



Better Futures

Phoenix Spree Annual Report and Accounts 2021





**Phoenix Spree
Deutschland Limited ('PSD')
is an Investment Company
founded in 2007 and listed
on the London Stock
Exchange. It is a long-term
investor in Berlin rental
property, committed to
improving the quality
of accommodation for
its customers.**

Over the past 15 years, the Company has assembled an attractive portfolio of real estate assets which the Directors believe offers investors the potential for both reliable income as well as capital growth.

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

Highlights of the Year

Gross rental income (million)

€25.8

Like-for-like rent per sqm growth

3.9%

Invested in modernisation (million)

€9.5

Profit before tax (million)

€45.3

Condominium sales notarised (million)

€15.2

Strategic Report

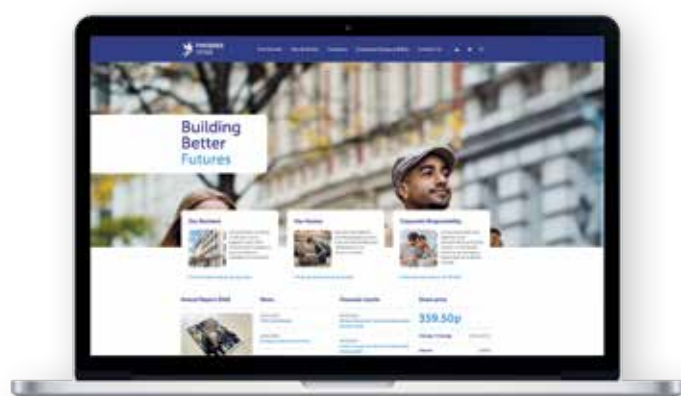
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Highlights of the Year continued

EPRA NTA growth underpinned by significant condominium potential

- Record condominium notarisations of €15.2 million (37 condominium units) during the year to 31 December 2021.
- Average achieved value per sqm of €5,031 for residential units, a 21.7% premium to 31 December 2020 book value of each property.
- Over 75% of Berlin portfolio legally split into condominiums as at 31 December 2021, with a further 10% in application.

New loan facility and refinancing, resumption of acquisitions

- New €60 million loan facility agreed with Natixis and announced on 25 January 2022, offering flexibility to pursue potential further acquisitions as well as continued investment into existing portfolio.
- Successful refinancing of €49.7 million of Berliner Sparkasse debt, releasing a further €14.9 million of cash.
- Net LTV remains conservative at 34.7% (31 December 2020: 33.1%).
- First acquisition since removal of Mietendeckel announced on 21 March 2022 – 17 semi-detached, residential properties in Berlin beltway as a new build, at a purchase price €18.5 million and projected fully occupied rental income of €652,670 p.a.

Continued value delivered through share buybacks and dividend

- During the financial year ended 31 December 2021, the Company bought back a further 4,514,788 Ordinary Shares, representing 4.5% of the Ordinary Share capital, for a total consideration of £17.7 million.
- Average price paid represents a 17.8% discount to the EPRA net tangible assets per share as at 31 December 2020.
- Unchanged annual final dividend of 5.15c. Dividend increased or maintained since listing in June 2015.

Continued strong demand for Berlin residential property

- New leases in Berlin signed at an average 33.8% premium to passing rents.
- 240 new leases signed during the year, with the average rent of all new lettings increasing to €12.2 per sqm, a 4.4% increase on the prior year.
- €9.5 million invested across the Portfolio (31 December 2020: €4.2m), allowing the Company to continue improving the quality of accommodation for its tenants.
- Collection of backdated Mietendeckel rents progressing well; as at 31 December 2021, in excess of 95% had already been collected.
- A number of furnished apartments made available for refugees impacted by the Ukraine crisis for a rent-free period.

