its administrative functions. The departure of one or more key third-party providers may harm the performance of the Company.	<p>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 significant stake in the Company, aligning their interests with other key stakeholders.</p> <p>The key third parties responsible for property management, accounting and administration are continually monitored by the Property Advisor and must respond annually to a Board assessment questionnaire regarding their internal controls and performance. These questionnaires are reviewed annually by the Board.</p>	Unchanged
ESG risk	<p>A failure to anticipate and respond to energy performance and climate legislation could damage the Company's reputation and lead to unplanned capital expenditure.</p> <p>Future investor expectations for ESG compliance could result in diminished asset values and/or illiquidity in the resale market if assets are not deemed compliant.</p>	<p>All investment in the modernisation of assets is undertaken with a view to the energy efficiency impact and is performed on an asset-by-asset basis.</p> <p>The Company maintains its own ESG consultant to advise and assist in the implementation of ESG-related activity and has mandated an external specialist to advise on current and future climate and energy performance legislation.</p> <p>The Company seeks to ensure accurate reporting of its ESG related activities and, in 2023, received a Gold Award for its sustainability reporting from EPRA.</p>	Unchanged



Robert Hingley
Chairman
29 April 2024

Our Board

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



Robert Hingley

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

Robert, a UK resident, acts as an Independent Non-executive Director and Chairman of the Company. He is Chairman of Euroclear UK & International Limited and The Law Debenture Corporation PLC and a Director of Marathon Asset Management Limited. Robert 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 2015, he was a Managing Director, and later Senior Advisor, at Lazard.

He was previously Director General of The Takeover Panel from 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.

Skills and experience:

Corporate financial advisory and capital market experience.

Date of appointment:

15 June 2015



Jonathan Thompson

Independent Non-executive Director
and Chair of the Audit Committee

Jonathan is the Deputy Chair of The Government Property Agency and Chair of its Audit and Risk Committee. He is the recent past Chair of the Argent group of real estate regeneration and development businesses and a former Non-executive Director of Schroders European Real Estate Investment Trust plc. An accountant by background, he spent 32 years at KPMG including 12 as Chair of its International Real Estate and Construction practice. He is a member of the Institute of Chartered Accountants and an Honorary Fellow of the Royal Institute of Chartered Surveyors.

Skills and experience:

Experience in both real estate and family wealth, within the investment and property sectors.

Date of appointment:

24 January 2018



Antonia Burgess

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

Antonia has nearly 30 years' experience working in the legal and financial services sectors. She is a Jersey resident Independent Non-executive Director with considerable experience working with leading institutional real estate fund managers and investment companies and has an in-depth understanding of real estate investment transactions and structuring.

Antonia qualified as a Solicitor in England and Wales in 1995, and prior to relocating to Jersey, where she led Mourant's European real estate fund administration business (subsequently acquired by State Street), she was a real estate lawyer at Hogan Lovells in London. She holds a number of Non-executive roles, including with Oxford Properties and also in fund entities managed by Signal Capital Partners. She is regulated by the Jersey Financial Services Commission and is a member of the Institute of Directors. Antonia was elected Senior Independent Director and Chair of the Remuneration Committee with effect from 1 April 2022 and 1 December 2022 respectively.

Skills and experience:

Legal and real estate expertise in the funds and financial services sector.

Date of appointment:

12 August 2020



Isabel Robins

Independent Non-executive Director and Chair of the Environmental, Social and Governance Committee and the Property Valuation Committee

Isabel has been a member of The Royal Institution of Chartered Surveyors since 1993 and received a BSc (Hons) Valuation and Estate Management degree from the University of the West of England (1991). She holds several Non-executive Director roles including with Lloyds Bank, Threadneedle Investments (Jersey), and a Canadian pension scheme investing in prime real estate, and was previously Chair of Schroders Real Estate in Jersey and a Director on various entities with EcoWorld Ballymore and Nuveen. Isabel has over 23 years' experience running complex offshore real estate structures, encompassing a broad range of property funds, investments and developments.

She is a Jersey resident Independent Non-executive Director, regulated by the Jersey Financial Services Commission and is a member of the Institute of Directors. Isabel was appointed Chair of the Environmental, Social and Governance Committee and the Property Valuation Committee with effect from 1 April 2022 and 28 September 2022 respectively.

Skills and experience:

Valuation and estate management experience in real estate within the investment and development fund sector.

Date of appointment:

14 March 2022



Steven Wilderspin

Independent Non-executive Director

Steven, a Jersey resident, is a fellow of the Institute of Chartered Accountants of England and Wales. He has acted as an Independent Director for a number of public and private investment funds including commercial companies since 2007.

He is currently a Non-executive Director and Chair of Blackstone Loan Financing Limited, a Non-executive Director and Chair of the Audit and Risk Committee of HarbourVest Global Private Equity Limited and a Non-executive Director and Chair of the Audit and Risk Committee of GCP Infrastructure Investments Limited, all listed on the LSE.

Prior to 2007, Steven was a Director at Maples Finance Jersey, with responsibility for their fund administration and fiduciary business. Steven began his career at in London in 1990.

Skills and experience:

Extensive audit and accounting experience with a deep knowledge of financial matters within the financial services sector.

Date of appointment:

10 January 2023

Directors' Report

The Directors are pleased to present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2023.

Corporate governance

The Corporate Governance Statement on pages 44-53 forms part of this Directors' Report, which, together with the Strategic Report set out on pages 1-37, 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 (FCA) and was admitted to the premium segment of the Main Market of the London Stock Exchange on 15 June 2015.

The Group's stated objective is to generate an attractive return for shareholders through the acquisition and active management of high-quality pre-let properties in Berlin, 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

In 2023 the Company suspended dividend payments to preserve cash and support its core business.

The priority for use of available cash is to selectively invest in the Portfolio to drive sales, followed by the repayment of outstanding debt to allow the refinancing of existing facilities. Subject to a refinancing and to there being sufficient liquidity, the Directors will consider the resumption of dividends.

Directors

The Directors in office at the date of this report and their biographical details are shown on pages 38-39.

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.

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

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

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

It is the Directors' duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. The Director must inform the Board as soon as he or she becomes aware of an interest that might conflict with the interests of the Company. Any Directors who have a material interest in a matter being considered will not be able to participate in the Board approval process.

The Board believes that its procedures regarding conflicts of interest have operated effectively. At 31 December 2023, the interests of the Directors in the ordinary shares of the Company were as follows:

	31 December 2023 Number of shares	31 December 2022 Number of shares
Robert Hingley	5,150	5,150
Jonathan Thompson	7,337	7,337

There has been no change to the interests of each Director between 31 December 2023 and the date of this report.

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

Share repurchases

In accordance with the Company's Articles of Association and the Companies (Jersey) Law 1991, the Company may hold any ordinary shares that it repurchases in treasury or cancel them. Authority for the Company to make market purchases of and to cancel or hold in treasury up to 13,764,921 of its ordinary shares (representing approximately 14.99% of the ordinary shares in issue) is sought from shareholders at each AGM, with the latest authority granted on 28 June 2023.

This authority will expire at the conclusion of, and renewal sought, at the AGM to be held on 2 July 2024.

There were no share repurchases made during the year under review.

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.

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 8,924,047 were held in treasury. Therefore, the total voting rights of the Company were 91,827,363, being the issued share capital minus shares held in treasury.

On 28 June 2023, 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 2024 AGM.

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.

Substantial shareholdings

At 31 December 2023, 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	Number of ordinary shares
Columbia Threadneedle Investments	19.47%	17,876,419
Bracebridge Capital	15.54%	14,267,477

The following changes have been notified to the Company between 31 December 2023 and the date of this report:

Name of holder	Percentage of voting rights	Number of ordinary shares
Columbia Threadneedle Investments	22.25%	20,433,884

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 other 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 30 of the consolidated financial statements.

Events after the reporting date

Since the reporting date, the Company has exchanged contracts on nine residential condominium units for a total value of €3.4 million. In March 2024, the Company exchanged contracts to sell two multi-family assets, comprising 41 residential and three commercial units, for a total value of €7.4 million.

In January 2024, the sale of one asset completed for which contracts had been exchanged in 2023.

Directors' Report continued

Auditor

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

Following the conclusion of an audit tender process conducted during 2023, it was found that RSM UK Audit LLP ('RSM') continued to meet the required levels of independence, objectivity and performance, and was subsequently reappointed as the Company's auditor. RSM has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

Going concern

The Directors have reviewed projections for the period up to 30 April 2025, using assumptions which the Directors consider to be appropriate to the current financial position of the Group with regard to revenues, its cost base and the Group's investments, borrowing and debt repayment plans. These projections show that the Group should be able to operate within the level of its current resources and expects to manage all debt covenants for a period of at least 12 months from the date of approval of the financial statements. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes for managing its capital and its risks are set out in the Strategic Report.

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 to 30 April 2027. The Directors have chosen three years because that is the period that broadly fits within the strategic planning 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 principal risks in this document on pages 34-37.

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 30 April 2027:

- a) the potential operating cash flow requirement of the Group;
- b) amending the existing debt facilities to allow greater condominium sales flexibility;
- c) seasonal fluctuations in working capital requirements;
- d) property vacancy rates during the period;
- e) capital and corporate expenditure during the period;
- f) condominium, whole asset and SPV sales proceeds; and
- g) refinancing the existing debt facilities prior to their maturity in September 2026.

The model assumes stressed scenarios a) through to g) in the above list.

Financial modelling and stress testing was carried out on the Group's cash flows, taking into account the following assumption, which the Directors believe to reflect the conditions present in a reasonable 'low case' scenario over the forecast period:

- if it proves not possible to amend the existing debt facilities such that condominium disposals are limited to those currently permitted, capex is maintained and self-funded.

After applying the assumption above, 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, cash flow mitigation would not be required during the three-year period. However, should mitigation be necessary, it may be obtained in the following ways:

- increase whole asset disposals at a discount to carrying values; and
- further reduction in capital expenditure.

Under these stressed assumptions, the Group remains able to manage all existing banking covenant obligations during the period using the available liquidity to reduce debt levels, as appropriate.

The projection of cash flows includes the impact of already contracted property acquisitions. On the basis of this assessment, 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.

Directors' confirmations

In accordance with the FCA's Disclosure Guidance and Transparency Rules, each of the Directors in office at the date of this report, whose names are set out on pages 38-39, confirms that to the best of his or her knowledge:

- the annual report and financial statements have been prepared in accordance with IFRS and UK IAS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report, including the Directors' report, includes a fair and balanced review of the development and performance of the business, and the financial position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

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.