Outlook: Long-term Berlin demographic trends expected to remain positive

- Decreased availability of rental stock, exacerbated by the recently-removed Mietendeckel, continues to support market rents and offers significant potential in surrounding 'Beltway' area.
- Net inward migration expected to strengthen when restrictions associated with COVID-19 are permanently removed.
- Potential for further valuation creation through condominium projects and sales. Condominium pricing expected to remain strong, particularly for centrally located Berlin apartments.
- Significant reversionary potential underpins future rental growth – increased capital expenditure expected to drive acceleration in reversionary rental income growth.
- New debt facility provides scope for further acquisitions, subject to strict acquisition criteria and benchmarked against alternative of share buybacks.





"I am pleased that the Company has been able to deliver another strong performance with continued growth in property values and overall Net Asset Value. The reversionary potential that existed within the Portfolio before the introduction of the Mietendeckel is again evident following its withdrawal, and the value within our Portfolio has been further underpinned by our ongoing ability to sell condominiums at a premium to book value.

Our new debt facility and refinancing has strengthened our balance sheet strength and liquidity, and it is pleasing that we have successfully completed our first acquisition since the removal of the Mietendeckel.

We are confident in the ongoing strength of the Berlin residential market and remain focused on continuing to deliver value to shareholders through further investment in our Portfolio growth and quality.

Our thoughts are with those impacted directly and indirectly by the events that are unfolding in Ukraine and I am pleased to announce that PSD has made available a number of furnished apartments on a rent-free basis for refugees affected by the crisis. Although PSD has no direct exposure, we are prepared for the possible secondary effects in the form of higher energy prices and impact of inflation and continue to prioritise the wellbeing of our tenants."

Robert Hingley,
Chairman of PSD

Highlights for the financial year ended 31 December 2021

	Year to 31 December 2021	Year to 31 December 2020	2021 v 2020 % change
Income Statement			
Gross rental income (€m)	25.8	23.9	7.9
Profit before tax (€m)	45.3	37.9	19.4
Dividend (€ c (E p))	7.50 (6.30)	7.50 (6.62)	–
Balance Sheet			
Portfolio valuation (€m)	801.5	768.3	4.3
Like-for-like valuation growth (%)	6.3	6.3	–
IFRS NAV per share (€)	4.74	4.48	5.8
IFRS NAV per share (E) ¹	3.98	4.04	(1.5)
EPRA NTA per share (€ c) ²	5.65	5.28	7.0
EPRA NTA per share (E p) ^{1,2}	4.74	4.76	(0.4)
EPRA NTA ² per share total return (€%)	8.4	8.8	–
Net LTV ³ (%)	34.7	33.1	–
Operational Statistics			
Portfolio valuation per sqm (€)	4,225	3,977	6.2
Annual like-for-like rent per sqm growth (%)	3.9	(15.8)	–
EPRA vacancy (%)	3.1	2.1	–
Condominium sales notarised (€m)	15.2	14.6	4.1

1 Calculated at FX rate Sterling/Euro 1:1.191 (2020: Sterling/Euro 1:1.11).

2 New EPRA Best Practice guidelines from October 2019 introduced three new measures of Net Asset Value: EPRA Net Tangible Assets (NTA), EPRA Net Reinvestment Value (NRV) and EPRA Net Disposal Value (NDV). EPRA NTA is calculated on the same basis as EPRA NAV, and is the most relevant measure for PSD and therefore now acts as the primary measure of Net Asset Value. Further information can be found on page 85.

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.

At a Glance

PSD acquires and manages Berlin residential property

Since 2008, the aggregate value of the Portfolio has risen from €168 million (including the assets of then-sister fund PSPF) to €801.5 million as at 31 December 2021, with each year seeing an increase.

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

The Portfolio mainly consists of classic 'Altbau' properties (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.

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.

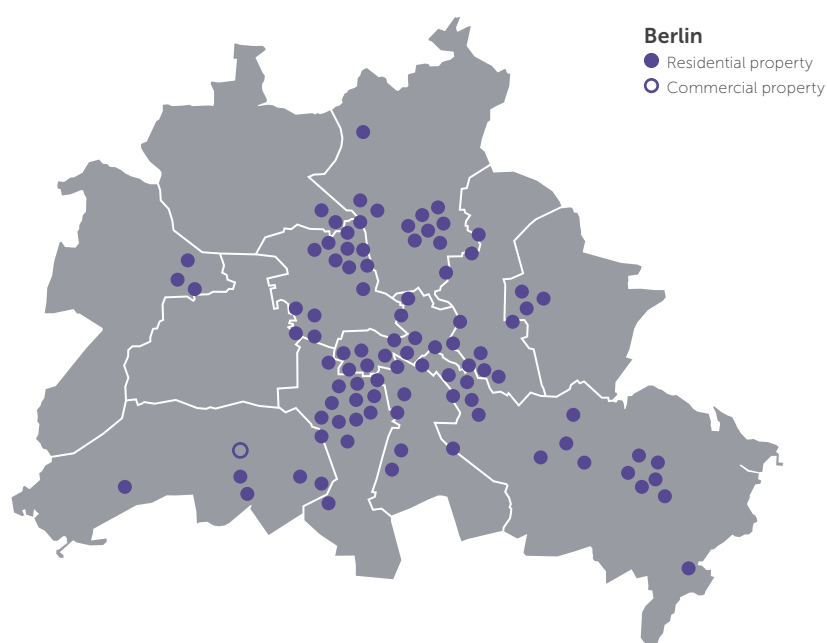
Reported property Portfolio valuation (€ million)

801.5

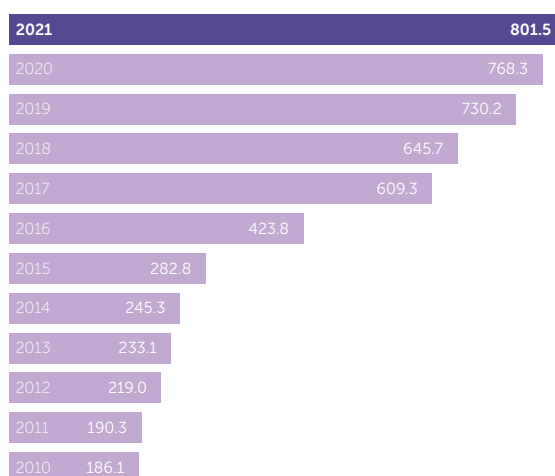
Like-for-like Portfolio growth 2020-2021

6.3%

Pure-play Berlin Portfolio – total properties



Reported Portfolio valuation 2010-2021 (€ million)



Usable space (sqm thousands)

189.7

Residential units

2,569

Commercial units

138



Chairman's Statement

“I am pleased to report that PSD has delivered another strong performance.”

Robert Hingley
Chairman



As at 31 December 2021, the Portfolio was valued at €801.5 million by Jones Lang LaSalle GmbH ('JLL'), a like-for-like annual increase of 6.3%. The Euro EPRA NTA total return per share was 8.4% over the year and the Sterling return was 1.0%, reflecting a rise in the value of Sterling. The Company has additionally delivered record condominium sales and made further progress in condominium splitting.

This result has been achieved despite the full implementation of the Berlin rent controls (the 'Mietendeckel'), subsequent reversal in April 2021 and the ongoing impact that COVID-19 has had on the German economy.

Although the Mietendeckel did not cause transaction values in the Berlin residential property market to fall during the period in which it was in place, equity markets attached a significant risk premium to the valuation of listed Berlin residential property businesses. The removal of the Mietendeckel and the uncertainty it created, combined with our share buyback programme (at an average discount to 2020 year end NAV of 17.8%) and the notarisation of condominiums at a premium to prevailing book value, has underpinned a positive share price performance for the Company. During the financial year, PSD's share price significantly outperformed both the UK FTSE All-Share index and its listed German residential peers.

Further details relating to the Company's financial performance can be found in the Report of the Property Advisor.