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



Robert Hingley

Chairman
29 April 2024

Corporate Governance Statement

Board Leadership and Purpose

This Corporate Governance Statement comprises pages 44-53 and forms part of the Directors' Report.

Introduction from the Chairman

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

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

The AIC Code

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

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

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

The Board considers that the Company has complied with the principles and provisions of the AIC Code during the period.

Board leadership, purpose and culture

At the date of this report, the Board comprised five Directors. Their biographical details are shown on pages 38-39. The Board considers all Directors to be independent and that there are no relationships or circumstances that are likely to affect their independence. Further details can be found in the Nomination Committee Report on pages 51-53. The interests that some of the Directors hold in the Company, as set out on page 58 of this report, are not considered significant so as to bring their independence into question.

The Board has overall responsibility for maximising the Group's long-term success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Group and 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 2015 listing prospectus, is to deliver both stable income returns as well as capital growth through investment in German real estate, centred on Berlin residential real estate. Its investment objective and policy are set out on pages 18-24 of the Annual Report. The Directors have reported how the Board, and its delegated Committees operate and how the Directors consider and address the opportunities and risks to the future success of the Company, along with the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. The Board has approved a formal schedule of matters reserved for its approval which is available on the Company's website and upon request from the Company Secretary. The principal matters considered by the Board during the year included:

- the interim and annual financial statements;
- revision of the Property Advisory and Investor Relations Agreement;
- renewal of Master Power of Attorney delegating a number of administrative matters to the Property Advisor;
- sale of non-core assets;
- consideration of intercompany loans;
- standard and non-standard capital expenditure projects;
- consideration of new investment proposals received from its Property Advisor;
- recommendations from the Company's respective Committees;
- annual review of service providers; and
- appointment of new Non-executive Directors.

The Board is also responsible for assessing the performance of the Company's key service providers, including the Property Advisor, the terms of their engagement, remuneration and their continued appointment.

During the year, the Board and the Property Advisor, with shareholders' approval, agreed to change the fees payable to the Property Advisor to align their incentives with the Company's short-term strategic priorities. The key element of the new agreement is to further incentivise the Property Advisor to evaluate and implement a variety of disposal strategies, while reducing the level of annual management fee paid.

Following the Board's annual assessment of the Company's key service providers, including the Property Advisor, their continued appointment on the current terms was considered in the best interest of shareholders as a whole. Thus, it was agreed that the service providers be retained.

The Company has no direct employees therefore is not required to monitor culture in this respect. Details of how the Company considers the employees of the Property Advisor has been detailed in the Stakeholder Engagement section on pages 8-12. However, the Board recognises its wider responsibility to demonstrate to shareholders that it is operating responsibly and managing its social and environmental impacts for the benefit of all stakeholders. Following a thorough review of how sustainability is managed within the Company, a 'Better Futures' CR Plan was developed. This provides a framework to measure existing activities better while adding new initiatives to improve overall sustainability.

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

Stakeholder engagement

Details of how the Directors have engaged with the Company's key stakeholders are set out in the Stakeholder Engagement section and Corporate Responsibility report within the Strategic Report on pages 28-33, respectively.

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Group. The Board receives feedback on the views of shareholders from its corporate broker and the Property Advisor. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Board seeks to utilise stakeholder communication to inform them of the decisions that the Company takes, whether about the products or services it provides, or about its strategic direction, its long-term health, and the society in which it operates. The Board agrees that stakeholder engagement strengthens the business and promotes its long-term success to the benefit of stakeholders and shareholders alike.

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

The Board believes that the AGM 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 at www.phoenixspree.com.

2023 Annual General Meeting

The 2023 AGM of the Company was held on 28 June 2023. Resolutions 1 to 11 related to ordinary business and resolutions 12 and 13 related to the following special business:

- to authorise the Company to make market purchases of and to cancel or hold in treasury up to 13,764,921 of its shares (representing approximately 14.99% of its issued shares capital at the date of the AGM notice); and
- to authorise the Directors to issue up to 10,075,141 shares (representing approximately 10% of the Company's issued shares capital at the date of the AGM notice) for cash as if the pre-emption rights contained in the Articles of Association did not apply.

All resolutions put to shareholders were passed with in excess of 90% of votes cast in favour.

2024 Annual General Meeting

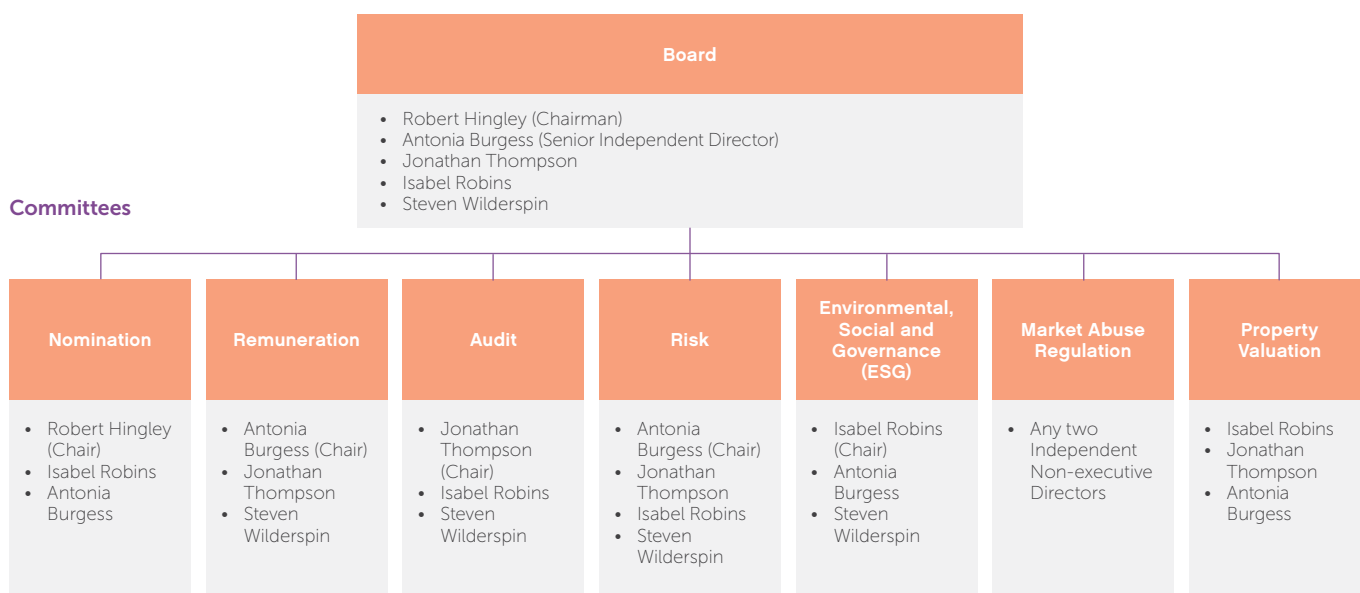
The 2024 AGM will be held on 2 July 2024 at the registered office of the Company: IFC 5, St. Helier, Jersey JE1 1ST.

A separate notice convening the AGM will be distributed to shareholders with the Annual Report and financial statements on or around 4 June 2024, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Corporate Governance Statement continued

Division of Responsibilities

Board and Committee composition as at the date of this report:



As at the date of the report, the Board comprised five Non-executive Directors. Their biographical details are on pages 38-39.

Changes to the composition of the Committees during the year are described in the Nomination Committee Report on pages 51-53.

Chairman and Senior Independent Director

The Chairman, Robert Hingley, is responsible for the leadership of the Board's business and setting its agenda, together with the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and that there is adequate time available for the discussion of agenda items at each Board meeting. The Board has conducted an assessment of the Chairman's independence, noting that he has been on the Board for nine years in June (2024). The other members of the Board have considered his respective contributions to the Board's activities and concluded that he acts independently in the interest of the Company and that his knowledge of the Group is particularly valuable to the deliberations of the Board. He has no significant commitments other than those disclosed in his biography on page 38.

Antonia Burgess is Senior Independent Director of the Company. She works closely with the Chairman, acting as a sounding board, when necessary, and serves as an intermediary for the other Directors and shareholders. She takes the lead in the annual evaluation of the Chairman by the Directors.

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

Committees of the Board

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

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

Management Engagement Committee

It was agreed and disclosed in the Company's 2020 annual report that the role of the Management Engagement Committee be subsumed into the Board agenda. The Board felt that all Directors would have a crucial view on the Property Advisor, and other key service providers, that should be captured. Therefore, it was agreed to avoid duplication and subsume the role of the Management Engagement Committee into the Board agenda rather than appoint all Directors as members of the Committee.

Property Valuation Committee

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

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

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

Environmental, Social and Governance Committee

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

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

ESG consultant Leslye Jourdan took over from independent CSR consultant Good Values Limited in January 2023 to support the Company in implementing its ESG policy and strategy. Ms Jourdan has been Head of ESG for the Property Advisor since December 2020, during which time she provided support to Good Values Limited in its CSR work for the Property Advisor and the Company. Further details on the Company's ESG policy and strategy can be found in the Corporate Responsibility report on pages 26-33.

Risk Committee

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

The Committee, in conjunction with the Property Advisor, who also carry out their own service provider evaluation, 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.

The Committee monitored and reviewed the internal controls of the Company, which included:

- review of reports on the control systems and their operation within the Property Advisor and the Administrator to determine the effectiveness of their internal controls respectively;
- the Directors' visits to Berlin to view the properties/condominiums and meet with the Property Advisor in their offices in Berlin;
- annual assurance confirmations provided by key service providers;
- key service provider reports presented to the Board on a quarterly basis from the Property Advisor, Administrator and Compliance Officer; and
- ISAE 3402 Type II reports on the operations of the key service providers, namely the Property Advisor, the Administrator and its delegated accounting services.

Corporate Governance Statement continued

Division of Responsibilities continued

The Board is reliant on the internal controls of service providers, the most material being QSix, Core, Apex Financial Services (Alternative Funds) Limited ('APEX') and Baker Tilly. The Board have to be satisfied that the internal control systems of service providers are effective and report accordingly in the Annual Report.