Working with our stakeholders

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

To this end, our 'Better Futures' Corporate Responsibility ('CR') Plan provides a framework to monitor existing activities better. It has five key pillars that have been integrated throughout our business operations: Protecting our Environment; Respecting People; Valuing our Tenants; Investing in our Communities and Governance.

During what has been a period of significant disruption caused by the dual impacts of the Mietendeckel and COVID-19, the Company's overriding priority has been the health and wellbeing of its tenants, work colleagues and wider stakeholders. Where necessary, the Company continues to support its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.

The Company will continue to carefully monitor any future impacts that COVID-19 might have on our stakeholders and is committed to acting responsibly at all times.

In recent weeks, we have witnessed scenes of unimaginable suffering in Ukraine. Western European nations, including Germany, are already preparing for what is likely to be the largest movement of refugees since the end of the Second World War. In recognition of this, I am pleased to announce that our Board has taken the decision to make available to Ukrainian refugees a number of fully furnished apartments from the PSD portfolio for a rent-free period.

Improving our tenanted accommodation

The Company takes its responsibilities to its tenants extremely seriously and, where viable, invests heavily in improvements to its properties. Following the removal of the Mietendeckel, which specified rent levels well below free market levels, the Company has been able to resume its historically high level of investment into the Portfolio. During 2021, the Company invested over 37% of its gross revenue on improvement programmes, and it is anticipated that this high level of investment will continue during the year ahead.

Governance and compliance

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

During the year, the Company announced that Monique O'Keefe has notified the Board of her intention to step down as Senior Independent Director in order to take up a senior executive position at another Company. Monique has made an exceptional contribution in her four years as a Director and the PSD Board would like to wish her every success in her new role.

As previously announced, Isabel Robins joined the Board of PSD as a Non-executive Director with effect from 14 March 2022. Isabel Robins has over 23 years' experience of complex offshore real estate structures, encompassing a broad range of property funds, investments, and developments. Her real estate experience and insight will add a valuable perspective to complement and enhance the skill set of the Board.

Our charitable initiatives

PSD takes a strategic approach to its charitable giving which is guided by our Community Investment Policy and focuses on supporting charities where there is a connection with either 'homelessness' or 'families'. Since February 2019, we have provided support to a women's refuge (The Intercultural Initiative) that helps women affected by domestic violence, providing emergency shelter, advice and counselling to the women and their children. I am pleased to report that, during the first half of 2021, PSD committed to supporting an additional Berlin charity, Laughing Hearts. This charity supports children living in children's homes and social care.

Protecting our environment

The Board believes that taking a sustainable and socially responsible approach to our business delivers long-term success and benefits for all of our stakeholders. We recognise that the nature of our business has environmental and social impacts and that we have a responsibility to consider and minimise these impacts, where possible. As a member of EPRA, we want to contribute to greater transparency in reporting and so, in 2020, we strengthened our commitment to delivering against our environmental and social impacts by introducing EPRA's Sustainability Best Practices Recommendations ('SBPR') and capturing our Environmental, Social, and Governance ('ESG') measurements within their framework.

I am therefore delighted to report that this commitment has been recognised in the EPRA Sustainability Awards 2021, with PSD receiving both a Silver and Most Improved award in recognition of the Company's commitment to best practice in its reporting. This recognition further encourages us to continue to approach the future in a consistent, ethical, safe and environmentally friendly way.

Outlook

We are deeply concerned at the tragic humanitarian situation in Ukraine and our thoughts remain with all those affected at this time. Although PSD has no direct exposure, we are prepared for the possible secondary effects in the form of higher energy prices, inflationary pressures and the impact this may have on the outlook for economic growth. At all times, we will continue to prioritise the wellbeing of our tenants and broader stakeholders.

The Company is well placed to resume its reversionary rental strategy and the removal of the Mietendeckel has allowed the Company to restore the level of investment into the Portfolio to pre-Mietendeckel levels.

The fact that new lettings in Berlin during 2021 were signed at an average premium of 33.8% to passing rents should underpin rental growth in the medium term, irrespective of market rental growth.

Uniquely among its listed peers, over 75% of the Company's Berlin portfolio has already been legally split into condominiums. PSD will continue with its strategy of crystallising condominium reversionary value within the Portfolio through the selective sale of individual units as condominiums at a premium to book value.

Our recently-completed loan facility and refinancing provide scope for further potential acquisitions in the event that suitable opportunities can be sourced. Our acquisition criteria remain strict and all potential opportunities will continue to be benchmarked against the alternative of share buybacks.

Berlin market dynamics remain positive and affordability comparisons with other German cities are still favourable. Moreover, it is expected that Berlin demographic trends, particularly net inward migration, will further strengthen when restrictions associated with COVID-19 are permanently removed. This will provide further support for PSD's reversionary strategy.



Robert Hingley
Chairman
29 March 2022



Stakeholder Engagement

Listening to our Stakeholders

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

Section 172 of the Companies Act 2006

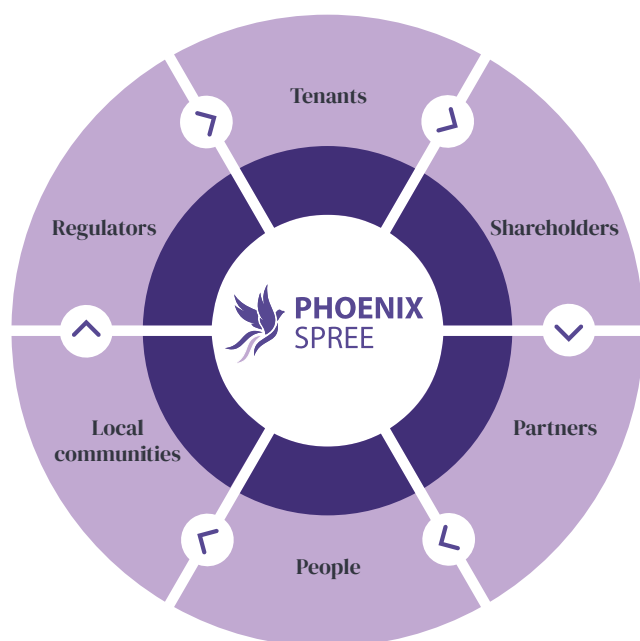
Although it is not a legal requirement for a non-UK Company to comply with section 172 of the Companies Act 2006, there are related corporate governance provisions in the AIC Code which apply to the Company on a 'comply-or-explain' basis.

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

The Board values the importance of maintaining a high standard of business

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

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



Key issues

Tenants

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

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

Shareholders

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

Partners

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

People

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

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

Local communities

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

Regulators

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

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

How the Company engages

- The Property Advisor partners with, and monitors the activities of, Core Immobilien ('Core'), who have the responsibility of interacting with and managing the tenants.
- By interacting in the day-to-day business with tenants, Core builds up a picture of relevant issues and concerns that tenants wish us to consider. These are reported to the PSD Board via the Property Tenant Survey issued by Core to invite constructive feedback.
- Health and Safety is central to all our business activities. It is our responsibility to ensure that we provide and promote a healthy, safe and secure environment for our tenants.
- The Property Advisor has introduced and monitors a Vulnerable Tenant Policy to provide procedures to assist tenants who may require additional protection.

The Company engages directly with shareholders in the following manner:

- Through our investor relations programme with regular written updates, meetings and roadshows.
- Through our Annual General Meeting ('AGM'), to which all investors are invited; investors are updated on the Company and encouraged to share their views.
- The Company provides relevant, timely communications on its Company website.
- The Property Advisor's Investor Relations department is always on hand to deal with investor queries.

The Property Advisor, subject to COVID-19 related travel restrictions, organises bespoke investor trips to Berlin to view PSD's portfolio of assets, meet regulators and valuers and other industry practitioners.