The Board achieves comfort regarding internal controls of service providers in the following ways:

- 1) Direct experience. The Board has ongoing experience of how well service providers are carrying out their duties and any individual issues that arise by exception. The Board and Risk Committee examines and approves the annual business plan and subsequently monitors the quarterly reporting for large or unusual movements.
- 2) QSix maintains a comprehensive Financial Position and Prospects Procedures Manual that documents all of the Company's key policies and procedures (including the financial reporting process for all undertakings included in the consolidated financials statements). This is subject to annual review and reviewed by all key service providers and the Company's lawyers to make sure that it captures what it needs to and reflects changes in legislation and other obligations.
- 3) Independent control reports. Apex provides the Board with an annual control report carried out by an independent accountant. Although this is more generic in nature, covering their wider business, it does give comfort about their infrastructure and control environment.
- 4) Compliance. The Company's Compliance Monitoring Plan covers the Company's compliance with key legal and regulatory obligations. Breaches and mitigating action are reported to the Board. The Board meets the Compliance Officer regularly.
- 5) Individual consideration of specific risks. The Board and Risk Committee regularly review the Company's risks and consider mitigation. From time-to-time, the Risk Committee conducts 'deep-dives' into material or topical areas that will give the Committee and Board more information about specific areas of risk. Where appropriate this includes a briefing from specialist lawyers on technical areas.
- 6) Engagement with service providers' key control executives. On an ongoing basis, the QSix Finance Director is asked to meet key compliance, risk, legal and finance executives of service providers to discuss risk and internal controls.
- 7) Service providers' standing. Some key service providers are significant businesses that are regulated by statutory financial or professional regulators. Significant regulatory problems would be matters of public record.
- 8) Contractual and service level agreements. The Board regularly reviews service levels and contractual arrangements with service providers. An annual assessment of performance is conducted where each service provider is asked a set of comprehensive questions relating to their processes, controls, compliance with relevant law and compliance with PSD's FPP document.

During the year, no significant matters of concern were identified with the internal control environment.

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

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

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

During the year, the Risk Committee carried out a robust assessment of the principal risks, emerging risks and principal uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The result of this review, the potential impact of each type of risk identified and the mitigants put in place are set out in the Principal Risks and Uncertainties section of the Annual Report on pages 34-37.

The Risk Committee also reviews 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 54-56.

Nomination Committee

The membership and activities of the Nomination Committee are described in this report on pages 51-53.

Remuneration Committee

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

Further details on remuneration matters are set out in the Directors' Remuneration Report on pages 57-59.

Market Abuse Regulation Committee

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

Board and Committee meetings

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

The table below sets out the number of scheduled meetings of the Board and Committees held during the year ended 31 December 2023 and the attendance of individual Directors.

	Quarterly Board		Audit		Risk	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	4	4	–	–	–	–
I Robins	4	4	7	7	3	3
J Thompson	4	4	7	7	3	3
A Burgess	4	4	–	–	3	3
S Wilderspin	4	4	7	7	3	3

	Property Valuation		Nomination		ESG	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	–	–	1	1	–	–
I Robins	4	4	1	1	2	2
J Thompson	4	4	–	–	–	–
A Burgess	4	4	1	1	2	2
S Wilderspin	–	–	–	–	2	2

	Remuneration	
	Number entitled to attend	Number attended
R Hingley	–	–
I Robins	–	–
J Thompson	1	1
A Burgess	1	1
S Wilderspin	1	1

During the year, seven additional Board meetings were held. These meetings were in respect of:

- the review and final approval of the bi-annual property valuations;
- the approval of the Interim and Annual Report and Financial Statements;
- the reappointment of RSM as the Company's auditor following an audit tender process;
- the approval of an amended Property Advisory and Investor Relations Agreement; and
- the approval of additional condominium sales.

Corporate Governance Statement continued

Division of Responsibilities continued

Information and support for Directors

The Chairman, in conjunction with the Company Secretary, ensures that all new Directors receive a full, formal and tailored induction on joining the Board in order to further inform them of the Group's activities and structure.

Upon appointment, new Directors are briefed about their responsibilities and duties and provided with an induction pack containing relevant information about the Company, its constitutional documents, terms of reference, policies, processes and procedures.

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

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

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

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

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

Company Secretary

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

Composition, Succession and Evaluation

Nomination Committee Report

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

Composition

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

Diversity

Diversity is an important consideration in ensuring that the Board and its Committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective board and a successful company.

In line with the AIC Code of Corporate Governance, the Board has adopted a policy on the promotion of diversity which is reviewed on an annual basis.

Board diversity, including, but not limited to, gender, ethnicity, professional and industry specific knowledge and expertise, understanding of geographic markets and different cultures, is taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. Board appointments are made based on merit and calibre with the most appropriate candidate, who is the best fit for the Company, being nominated for appointment and as a result no measurable targets in relation to Board diversity have been set. At the date of this report, the Board consists of three males and two females. The Committee believes the Directors provide, individually and collectively, the breadth of skill and experience to manage the Company.

The Committee notes the new recommendations of the FTSE Women Leaders Review and the Parker Review on gender and diversity, as well as the FCA rules on diversity and inclusion on company boards. Namely, that from accounting periods starting on or after 1 April 2022:

- a) at least 40% of individuals on the Board should be women;
- b) at least one senior Board position should be held by a woman; and
- c) at least one individual on the Board should be from a minority ethnic background.

The Committee continues to develop its succession plan in line with these recommendations, noting that both a) and b) are currently satisfied as at 31 December 2023. There are two female Directors on the Board and one of them, Antonia Burgess, holds the role of Senior Independent Director.

As a Jersey resident Company, the Board must comprise at least two Jersey resident directors and, for tax purposes, each Board meeting should be held with a majority of directors present in Jersey. This affects the Company's ability to source ethnically diverse directors.

The 2021 census of the population of Jersey showed that of a population of 103,297, only 4.1% were from a minority ethnic background. Compared to England and Wales which had a population of 66.8 million in 2019 (2019 being the latest ethnic data to be released for England and Wales), of which 15.2% were from a minority ethnic background.

In accordance with Listing Rule 9 Annex 2.1, the below tables, in the prescribed format, show the gender and ethnic background of the Directors:

Gender identity	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	3	60%	1
Women	2	40%	1
Not specified/prefer not to say	–	–	–

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	5	100%	2
Mixed/Multiple Ethnic Groups	–	–	–
Asian/Asian British	–	–	–
Black/African/Caribbean/Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/prefer not to say	–	–	–

The data in the above tables was collected through self-reporting by the Directors.

Corporate Governance Statement continued

Composition, Succession and Evaluation continued

Tenure and succession planning

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

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

Chairman tenure

The Board does not consider that the independence of the Chairman should be determined solely by time served and, in order to align with the Company's tenure policy for the maintenance of stability, knowledge and experience, the Board is of the view that the Chairman should continue to lead the Company until the continuation vote at the AGM in 2025.

This decision has been informed and supported by positive feedback on the Chairman's performance through the annual Board evaluation and feedback from some of the Company's largest shareholders.

Overboarding

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 49. 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.

Board evaluation

Pursuant to the AIC Code, all FTSE 350 companies should conduct an external Board evaluation at least every three years. The Board has historically followed 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 last external evaluation was conducted in 2021.

This year, the Board undertook an internal performance evaluation, which was led by the Nomination Committee. The evaluation of the Chairman was carried out by the other Directors of the Company and led by the Senior Independent Director.

The results of the 2023 internal Board evaluation were reviewed and discussed by the Nomination Committee and subsequently by the Board. Based on the results and the recommendations of the Nomination Committee, the areas of focus for the forthcoming financial year will be on strategic decisions and governance training.

Re-election

All newly appointed Directors stand for election by the shareholders at the next AGM following their appointment. There are provisions in the Company's Articles of Association which require Directors to seek re-election at the AGM 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 AGM, in accordance with the AIC Code. The AGM circular issued to shareholders will set out sufficient biographical details and specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success in order to enable shareholders to make an informed decision.

All Directors will be standing for re-election at the 2024 AGM.

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

Audit, risk and internal control

The Company's approach to compliance with the AIC Code in respect of audit is set out in the Audit Committee Report on pages 54-56.

The Company's approach to compliance with the AIC Code in respect of risk and internal control is described under 'Division of Responsibilities, Risk Committee' on pages 46-50.

Remuneration

The Company's approach to compliance with the AIC Code in respect of remuneration is set out in the Directors' Remuneration Report on pages 57-59.

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 Isabel Robins and Steve Wilderspin as members. Steve replaced Antonia Burgess as a member of the Audit Committee when he was appointed to the Board on 10 January 2023. The qualifications and experience of the members of the Audit Committee during the financial year are set out in their biographical details on pages 38-39. 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 twice 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 49.

Summary of the role of the Audit Committee

The Audit Committee is responsible for reviewing the half-year and Annual Report and 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;
 - review of the Company's going concern and viability statements;
 - 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.
- Ensuring that the Annual Report and Accounts taken as a whole are fair, balanced and understandable.
- 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.
- Reporting to the Board on how the Committee discharges its responsibilities.

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

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

Financial reporting

The Audit Committee reviewed the Company's Annual Report and financial statements to conclude whether, taken as a whole, it is fair, balanced, understandable, comprehensive, consistent with prior years and describes how the Board assessed 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 KPIs as well as updating the governance section of the Annual Report.

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

Monitoring the significant issues related to the financial statements, viability and going concern

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

Valuation of investment property	Mitigation
A significant focus for the Audit Committee is the valuation of the Group's property portfolio carried out at half year in June and at the financial year end in December each year, as this is a key determinant of the Group's IFRS NAV, EPRA NTA, its profit or loss and the Property Advisor's remuneration.	The Group has appointed Jones Lang LaSalle ('JLL') to act as the Independent Property Valuer ('the valuer'). The Audit Committee is satisfied that the valuer is independent and that it conducts its work in accordance with the 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, by having a chance to discuss the valuation directly with JLL.

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 audit; and
- feedback from the Property Advisor, accountants and Administrator evaluating the performance of the audit team.

In accordance with rotational requirements applicable to companies listed on the London Stock Exchange to ensure audit independence, the Company conducted an audit tender during 2023. It was found that RSM UK Audit LLP continued to meet the required levels of independence, objectivity and performance and was subsequently recommended by the Board, and reappointed by shareholders, as the Company's auditor at the 2023 AGM. The current audit partner, Mr Graham Ricketts was appointed in 2019 and will be replaced following the conclusion of the 2023 audit.

The Chair of the Committee maintained regular contact with the Company's audit partner throughout the year and met him prior to the finalisation of the audit of the 2023 annual financial statements, without the Property Advisor present, to discuss how the external audit was carried out, the findings from the audit, and whether any issues had arisen from the auditor's interaction with the Company's various service providers.

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

As part of the audit planning process, the audit partner met with the Audit Committee Chair and the Property Advisor to discuss the risk profile of the business. The audit plan was presented to and approved by the Audit Committee in December 2023. The audit partner met again with the Chair of the Audit Committee in April 2024 to discuss their draft audit report and opinion prior to the release of the accounts.

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 2023:

	2023 £	2022 £
Audit	215,000	205,000
Agreed upon procedures – interim report	30,000	29,000
Total	245,000	234,000

Audit Committee Report continued

Audit Risk and Internal Control continued

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.

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

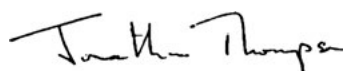
The Committee has an established policy for the commission of non-audit work from the Group's auditor.

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. No work is awarded to the auditor which would result in an element of self-review, either during the work or via the audit itself. Additionally, the external auditor is excluded from providing any services to the Property Advisor.

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

Risk management and internal control

Details of how the Risk Committee oversees and advises the Board on the current risk assessment processes is set out on page 47 and its assessment of the principal and emerging risks is set out on pages 34-37.



Jonathan Thompson
Chair of the Audit Committee
29 April 2024

Directors' Remuneration Report

Remuneration

Statement from the Chair of the Remuneration Committee

As set out on page 47 of the Corporate Governance Statement, the Remuneration Committee comprised Antonia Burgess (Chair), Jonathan Thompson and Steve Wilderspin. The Committee is responsible for setting the Directors' remuneration levels, including in respect of the Chairman, with consideration of the following:

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

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

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

The Directors' Remuneration Report provides details on remuneration in the year. Although it is not a requirement under Companies (Jersey) Law 1991 to have the Directors' Remuneration Report or the Directors' Remuneration Policy approved by shareholders, the Board believes that as a Company whose shares are listed on the London Stock Exchange, it is good practice for it to do so.

The Directors' Remuneration Policy is put to shareholder vote at least once every three years and, in any year, if there is to be a change in the Directors' Remuneration Policy. The current Remuneration Policy was put to, and approved, by shareholders at the 2023 AGM and as there will be no change in the way in which the policy will be implemented during the course of the next financial year, there is no requirement for the policy to be put to shareholders at the 2024 AGM.

The Directors' Remuneration Report is put to shareholder vote every year and as such, a resolution will also be put to shareholders at the Company's 2024 AGM to receive and approve the Directors' Remuneration Report.

This report is not subject to audit.

Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 31 December 2022 was approved by shareholders at the AGM held on 28 June 2023. The votes cast by proxy were as follows:

	Directors' Remuneration Report	
	Number of votes cast	% of votes cast
For	50,503,248	99.95%
Against	26,426	0.05%
At Chairman's discretion	–	0%
Total votes cast	50,529,674	100%
Number of votes withheld	3,675	–

Directors' Remuneration Report continued

Remuneration continued

Directors' remuneration for the year ended 31 December 2023

The fees paid to the Directors for the year ended 31 December 2023 (and prior year) are set out below:

Audited	2023			2022		
	Directors' fee £	Expenses £	Total £	Directors' fee £	Expenses £	Total £
R Hingley	50,000	1,566	51,566	50,000	1,276	51,276
M O'Keefe*	–	–	–	11,250	–	11,250
I Robins**	45,000	279	45,279	36,000	755	36,755
J Thompson	45,000	1,119	46,119	45,000	1,698	46,698
A Burgess	45,000	170	45,170	45,000	933	45,933
S Wilderspin***	43,875	690	44,564	–	–	–
G Branch****	–	–	–	33,750	–	33,750
Total	228,875	3,824	232,698	221,000	4,662	225,662

* Monique O'Keefe retired from the Board with effect from 31 March 2022.

** Isabel Robins was appointed to the Board with effect from 14 March 2022.

*** Steve Wilderspin was appointed to the Board with effect from 10 January 2023.

**** Greg Branch died on 22 August 2022.

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 2023, the interest of the Directors in the ordinary shares of the Company are set out below:

	31 December 2023	31 December 2022
Robert Hingley	5,150	5,150
Jonathan Thompson	7,337	7,337

There have been no changes to the interests of the Directors between 31 December 2023 and the date of this report.

Remuneration policy

A resolution to approve the Directors' Remuneration Policy was proposed and passed at the Company's AGM held on 28 June 2023. The Remuneration Policy provisions set out below will apply until they are next put to shareholders for renewal of that approval which, as explained above, will take place in any year where there is to be a change to the policy and, in any event, at least once every three years.

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

The 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 Director fee increases during the year under review.

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

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

Directors' fee levels

The Board has set three levels of fees: one for the Chairman, one for the Directors, and an additional fee that is paid to the Director who Chairs the Audit Committee as well as an additional fee paid to Directors of subsidiaries. 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 2023 and the expected fees payable in respect of the year ending 31 December 2024 are set out in the table below:

	Expected annual fees for the year to 31 December 2024 £	Annual fees for the year ended 31 December 2023 £
Chairman	50,000	50,000
Chair of the Audit Committee	45,000	45,000
Non-executive Directors	40,000	40,000
Subsidiary company Director fee	5,000	5,000
Total remuneration paid to Directors	230,000	230,000

Approval

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



Antonia Burgess

Chair of the Remuneration Committee
29 April 2024

Statement of Directors' Responsibilities

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

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 have elected under Jersey company law to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and are required under the Listing Rules of the FCA to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards.

The financial statements of the Group are required by law to give a true and fair view of the state of the Group's affairs at the end of the financial period and of the profit or loss of the Group for that period and are required by international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted International Accounting Standards, 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 international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted International Accounting Standards; 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 Group financial statements comply with the requirements of the Companies (Jersey) Law 1991, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted International Accounting Standards. 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.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 38-39 confirm that, to the best of each person's knowledge:

- a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- b. the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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.

Approval

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



Antonia Burgess

Director

29 April 2024

Independent Auditor's Report

TO THE MEMBERS OF PHOENIX SPREE DEUTSCHLAND LIMITED

Opinion

We have audited the financial statements of Phoenix Spree Deutschland Limited and its subsidiaries (the "group") for the year ended 31 December 2023 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Separate opinion in relation to UK-adopted International Accounting Standards

As explained in note 2 to the financial statements, the Group in addition to complying with its legal obligation to apply international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, has also applied UK-adopted International Accounting Standards.

In our opinion the financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with UK-adopted International Accounting Standards.

Basis for opinion

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

Summary of our audit approach

Key audit matter	Valuation of investment property
Materiality	Overall materiality: €6,750,000 (2022: €7,750,000) Performance materiality: €5,060,000 (2022: €5,810,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before taxation.

Key audit matters

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

Independent Auditor's Report continued

TO THE MEMBERS OF PHOENIX SPREE DEUTSCHLAND LIMITED

Valuation of investment properties held by the group

Key audit matter description	<p>The group owns a portfolio of residential and commercial investment properties. The total value of the portfolio reported in the financial statements at 31 December 2023 was €675.6 judgement (2022: €775.9 million), including properties designated as held for sale. These properties are all in Germany and predominately in Berlin.</p> <p>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 Consolidated Statement of Comprehensive Income. The group has appointed an independent valuation expert ("the valuer") in determining the fair value of the investment properties at 31 December 2023. €675.6 million (2022: €770.6 million) are held at fair value based on external valuation reports and nil (2022: €5.3 million) at directors' valuation.</p> <p>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 54-56; the significant accounting judgements and estimates on page 78; significant accounting policies on pages 71-76 and notes 16 and 17 to the financial statements on pages 84-85.</p> <p>The audit risk relating to the valuation of investment properties at the year-end date is considered to be one of most significance in the audit and was therefore determined to be a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity of the valuation process.</p>
How the matter was addressed in the audit	<p>Our audit work included:</p> <ul style="list-style-type: none"> Assessing the valuer's qualifications, expertise and terms of engagement and assessing their independence and objectivity. Auditing on a sample basis the inputs provided by the Property Advisor to the valuer and checking that these were consistent with the underlying accounting records. Assessing the challenge provided by the Valuation Committee of the Board to the valuation. Obtaining a confirmation from the Group's solicitors to confirm the existence and ownership of all properties. Identifying the largest properties by value, and the properties where there were unusual movements in value compared to the average or the previous year and discussing and challenging the valuation of these properties with the valuer, as well as obtaining evidence to support the explanations received. Challenging the valuer on the appropriateness of key assumptions in the valuation, including specific discussion of movements in value outside of an average range, increases in property values, uplifts for condominiumisation and the application of rental legislation within the valuation model. Engaging an independent auditor's expert to assist us in challenging assumptions made by the valuer and directors in respect of the Berlin property market, including commenting on a sample of individual properties.
Key observations	<ul style="list-style-type: none"> Disclosure of the impact of the key judgements and estimates applied in respect of the valuation of investment properties is given in note 4 to the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.

Our application of materiality

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

Overall materiality	€6,750,000 (2022: €7,750,000)
Basis for determining overall materiality	1% of property valuation (2022: 1% of property valuation)
Rationale for benchmark applied	We determined that key users of the group's financial statements are primarily focused on the valuation of the group's investment properties.
Performance materiality	€5,060,000 (2022: €5,810,000)
Basis for determining performance materiality	75% of overall materiality (2022: 75% of overall materiality)
Reporting of misstatements to the Audit Committee	Misstatements in excess of €168,000 (2022: €193,000) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

Conclusions relating to going concern

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

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

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

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the 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 and returns; 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.

Independent Auditor's Report continued

TO THE MEMBERS OF PHOENIX SPREE DEUTSCHLAND LIMITED

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the AIC Code of Corporate Governance specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 42;
- directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why this period is appropriate set out on page 42;
- directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 42;
- directors' statement on fair, balanced and understandable set out on page 43;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 47; and
- the section describing the work of the Audit Committee set out on page 60.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 60, 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.

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

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

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

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

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

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the group audit engagement team included:
IFRS and Companies (Jersey) Law 1991; AIC Code of Corporate Governance; Listing and Transparency Rules	<ul style="list-style-type: none"> Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance. Review of the financial statement disclosures by a specialist in Jersey company law.
Tax compliance regulations	<ul style="list-style-type: none"> Inspection of advice received by the group from its tax advisors. Inspection of correspondence with tax authorities in the jurisdictions in which the group operates.
The Codes of Practice for Certified Funds in Jersey	<ul style="list-style-type: none"> Review by a specialist in Jersey regulatory compliance of the company's compliance with local regulatory requirements in its country of incorporation, Jersey, specifically the Codes of Practice for Certified Funds. The review covered correspondence with the Jersey Financial Services Commission (JFSC), the breaches errors and complaints registers, compliance with CPD requirements, and the quarterly reports made by the compliance officer to the Board.