- The Property Advisor has a close working relationship with all of the Company's business partners and advisors and regularly engages with all parties.
- The PSD Board regularly monitors the performance and reviews the terms of each service contract.
- The Property Advisor ensures suppliers meet the Company's high level of conduct. All suppliers are required to confirm on an annual basis, in the form of a questionnaire, that they have adequate policies and procedures in place to align their values with that of the Company.
- 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.

- Our Company Values (Responsible, Fair, Excellent, Respectful) underpin our commitment to acting responsibly. They set guidelines for the way we conduct our business. The Property Advisor has also committed to PSD's values.
- The Property Advisor is committed to having an inclusive working environment. Employees are offered a variety of training programmes to develop personally and professionally.
- The Property Advisor is committed to rewarding performance, offering competitive base salaries and benefit packages. Its reward philosophy is based on team performance and its incentive schemes aim to focus everyone on the achievement of its strategic objectives.
- The Property Advisor provides leading health and welfare benefits including access to medical advice.

- Our 'Better Futures' CR plan has structured our charitable giving through our Community Policy.
- PSD provides financial support to two Berlin-focused charities, The Intercultural Initiative and Laughing Hearts.
- The Intercultural Initiative is a Berlin refuge that helps women and children affected by domestic violence. Laughing Hearts supports children living in children's homes and social care.
- The Property Advisor supports two charities in London, SPEAR and SHP, working with homeless people.
- Funding is given to SPEAR to run an outreach service, helping rough sleepers in the Wandsworth area into accommodation and helping them to address health and wider social care problems.
- Funding provided to SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income.

- The Property Advisor liaises with Non-Governmental Organisations (NGOs) and industry bodies to enhance the positive impact we have on the communities in which we operate.
- The Property Advisor takes a constructive, positive approach to working with local authorities to ensure high quality planning applications are submitted.
- On an ongoing basis, the Property Advisor has reviewed all relevant tenant and property laws to ensure PSD continues to operate within the regulatory framework.

Highlights

- The Property Advisor conducted its 2021 Tenant Survey for incoming tenants to gain better insight on the issues that they regard as important to them.
- The Company incurred capital expenditure of €9.5 million during 2021 to enhance properties within Portfolio.
- The Company has supported its tenants, both residential and commercial, throughout the COVID-19 pandemic. Where necessary, it has agreed, on a case-by-case basis, the payment of monthly rents or deferring rental payments.
- Following the withdrawal of the Mietendeckel, where back dated rents became payable, the Company has worked on a case-by-case basis with any tenants suffering hardship as it collects the remainder of back dated rents due.

- In addition to Numis, the Company Broker, Edison have been engaged to produce regular, in-depth research on the Company. The intention is to raise the visibility of the Company and enable investors to develop an improved understanding of the business.
- The Company has provided shareholders with reassurance in relation to the impact of COVID-19 on the business.
- The Property Advisor conducted over 50 investor conference calls in 2021.
- The Property Advisor regularly attends industry conferences and participates in industry webcasts in instances where COVID-19 restrictions have prevented face-to-face participation.

- The Board, at its meeting held on 14 March 2022, reviewed the performance, and considered the continued appointment, of the Company's service providers.
- The continued appointment of all service providers was approved by the Board.

- The Property Advisor runs weekly online employee town hall meetings to update on the business and share its culture and values. Results from the Property Advisor's 2021 employee survey suggest that the employees are treated with respect and are provided with equal opportunities. 94% of employees rate QSix as an excellent/good employer.
- The Property Advisor has adapted to accommodate COVID-19 restrictions, with extra health and safety measures put in place in their offices, systems set up to accommodate employees working from home and extra support and flexibility provided to employees to help their productivity and wellbeing.

- In 2021, PSD's support to the Intercultural Initiative helped with the operational costs of a support apartment which provides accommodation for families who no longer need to live in a refuge, but still require protection and support to build an independent life. We also helped fund education therapy sessions for children and family counselling support.
- During 2021, PSD committed to supporting an additional Berlin charity, Laughing Hearts. Our donations in 2021 helped fund the purchase of sports and camping equipment for Summer school activities and the provision of equipment for new school starters.
- The Property Advisor's work with SPEAR provided assistance to 302 homeless people in Wandsworth during 2021.
- The Property Advisor's involvement with SHP during 2021 allowed 154 additional people to benefit from SHP's employability programme.