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

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	<ul style="list-style-type: none"> Testing the appropriateness of journal entries and other adjustments. Assessing whether the judgements made in making accounting estimates, in particular in respect of investment property valuations, are indicative of a potential bias. Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Valuation of investment properties	<ul style="list-style-type: none"> Audit procedures performed on valuation of investment properties are outlined in the 'Key audit matters' section of this audit report.

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 at page 66, forms part of our auditor's report.

Other matters which we are required to address

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

The period of total uninterrupted consecutive appointment is ten years, covering the years ending 31 December 2014 to 31 December 2023.

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

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with ISAs (UK).

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.

In due course, as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rules, these financial statements will form part of the Annual Financial Report prepared in Extensible Hypertext Markup Language (XHTML) format and filed on the National Storage Mechanism of the UK FCA. This auditor's report provides no assurance over whether the annual financial report has been prepared in XHTML format.



Graham Ricketts

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

29 April 2024

Independent Auditor's Report continued

TO THE MEMBERS OF PHOENIX SPREE DEUTSCHLAND LIMITED

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

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

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

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

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Continuing operations			
Revenue	6	27,454	25,934
Property expenses	7	(17,315)	(17,119)
Gross profit		10,139	8,815
Administrative expenses	8	(3,766)	(3,264)
Loss on disposal of investment property (including investment property held for sale)	10	(4,282)	(185)
Investment property fair value (loss)/gain	11	(97,298)	(42,241)
Performance fee due to Property Advisor	25	–	343
Operating loss		(95,207)	(36,532)
Net finance charge (before (loss)/gain on interest rate swaps)	12	(9,353)	(7,937)
(Loss)/gain on interest rate swaps	12	(7,240)	26,920
Loss before taxation		(111,800)	(17,549)
Income tax credit/(expense)	13	13,045	1,739
Loss after taxation		(98,755)	(15,810)
Other comprehensive income		–	–
Total comprehensive loss for the year		(98,755)	(15,810)
Total comprehensive income attributable to:			
Owners of the parent		(98,112)	(15,435)
Non-controlling interests		(643)	(375)
		(98,755)	(15,810)
Earnings per share attributable to the owners of the parent:			
From continuing operations			
Basic (€)	28	(1.07)	(0.17)
Diluted (€)	28	(1.07)	(0.17)

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	As at 31 December 2023 €'000	As at 31 December 2022 €'000
ASSETS			
Non-current assets			
Investment properties	16	614,973	761,377
Property, plant and equipment	18	11	12
Other financial assets at amortised cost	19	828	828
Derivative financial instruments	24	8,796	16,036
		624,608	778,253
Current assets			
Trade and other receivables	20	12,834	10,068
Cash and cash equivalents	21	10,998	12,485
		23,832	22,553
Investment properties – held for sale	17	60,594	14,527
Total assets		709,034	815,333
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	22	1,432	820
Trade and other payables	23	11,990	15,130
Current tax	13	856	808
		14,278	16,758
Non-current liabilities			
Borrowings	22	319,811	311,264
Deferred tax liability	13	57,311	70,920
		377,122	382,184
Total liabilities		391,400	398,942
Equity			
Stated capital	26	196,578	196,578
Treasury shares	26	(37,448)	(37,448)
Share-based payment reserve	25	–	–
Retained earnings		155,937	254,049
Equity attributable to owners of the parent		315,067	413,179
Non-controlling interest	27	2,567	3,212
Total equity		317,634	416,391
Total equity and liabilities		709,034	815,333

The consolidated financial statements on pages 67-96 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Robert Hingley
Chairman
29 April 2024

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to the owners of the parent				Total €'000	Non-controlling interest €'000	Total equity €'000
	Stated capital €'000	Treasury shares €'000	Share-based payment reserve €'000	Retained earnings €'000			
Balance at 1 January 2022	196,578	(33,275)	343	276,394	440,040	3,587	443,627
Comprehensive income:							
Loss for the year	–	–	–	(15,435)	(15,435)	(375)	(15,810)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(15,435)	(15,435)	(375)	(15,810)
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(6,910)	(6,910)	–	(6,910)
Performance fee	–	–	(343)	–	(343)	–	(343)
Acquisition of treasury shares	–	(4,173)	–	–	(4,173)	–	(4,173)
Balance at 31 December 2022	196,578	(37,448)	–	254,049	413,179	3,212	416,391
Comprehensive income:							
Loss for the year	–	–	–	(98,112)	(98,112)	(643)	(98,755)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(98,112)	(98,112)	(643)	(98,755)
Balance at 31 December 2023	196,578	(37,448)	–	155,937	315,067	2,567	317,634

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Loss before taxation	(111,800)	(17,549)
Adjustments for:		
Net finance charge (before loss/(gain) on interest rate swaps)	9,353	7,937
Loss/(gain) on interest rate swaps	7,240	(26,920)
Loss on disposal of investment property	4,282	185
Investment property revaluation loss	97,298	42,241
Depreciation	55	8
Performance fee due to Property Advisor (share-based payment)	–	(343)
Operating cash flows before movements in working capital	6,428	5,559
Decrease/(increase) in receivables	479	(2,882)
Increase/(decrease) in payables	456	(463)
Cash generated from operating activities	7,363	2,214
Income tax paid	(516)	(521)
Net cash generated from operating activities	6,847	1,693
Cash flow from investing activities		
Proceeds on disposal of investment property (net of disposal costs)	6,142	17,310
Proceeds on disposal of investment property received in advance	101	3,700
Interest received	413	474
Capital expenditure on investment property	(9,400)	(16,437)
Property additions	(4,930)	(13,229)
Additions to property, plant and equipment	(54)	–
Net cash used in investing activities	(7,728)	(8,182)
Cash flow from financing activities		
Interest paid on bank loans	(8,366)	(7,296)
Loan arrangement fees paid	–	(499)
Repayment of bank loans	(5,904)	(6,354)
Drawdown on bank loan facilities	13,664	33,765
Dividends paid	–	(6,910)
Acquisition of treasury shares	–	(4,173)
Net cash (used in)/generated from financing activities	(606)	8,533
Net (decrease)/increase in cash and cash equivalents	(1,487)	2,044
Cash and cash equivalents at beginning of year	12,485	10,441
Exchange gains/(losses) on cash and cash equivalents	–	–
Cash and cash equivalents at end of year	10,998	12,485

Reconciliation of Net Cash Flow to Movement in Debt For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Cash flow from increase in debt financing		7,760	27,411
Loan arrangement fees paid		–	(499)
Non-cash changes from increase in debt financing		1,399	1,017
Change in net debt resulting from cash flows		9,159	27,929
Movement in debt in the year		9,159	27,929
Debt at the start of the year		312,084	284,155
Debt at the end of the year	22	321,243	312,084

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 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 IFC 5, St. Helier, Jersey JE1 1ST, Channel Islands.

2. Summary of material accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of preparation

The consolidated financial statements have been prepared under UK International Accounting Standards and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable law.

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 IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union and United Kingdom, that are relevant to its operations and effective for accounting periods beginning on 1 January 2023.

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 three years from the signing of this report. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base and the Group's investments, borrowing and debt repayment plans and show that the Group should be able to operate within the level of its current resources and expects to comply with all covenants for the foreseeable future. The Group's business activities together with the factors likely to affect its future development and the Group's objectives, policies and processes for managing its capital and its risks are set out in the Strategic Report and in notes 3 and 30. 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 alongside its principal risks in its going concern assessment. Further information can be found in the Viability Statement on page 42. 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 represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

2.4 Revenue recognition

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

2.5 Foreign currencies

(a) Functional and presentation currency

The currency of the primary economic environment in which the Group operates ('the functional currency') is the Euro (€). The presentational currency of the consolidated financial statements is also the Euro (€).

(b) Transactions and balances

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

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

2.6 Segment reporting

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

2.7 Operating profit/(loss)

Operating profit/(loss) is stated before the Group's net finance charges and gains/losses on derivative financial instruments 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 are accounted for on an accruals basis and included in property expenses.

2.9 Separately disclosed items

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

2.10 Property Advisor fees

The element of Property Advisor fees for management services provided are accounted for on an accruals basis and are charged to the Consolidated Statement of Comprehensive Income. These fees are detailed in note 7 and classified under 'Property advisors' fees and expenses'. The settlement of the Property Advisor performance fees is detailed in note 25. Due to the nature of the settlement of the performance fee, any movement in the amount payable at the year end is reflected within the share-based payment reserve in the Consolidated Statement of Financial Position.

2.11 Investment property

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

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

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

A valuation exercise is undertaken by the Group's independent valuer, Jones Lang LaSalle GmbH (JLL), at each reporting date in accordance with the methodology described in note 16 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

2. Summary of material accounting policies continued

2.11 Investment property continued

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 to the sale of an asset and marketing has commenced.

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

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

- 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;
- 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;
- 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; 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 – 4.5% to 25% per annum, straight line.

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

2.14 Borrowing costs

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

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

2.15 Tenants deposits

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

2.16 Financial instruments

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

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

Trade and other receivables

Trade receivables are amounts due from tenants for rents and service charges and are initially recognised at the amount of the consideration that is unconditional and subsequently carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. The Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivable.

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.

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 at the weighted average cost of treasury shares up to the date of repurchase. 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 retained earnings.

Interest rate swaps

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

The interest rate swaps are recognised in the Consolidated Statement of Financial Position at fair value, based on counterparty quotes. The gain or loss on the swaps is recognised in the Consolidated Statement of Comprehensive Income and detailed in note 12.

The interest rate swaps are valued by an independent third-party specialist. The market value calculation is based on the present value of the counterparty payments, the fixed interest, the present value of the payments to be received, and the floating interest.

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/(loss) for the year. Taxable profit/(loss) differs from net profit/(loss) 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/(loss). Deferred tax assets are recognised to the extent that it is probable that taxable profit 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

2. Summary of material accounting policies continued

2.17 Current and deferred income tax continued

(b) Deferred tax continued

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 2023, as adopted by the European Union and United Kingdom:

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 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	Accounting periods beginning on or after 1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	Accounting periods beginning on or after 1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	Accounting periods beginning on or after 1 January 2023

The new standards and amendments listed above did not have a material impact on either the current or prior financial periods.

New and revised IFRS standards in issue but not yet effective and not early adopted

The following standards have been issued by the IASB and adopted by the EU:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	Accounting periods beginning on or after 1 January 2024
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	Accounting periods beginning on or after 1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	Accounting periods beginning on or after 1 January 2024 (but not yet endorsed in the EU)
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Accounting periods beginning on or after 1 January 2025 (but not yet endorsed in the EU)

There are no anticipated material impacts to the Group from the above new and revised IFRS Standards.

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. The risks posed by potential changes to rental legislation in Berlin, as well as general market uncertainty due to the continued conflict in Ukraine have been identified as material market risk and as such have been disclosed below.

(a) Foreign exchange risk

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

The Group's policy is not to enter into any currency hedging transactions, as the majority of transactions are in Euros, which is the primary currency of the environment in which the Group operates. 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 22.

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 which could affect both the rental income, and the value of property. The Group seeks to mitigate any effect of the changing legislations using strategies set out in the Principal Risks and Uncertainties section on pages 34-37.

(e) Market risk – Geopolitical

Although the Company has no direct exposure to either Russia, Ukraine or the Middle East, it is expected that the continuing conflict in Ukraine and rising tensions within the Middle East will continue to cause an impact on the global economy. These include the possible effects of higher energy prices, the possible knock-on impact of inflation, recession and increasing cyber-attacks. Additionally, these circumstances have created a degree of uncertainty across global equity markets. The conflict in Ukraine, and the introduction of sanctions against Russia and Belarus, as well as possible secondary derivative impacts are being closely monitored by the Board and the Property Advisor.

3.3 Credit risk

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

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

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

3.4 Liquidity risk

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

3.5 Capital management

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

The capital structure of the Group consists of net debt (nominal borrowings 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 2023 €'000	As at 31 December 2022 €'000
Borrowings	(321,243)	(312,084)
Cash and cash equivalents	10,998	12,485
Net debt	(310,245)	(299,599)
Equity	317,634	416,391
Net debt to equity ratio	98%	72%

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

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 (€675,567,000)

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 2023 is based on the rules, regulations and market as at that date. The fair value estimates of investments properties are detailed in note 16.

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:

- 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.
- 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.
- 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 16.

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

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

5. Segmental information

The Group's principal reportable segments under IFRS 8 were as follows:

- Residential; and
- Commercial.

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

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

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

6. Revenue

	31 December 2023 €'000	31 December 2022 €'000
Rental income	21,356	20,289
Service charge income	6,098	5,645
	27,454	25,934

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

	31 December 2023 €'000	31 December 2022 €'000
Within 1 year	1,725	1,201
1 – 2 years	1,179	1,201
2 – 3 years	880	917
3 – 4 years	565	648
4 – 5 years	331	543
Later than 5 years	529	417
	5,209	4,927

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

The leasing arrangements for residential property are with individual tenants, with three months 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 2023 €'000	31 December 2022 €'000
Property management expenses	1,431	1,233
Repairs and maintenance	1,757	1,525
Impairment charge – trade receivables	952	868
Service charges paid on behalf of tenants	7,370	6,631
Property advisors' fees and expenses	5,805	6,862
	17,315	17,119

8. Administrative expenses

	31 December 2023 €'000	31 December 2022 €'000
Secretarial and administration fees	680	651
Legal and professional fees	2,872	2,261
Directors' fees	268	275
Bank charges	17	74
Loss on foreign exchange	9	5
Depreciation	55	8
Other income	(135)	(10)
	3,766	3,264

Further details of the Directors' fees are set out in the Directors' Remuneration Report on page 58.

9. Auditor's remuneration

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

	31 December 2023 €'000	31 December 2022 €'000
Fees payable to the Group's auditor and its associates for the audit of the consolidated financial statements	248	231
Fees payable to the Group's auditor and its associates for other services – Agreed upon procedures – half-year report	35	33
	283	264

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

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

	31 December 2023 €'000	31 December 2022 €'000
Disposal proceeds	13,027	13,754
Book value of disposals	(12,767)	(12,982)
Disposal costs	(441)	(957)
Loss on disposal of investment property excluding disposal of Erkner development	(181)	(185)
Real estate transfer tax recoverable from Erkner development	1,202	–
Book value of Erkner development on disposal	(5,303)	–
	(4,282)	(185)

11. Investment property fair value loss

	31 December 2023 €'000	31 December 2022 €'000
Investment property fair value loss	(97,298)	(42,241)

Further information on investment properties is shown in note 16.

12. Net finance charge

	31 December 2023 €'000	31 December 2022 €'000
Interest income	(413)	(376)
Finance expense on bank borrowings	9,766	8,313
Net finance charge before gain/loss on interest rate swap	9,353	7,937
Loss/(gain) on interest rate swaps	7,240	(26,920)
	16,593	(18,983)

13. Income tax credit

	31 December 2023 €'000	31 December 2022 €'000
The tax credit for the period is as follows:		
Current tax charge	564	817
Deferred tax credit – origination and reversal of temporary differences	(13,609)	(2,556)
	(13,045)	(1,739)

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

	31 December 2023 €'000	31 December 2022 €'000
Loss before tax	(111,800)	(17,549)
Tax at German income tax rate of 15.8% (2022: 15.8%)	(17,664)	(2,773)
Losses not subject to tax: Loss on property disposal	677	29
Losses carried forward not recognised	3,943	1,005
Total tax credit for the year	(13,044)	(1,739)

Reconciliation of current tax liabilities

	31 December 2023 €'000	31 December 2022 €'000
Balance at beginning of year	808	512
Tax paid during the year	(516)	(521)
Current tax charge	564	817
Balance at end of year	856	808

Reconciliation of deferred tax

	Capital gains on properties (Liabilities) €'000	Interest rate swaps (Liabilities) €'000	Total (Net liabilities) €'000
Balance at 1 January 2022	(75,198)	1,722	(73,476)
Credited/(charged) to the Statement of Comprehensive Income	6,816	(4,260)	2,556
Deferred tax liability at 31 December 2022	(68,382)	(2,538)	(70,920)
Credited to the Statement of Comprehensive Income	12,463	1,146	13,609
Deferred tax liability at 31 December 2023	(55,919)	(1,392)	(57,311)

Jersey income tax

The Group is liable to Jersey 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 2023 was 15.8% (2022: 15.8%).

Factors affecting future tax charges

The Group has accumulated tax losses of approximately €50 million (2022: €42 million) in Germany, which will be available to set against suitable future profits should they arise, subject to the criteria for relief. Accumulated tax losses are carried forward without time limit for German Corporate Tax. These losses are offset against the deferred taxable gain to give the deferred tax liability set out above.

14. Dividends

	31 December 2023 €'000	31 December 2022 €'000
Amounts recognised as distributions to equity holders in the period:		
No interim dividend was paid for the year ended 31 December 2023 (2022: 2.35 Euro cents (2.09 Sterling pence) per share)	–	2,158
No final dividend was paid for the year ended 31 December 2022 (2022: 5.15 Euro cents (4.36 Sterling pence) per share for the year ended 31 December 2021)	–	4,752

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

15. 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 and Germany.

Further details are given below:

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

16. Investment properties

	31 December 2023 €'000	31 December 2022 €'000
Fair value		
At 1 January	775,904	801,461
Capital expenditure	9,400	16,437
Property additions	5,631	13,229
Disposals	(18,070)	(12,982)
Fair value loss	(97,298)	(42,241)
Investment properties at fair value	675,567	775,904
Assets classified as 'Held for Sale' (Note 17)	(60,594)	(14,527)
At 31 December	614,973	761,377

The property portfolio was valued at 31 December 2023 by JLL, in accordance with the methodology described below. The valuations were performed in accordance with the current Appraisal and Valuation Standards, 8th edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS).

The valuation is performed on a building-by-building basis from source information on the properties including current rent levels, void rates, capital expenditure, maintenance costs and non-recoverable costs provided to JLL by the Property Advisor QSix Residential Limited. JLL use their own assumptions with respect to rental growth (taking account of the complexity of German rent laws, capital investment levels and churn), and adjustments to non-recoverable costs. JLL also uses data from comparable market transactions where these are available alongside their own assumptions.

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

All properties are valued as Level 3 measurements under the fair value hierarchy (see note 30) as the inputs to the DCF methodology which have a significant effect on the recorded fair value are not observable. Additionally, JLL perform reference checks back to comparable market transactions to confirm the valuation model.

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

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

Discounted cash flow methodology

The fair value of investment properties is determined using the DCF methodology.

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

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

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

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

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

The principal inputs to the valuation are as follows:

	Year ended 31 December 2023 Range	Year ended 31 December 2022 Range
Residential properties		
Market rent		
Rental value (€ per sq. p.m.)	9.8 – 16.3	9.75 – 15.50
Stabilised residency vacancy (% per year)	0 – 5	1 – 10
Tenancy vacancy fluctuation (% per year)	0 – 9	4 – 10
Commercial properties		
Market rent		
Rental value (€ per sq. p.m.)	4.58 – 36.83	4.6 – 35.4
Stabilised commercial vacancy (% per year)	2 – 100	0.5 – 89.3
Estimated Rental Value (ERV)		
ERV per year per property (€'000)	39 – 2,605	54 – 2,553
ERV (€ per sq. p.m.)	9.67 – 16.95	9.75 – 15.50
Financial rates – blended average		
Discount rate (%)	4.5	4.1
Portfolio gross yield (%)	3.3	2.8

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.

Sensitivity

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

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

Discount rate: An increase of 0.25% in the discount rate would reduce the investment property fair value by €47.7 million, and a decrease in the discount rate of 0.25% would increase the investment property fair value by €48.4 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

16. Investment properties continued

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

Rental Scenario

Where properties are intended to be held by the Group for the foreseeable future, they are reported under the 'Rental Scenario', and valued using the DCF methodology disclosed above. In general the market participants are willing to pay higher prices for properties where physical and legal requirements are fulfilled and it is financially feasible to sell units individually. In these cases the market values are still calculated on a rental basis but are adjusted to implement the described potential increase in value. JLL calculates the market value of these assets in what is referred to as a 'Privatisation potential', which includes a deduction to the rental scenario discount rate for each completed step met when transitioning from the Rental Scenario to the Condominium Scenario.

Condominium Scenario

Where properties have the potential or the benefit of all relevant permissions required to sell apartments individually (condominiums), and have been approved for sale by the Board, then we refer to this as a 'Condominium Scenario'. Properties expected to be sold in the coming year from these assets are considered held for sale under IFRS 5 and can be seen in note 17. The market value of the Privatisation potential of these assets is reported under the Condominium Scenario.