- The Company complied with, and fully implemented, the various components of the Mietendeckel while in force. All tenants were notified as to how they would be affected by the new rules and the necessary rent reductions were implemented in accordance with Mietendeckel rent tables.
- The Company remains fully committed to complying with all relevant property legislation and regulation and acting in line with best practice.

Board Decision-Making

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

Board decision-making and stakeholder considerations

Key decision / item	Stakeholder	How stakeholders' views were taken into account	Actions taken as a result of this engagement	Long term effects of decision
Rent collection during COVID-19 pandemic	Tenants	The Board has received regular updates from the Property Advisor on rent arrears and tenants in difficulty as a result of the COVID-19 pandemic.	Where necessary, the Company provided support to its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.	The Board better understands adverse circumstances as they impact on tenants and potential remedies.
Collection of back dated rents following Mietendeckel withdrawal	Tenants	The Board has received regular updates from the Property Advisor on back dated rent collection and related arrears.	Where necessary, the Company provided support to its tenants, both residential and commercial, through agreeing, on a case-by-case basis, the payment of monthly rents or deferring rental payments.	The Board better understands the impact of regulatory change, its impact on tenants and potential remedies.
Charitable giving	All Stakeholders	Through its Community Investment Policy, the Board is committed to supporting charities where there is a connection with either 'homelessness' or 'families'.	In addition to continuing to support a Berlin women and children's refuge (The Intercultural Initiative) that helps women and children affected by domestic violence, the Board approved financial support to the Laughing Hearts charity in 2021. This charity helps children living in children's homes and social care. In response to the current crisis in Ukraine, a number of furnished apartments were made available for refugees impacted by the Ukraine crisis for a rent-free period.	Breaking the cycle of disadvantage by providing support to women and children affected by domestic violence, and broadening children's experiences to give them a more positive outlook for the future.
Environmental reporting	All Stakeholders	The Board has strengthened the Company's ESG monitoring and reporting by introducing EPRA's SBPR and capturing our ESG measurements within their framework.	The Company has started measuring all buildings that use oil-based energy, gas heating and district heating and will increase coverage in the coming years to include more buildings in the analysis.	Improved monitoring of the Portfolio's environmental impact and future reduction in the Company's environmental footprint. Creating more attractive homes for tenants, that benefit the environment and society as a whole.
Shareholder engagement	Shareholders	The Board considered feedback from shareholders, the Property Advisor, and the Company's corporate broker in relation to the level of shareholder contact and research coverage.	Edison, a respected equity research Company, was engaged to produce regular, in-depth research on PSD. During 2021, Edison published several research reports which were provided to shareholders on a 'free-to-read' basis.	Raising the visibility of the Company to enable investors to develop an improved understanding of the business.
Share buybacks	Shareholders	During the year, the Chairman of the Company undertook a number of engagements to discuss buyback policy and provided investors with the opportunity to share their views.	Every quarter, the Board assessed the continuation of the share buyback programme. In June 2021, following extensive consultation with shareholders, the Company announced it would make a further material allocation of capital to the buyback programme.	Balanced capital management in the light of prevailing economic and regulatory backdrop.

Key Performance Indicators

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

- The value of the property Portfolio grew by 6.3% on a like-for-like basis during the financial year to 31 December 2021 (31 December 2020: 6.3%). This increase reflects the combined impact of increased market rents, improvement in the micro locations of certain assets, and the further progress of splitting certain assets at the land registry.
- Like-for-like Portfolio rent per sqm increased by 3.9% in the year (31 December 2020: 4.1%).
- The EPRA vacancy rate of the Portfolio stood at 3.1% as at 31 December 2021 (31 December 2020: 2.1%).
- The Company continued with its targeted condominium sales programme, notarising sales of €15.2 million in the year to 31 December 2021 (31 December 2020: €14.6 million).
- EPRA NTA per share increased by 7.0% to €5.65 as at 31 December 2021 (31 December 2020: €5.28).
- The total annual dividend for the year 2021 was 7.5c (6.30p) per share (2020: 7.5c £6.62p).