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 17.

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

	31 December 2023 €'000	31 December 2022 €'000
Rental Scenario	614,973	738,554
Condominium Scenario	57,610	28,470
Disposal Scenario	2,984	8,880
Total	675,567	775,904

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

	31 December 2023 €'000	31 December 2022 €'000
Investment properties	(96,198)	(41,647)
Investment properties held for sale (see note 17)	(1,100)	(594)
	(97,298)	(42,241)

17. Investment properties – held for sale

	31 December 2023 €'000	31 December 2022 €'000
Fair value – held for sale investment properties		
At 1 January	14,527	41,631
Transferred from/(to) investment properties	59,453	(14,566)
Capital expenditure	481	1,038
Properties sold	(12,767)	(12,982)
Valuation loss on properties held for sale	(1,100)	(594)
At 31 December	60,594	14,527

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

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

Properties notarisised for sale by the reporting date are valued at their disposal price (disposal scenario), and other properties are valued using the rental and condominium scenarios (see note 16) as appropriate.

Investment properties held for sale are all expected to be sold within 12 months of the reporting date based on management knowledge of current and historic market conditions. While whole properties have been valued under a condominium scenario in note 16, only units expected to be sold have been transferred to assets held for sale.

The investment properties held for sale have debt of €28.9 million (2022: €6.9 million) that is repayable upon sale of those investment properties.

18. Property, plant and equipment

	Equipment €'000
Cost or valuation	
As at 1 January 2022	109
As at 31 December 2022	109
Additions	54
As at 31 December 2023	163
Accumulated depreciation and impairment	
As at 1 January 2022	89
Charge for the year	8
As at 31 December 2022	97
Charge for the year	55
As at 31 December 2023	152
Carrying amount	
As at 31 December 2022	12
As at 31 December 2023	11

19. Other financial assets at amortised cost

	31 December 2023 €'000	31 December 2022 €'000
Non-current		
At 1 January	828	926
Repayments	(24)	(122)
Accrued interest	24	24
At 31 December	828	828

The Company entered into a loan agreement with the minority interest of Accentro Real Estate AG 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.

20. Trade and other receivables

	31 December 2023 €'000	31 December 2022 €'000
Current		
Trade receivables	759	932
Less: impairment provision	(297)	(373)
Net receivables	462	559
Prepayments and accrued income	235	68
Service charges receivable	6,797	6,192
Other receivables	5,340	3,249
	12,834	10,068

Other receivables include €1.2 million in respect of real estate transfer tax recoverable in relation to the disposal of the Erkner development. Other receivables include €2.7 million due in respect of investment properties sold.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

20. Trade and other receivables continued

Ageing analysis of trade receivables

	31 December 2023 €'000	31 December 2022 €'000
Up to 12 months	463	540
Between 1 year and 2 years	(1)	19
	462	559

Impairment of trade and service charge receivables

The Group 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 Group 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 2023, and on 31 December 2022 was determined as set out below.

The Group applies the following loss rates to trade receivables.

As noted below, a loss allowance of 50% (2022: 50%) has been recognised for trade receivables that are more than 60 days past due except for any receivables relating to the Mietendeckel which are expected to be recovered in full. 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 2023
Expected loss rate (%)	0%	50%	100%	
Gross carrying amount (€'000)	286	352	121	759
Loss allowance provision (€'000)	–	(176)	(121)	(297)

Trade receivables	0 – 60 days	Aging over 60 days	Non-current tenant	Total 2022
Expected loss rate (%)	0%	50%	100%	
Gross carrying amount (€'000)	328	462	142	932
Loss allowance provision (€'000)	–	(231)	(142)	(373)

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

	31 December 2023 €'000	31 December 2022 €'000
Balance at the beginning of the year	373	315
Impairment losses recognised	952	868
Amounts written off as uncollectable	(1,028)	(810)
Balance at the end of the year	297	373

All impairment losses relate to the receivables arising from tenants.

21. Cash and cash equivalents

	31 December 2023 €'000	31 December 2022 €'000
Cash at banks	9,287	11,156
Cash at agents	1,711	1,329
Cash and cash equivalents	10,998	12,485

22. Borrowings

	31 December 2023		31 December 2022	
	Nominal value €'000	Book value €'000	Nominal value €'000	Book value €'000
Current liabilities				
Bank loans and accrued interest – NATIXIS Pfandbriefbank AG	1,419	405	1,031	19
Bank loans – Berliner Sparkasse	1,027	1,027	801	801
	2,446	1,432	1,832	820
Non-current liabilities				
Bank loans – NATIXIS Pfandbriefbank AG	262,218	260,502	253,602	250,872
Bank loans – Berliner Sparkasse	59,309	59,309	60,392	60,392
	321,527	319,811	313,994	311,264
	323,973	321,243	315,826	312,084

The fair value of borrowings approximated their book value at the date of the Consolidated Statement of Financial Position.

The difference between book values and nominal values in the table above relates to unamortised transaction cost.

The Group has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 reporting periods.

Financial covenants relating to the NATIXIS Pfandbriefbank AG loans include a projected interest cover of at least 150%, minimum debt yield of 4.3% and a maximum loan to value of 67.5%.

There are no financial covenants relating to the Berliner Sparkasse loans.

The NATIXIS Pfandbriefbank AG loans mature on 11 September 2026 and the Berliner Sparkasse loans mature between 31 December 2026 and 31 October 2027.

All borrowings are secured against the investment properties of the Group. The Group had no undrawn debt facilities as at 31 December 2023 (2022: €39.0 million).

Interest rate risk concentration

Interest rate basis	Fixed interest %	Fixed interest %	Floating interest %	Total loans €'000	Hedged against floating rate loans €'000
	1–2% €'000	2–3% €'000	Euribor €'000		
Interest rate range					
NATIXIS Pfandbriefbank AG	–	–	262,218	262,218	219,000
Berliner Sparkasse	39,832	3,800	16,704	60,336	11,684
Total	39,832	3,800	278,922	322,554	230,684

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23. Trade and other payables

	31 December 2023 €'000	31 December 2022 €'000
Trade payables	4,033	4,525
Accrued liabilities	1,601	1,485
Service charges payable	6,255	5,394
Advanced payment received on account	101	3,700
Deferred income	–	26
	11,990	15,130

Advanced payment received on account relates to disposal proceeds received prior to the Statement of Financial Position date for units that proceeded to change ownership in the first quarter of the following financial year.

24. Derivative financial instruments

	31 December 2023 €'000	31 December 2022 €'000
Interest rate swaps – carried at fair value through profit or loss		
Balance at 1 January	16,036	(10,884)
Fair value movement through profit or loss	(7,240)	26,920
Balance at 31 December	8,796	16,036

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2023 were €231,049,375 (2022: €214,878,750). At 31 December 2023 the fixed interest rates vary from 0.775% to 3.21% with the floating interest based on 3 month Euribor (2022: 0.775% to 1.287%) and mature between September 2026 and February 2027.

The interest rate swaps are valued by an independent third-party specialist. The market value calculation is based on the present value of the counterparty payments, the fixed interest, and the present value of the payments to be received, and the floating interest.

The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the Consolidated Statement of Financial Position, as the impact of discounting is not significant.

Maturity analysis of interest rate swaps

	31 December 2023 €'000	31 December 2022 €'000
Less than 1 year	5,416	4,686
Between 1 and 2 years	2,190	5,055
Between 2 and 5 years	1,441	7,261
More than 5 years	–	–
	9,047	17,002

Maturity analysis of interest rate swaps as of 31 December 2023

Year	Pay fixed €'000	Receive floating €'000	Net €'000
2024	(2,775)	8,191	5,416
2025	(2,765)	4,955	2,190
2026	(2,397)	3,816	1,419
2027	(13)	36	23
Total	(7,950)	16,998	9,046

25. Share-based payment reserve

	Performance fee €'000
Balance at 1 January 2022	343
Fee charge for the year	(343)
Balance at 31 December 2022	–
Fee charge for the year	–
Balance at 31 December 2023	–

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

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 by which the annual EPRA NTA 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 NTA per share at 1 January 2021; and
- ii) the EPRA NTA per share at the end of a Performance Period in relation to which a performance fee was earned in accordance with the provisions contained with the Property Advisory and Investor Relations Agreement.

Should a fee be due, the fee will be settled shortly after the release of the 2023 Annual Report in shares of the Company and, being determined by reference to an equity based formula, meets the definition of a share-based payment arrangement. There is no fee due to be settled for the current period.

The right to the payment of a Performance Fee was waived by the Property Advisor in July 2023 as part of an amended fee arrangement (note 32).

26. Stated capital

	31 December 2023 €'000	31 December 2022 €'000
Issued and fully paid:		
At 1 January	196,578	196,578
At 31 December	196,578	196,578

The number of shares in issue at 31 December 2023 was 100,751,410 (31 December 2022: 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 2023, the Group held 8,924,047 of the Company's shares (2022: 8,924,047). During the year no further shares were purchased in the market.

27. Non-controlling interests

	Non-controlling interest %	31 December 2023 €'000	31 December 2022 €'000
Phoenix Spree Mueller GmbH	5.1%	1,359	1,571
Phoenix Spree Gottlieb GmbH	5.1%	1,143	1,307
Jühnsdorfer Weg Immobilien GmbH	5.1%	65	334
		2,567	3,212

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27. Non-controlling interests continued

The following is summarised financial information for the subsidiaries which have material non-controlling interest (NCI), prepared in accordance with IFRS. The information is before inter-company eliminations with other companies in the Group.

	Phoenix Spree Mueller GmbH €'000	Phoenix Spree Gottlieb GmbH €'000	Jühnsdorfer Weg Immobilien GmbH €'000	31 December 2023 €'000
Revenue	1,272	1,218	2,194	4,684
Loss	(4,137)	(3,191)	(5,286)	(12,614)
Loss attributable to NCI	(211)	(162)	(270)	(643)
Non-current assets	30,400	28,300	48,500	107,200
Current assets	4,921	7,604	11,031	23,556
Non-current liabilities	(8,098)	(12,943)	(47,415)	(68,456)
Current liabilities	(565)	(533)	(10,845)	(11,943)
Net assets	26,658	22,428	1,271	50,357
Net assets attributable to NCI	1,359	1,143	65	2,567
Cash flows from operating activities	117	141	387	645
Cash flows from investing activities	(2)	(4)	(2,073)	(2,079)
Cash flows from financing activities	(68)	(332)	2,351	1,951
Net increase in cash and cash equivalents	47	(195)	665	517

28. Earnings per share and EPRA earnings per share

	31 December 2023	31 December 2022
Earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	(98,112)	(15,435)
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	91,827,363	92,139,098
Effect of dilutive potential ordinary shares (Number)	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	91,827,363	92,139,098
Earnings per share (€)	(1.07)	(0.17)
Diluted earnings per share (€)	(1.07)	(0.17)
	31 December 2023 €'000	31 December 2022 €'000
EPRA earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	(98,112)	(15,435)
Changes in value of investment properties	97,298	42,241
Loss on disposal on investment properties	4,282	185
Changes in fair value of financial instruments	7,240	(27,263)
Deferred tax adjustments	(13,609)	(2,556)
Change in non-controlling interest	(391)	(13)
EPRA earnings	(3,292)	(2,841)
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	91,827,363	92,139,098
EPRA earnings per share (€)	(0.04)	(0.03)
Diluted EPRA earnings per share (€)	(0.04)	(0.03)

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

	31 December 2023	31 December 2022
Net assets (€'000)	315,067	413,179
Number of participating ordinary shares	91,827,363	91,827,363
Net asset value per share (€)	3.43	4.50

EPRA NRV (Net Reinstatement Value) – this includes transfer duties of the property assets.

EPRA NTA (Net Tangible Assets) – the Company buys and sells assets leading to taking account of certain liabilities.

EPRA NDV (Net Disposal Value) – the value for the shareholder in the event of a liquidation.

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

The number of diluted shares does not include treasury shares.

	EPRA NRV €'000	EPRA NTA €'000	EPRA NDV €'000
At 31 December 2023			
IFRS equity attributable to shareholders	315,067	315,067	315,067
Diluted NAV	315,067	315,067	315,067
Diluted NAV at fair value	315,067	315,067	315,067
<i>Exclude:</i>			
Deferred tax in relation to revaluation gains/losses of investment property and derivatives	57,311	57,311	–
Fair value of financial instruments	(8,796)	(8,796)	–
<i>Include:</i>			
Fair value of fixed interest rate debt			3,712
Real estate transfer tax	60,345	–	
NAV	423,927	363,582	318,779
Fully diluted number of shares	91,827,363	91,827,363	91,827,363
NAV per share (€)	4.62	3.96	3.47
	EPRA NRV €'000	EPRA NTA €'000	EPRA NDV €'000
At 31 December 2022			
IFRS Equity attributable to shareholders	413,179	413,179	413,179
Diluted NAV	413,179	413,179	413,179
Diluted NAV at fair value	413,179	413,179	413,179
<i>Exclude:</i>			
Deferred tax in relation to revaluation gains/losses of investment property and derivatives	70,920	70,920	–
Fair value of financial instruments	(16,036)	(16,036)	–
<i>Include:</i>			
Fair value of fixed interest rate debt	–	–	2,829
Real estate transfer tax	63,176	–	–
NAV	531,239	468,063	416,008
Fully diluted number of shares	91,827,363	91,827,363	91,827,363
NAV per share (€)	5.79	5.10	4.53

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For the year ended 31 December 2023

30. Financial instruments

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

Principal financial instruments

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

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

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

	31 December 2023 €'000	31 December 2022 €'000
Amortised cost		
Trade and other receivables – current	12,599	10,000
Cash and cash equivalents	10,998	12,485
Other financial assets at amortised cost	828	828
	24,425	23,313
Fair value through profit or loss		
Derivative financial asset – interest rate swaps	8,796	16,036
	8,796	16,036
	33,221	39,349

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

	31 December 2023 €'000	31 December 2022 €'000
At amortised cost		
Borrowings payable: current	1,432	820
Borrowings payable: non-current	319,811	311,264
Trade and other payables	11,990	15,130
	333,233	327,214

Fair value of financial instruments

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. Due to the commercial variable rates applied to the long-term liabilities, and the relatively short-term nature, the fair value of these positions are not considered to be materially different from their carrying value. Fixed rate long-term liabilities account for approximately 13% of total borrowing, and while the fair value of these positions would likely differ more than the fair value of borrowing at commercial variable rates, given the relatively short-term nature of the lending maturing within the next four years and the projected gradual decrease in Euribor rates over the same period, bringing the rates back down to similar rates to the current fixed lending rates, it is also considered that the fair value of these position would not be materially different from their carrying value.

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

The interest rate swaps are expected to mature between September 2026 and February 2027.

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 2023 €'000	31 December 2022 €'000
Financial assets/(liabilities)		
Interest rate swaps – Level 2 – current	–	–
Interest rate swaps – Level 2 – non-current	8,796	16,036
	8,796	16,036

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 balances only:

	31 December 2023 €'000	31 December 2022 €'000
Financial assets		
Cash and cash equivalents	215	75
Financial liabilities		
Trade and other payables	(377)	(494)
Net position	(162)	(419)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

30. Financial instruments continued

Foreign exchange risk continued

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

	Weakened by 10% increase/(decrease) in post-tax profit/loss and impact on equity €'000	Strengthened by 10% increase/(decrease) in post-tax profit/loss and impact on equity €'000
31 December 2023	(16)	16
31 December 2022	(42)	42

Credit risk management

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

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

The Group holds cash at the following banks: Barclays Private Clients International Jersey Ltd, Deutsche Bank AG, Berliner Sparkasse, UniCredit Bank AG and Hausbank. The split of cash held at each of the banks respectively at 31 December 2023 was 22% / 59% / 6% / 4% / 9% (31 December 2022: Barclays Private Clients International Jersey Ltd, Deutsche Bank AG, Berliner Sparkasse, UniCredit Bank AG and Hausbank the split was 36% / 50% / 7% / 2% / 5%). Barclays and Berliner Sparkasse have a credit rating of A+, Deutsche Bank has a credit rating of A, UniCredit Bank AG has a credit rating of A-2 and Hausbank has a credit rating of AA-.

The Group holds no collateral as security against any financial asset. The carrying amount of financial assets recorded in the financial statements, 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 20 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 current interest payable and principal cash flows.

Maturity analysis for financial liabilities

	Less than 1 year €'000	Between 1 – 2 years €'000	Between 2 – 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2023					
Borrowings payable: current	2,446	–	–	–	2,446
Borrowings payable: non-current	–	–	321,527	–	321,527
Trade and other payables	11,990	–	–	–	11,990
	14,436	–	321,527	–	335,963
	Less than 1 year €'000	Between 1 – 2 years €'000	Between 2 – 5 years €'000	More than 5 years €'000	Total €'000
At 31 December 2022					
Borrowings payable: current	1,832	–	–	–	1,832
Borrowings payable: non-current	–	–	313,994	–	313,994
Trade and other payables	15,130	–	–	–	15,130
	16,962	–	313,994	–	330,956

Loans are due to mature in September 2026 for the NATIXIS loan facility and between 31 December 2026 and October 2027 for the Berliner Sparkasse loan facilities.

31. Capital commitments

	31 December 2023 €'000	31 December 2022 €'000
Contracted capital commitments at the end of the year	–	26,750

Capital commitments include contracted obligations in respect of the acquisition, enhancement, construction, development and repair of the Group's properties.

32. Related party transactions

Related party transactions not disclosed elsewhere are as follows:

Property Advisor fees

In November 2018 the Company signed a new contract with the Property Advisor, which superseded the previous property advisor agreement. Under the Property Advisory Agreement for providing property advisory services, the Property Advisor will be entitled to a portfolio and asset management fee as follows:

- i) 1.2% of the EPRA NTA of the Group where EPRA NTA of the Group is equal to or less than €500 million; and
- ii) 1% of the EPRA NTA of the Group greater than €500 million.

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 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 transaction fee fixed at £1,000 in respect of any acquisition or disposal of property by any subsidiary.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023

32. Related party transactions continued

Property Advisor fees continued

Effective from 1 July 2023 for a period of 12 months, the Property Advisor fee was amended as follows:

- i) for a period of 12 months from 1 July 2023, the amount payable to the Property Advisor in respect of the portfolio and asset management fee, the capex monitoring fee, the finance fees, the transaction fees, the letting fees and the investor relations fees, in each case, inclusive of VAT shall be subject to a cap of €5.0 million; and
- ii) the Property Advisor shall be entitled to a disposal fee equal to 1% of the gross value of assets sold over the 12-month period commencing on 1 July 2023.

QSix Residential Limited is the Group's appointed Property Advisor. Partners of QSix Residential Limited formerly sat on the Board of PSD and retain a shareholding in the Group. During the year ended 31 December 2023, an amount of €5,805,068 (€5,720,759 management fees and €84,309 other expenses and fees) (2022: €6,861,680 (€6,773,608 management fees and €88,072 other expenses and fees)) was payable to QSix Residential Limited. At 31 December 2023 €1,259,889 (2022: €1,584,505) was outstanding. Fees payable to the Property Advisor in relation to overseeing capital expenditure during the year of €489,829 (2022: €492,859) have been capitalised.

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 €Nil (2022: €Nil). Please refer to note 25 for more details.

Apex Financial Services (Alternative Funds) Limited, the Company's Administrator provided administration and company secretarial services. During the period, fees of €680,000 were charged (2022: €651,000) with €Nil (2022: €Nil) outstanding.

Fees payable to Directors during the year amounted to €268,000 (2022: €275,000).

Dividends paid to Directors in their capacity as a shareholder amounted to €Nil (2022: €937).

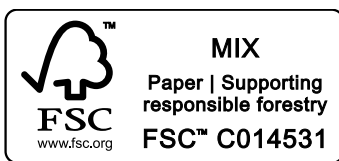
33. Events after the reporting date

Since the reporting date, the Company has exchanged contracts on nine residential condominium units for a total value of €3.4 million. In March 2024, the Company exchanged contracts to sell two multi-family assets, comprising 41 residential and three commercial units, for a total value of €7.4 million.

In January 2024, the sale of one asset completed for which contracts had been exchanged in 2023.

Professional Advisors

Property Advisor	QSix Residential Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator, Company Secretary and Registered Office	Apex Financial Services (Alternative Funds) Limited IFC 5 St. Helier Jersey JE1 1ST
Registrar	Link Asset Services (Jersey) Limited IFC 5 St. Helier Jersey JE1 1ST
Principal Banker	Barclays Bank Plc, Jersey Branch 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	Mourant 22 Grenville Street St. Helier Jersey JE4 8PX
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker	Deutsche Numis Securities Limited 45 Gresham Street London EC2V 7BF
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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