Like-for-like portfolio annual value growth

6.3%



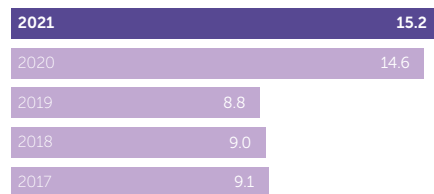
Like-for-like portfolio rent per sqm

+3.9%



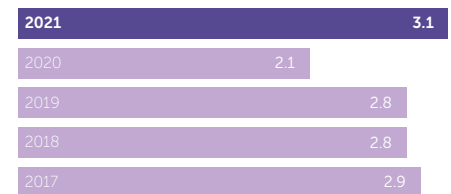
Condominium sales – notarised (millions)

€15.2



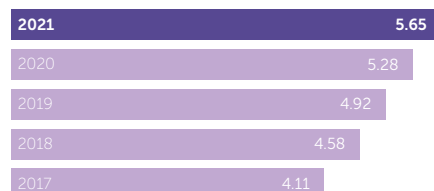
EPRA vacancy

3.1%



EPRA NTA per share

€5.65



Dividend per share

6.30p



Our Strategy

An Active Approach to Portfolio Management

Our strategy is to manage and invest in our Portfolio of properties to improve the overall standard of accommodation to our tenants and deliver superior risk-adjusted returns to our investors.

To deliver on our strategic objectives, it is imperative that we work closely with all of our key stakeholders. These encompass tenants, shareholders, regulators, our partners and local communities.

2021 gross rental income invested in property enhancements

36.8%

New tenants surveyed in 2021 satisfied with their apartment

85.0%

Partners

We respect and value our partners, treating them fairly, so they in turn can deliver the best service to our tenants and investors.

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.

Tenants

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

Shareholders

We aim to deliver superior risk-adjusted returns to our shareholders through rental income, growth in property values and selective condominium sales.

Regulators

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

» Read more page 8

Our key stakeholders



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: Acquire, Renovate, Optimise, and Reinvest.



Acquire

Properties with potential in Berlin and surrounding areas.

» Read more page 17



Renovate

Targeted and value-added investment.

» Read more page 17



Reinvest

Properties revalued or sold as condominiums.

» Read more page 17



Optimise

Increase lettable area and rental income.

» Read more page 18



Report of the Property Advisor

The Property Advisor's priority throughout 2021 has been to protect and support the Company's tenants, colleagues and communities throughout the period of disruption caused by the COVID-19 pandemic. Since the removal of the Berlin rent controls ('the Mietendeckel'), but subject to property and tenancy regulations which still apply, the Property Advisor has also been proactively realigning the Company's portfolio and strategy to reflect the fact that rents can once again be set at free-market levels.

Federal Court rules against the legality of the Berlin Mietendeckel in April 2021

Regulations introduced by the Berlin Red-Red-Green coalition during 2020 to cap or reduce rents for private non-subsidised rental properties aimed to prevent rents being set at free-market levels. This was despite the fact that Germany already had in place, at the Federal level, tenant protections which ranked amongst the strongest in the Western world.

The Company and its legal advisors had always been firmly of the opinion that the Mietendeckel was unconstitutional, and that State law could not supersede Federal law, and, on 15 April 2021, the German Federal Constitutional Court ruled that the Mietendeckel was unlawful and thus void.

The Mietendeckel presented challenges to the Company's rental business model, which had traditionally relied on re-letting at market rates to justify the considerable investment that significantly improves the standard of accommodation available to our tenants. During the period in which the Mietendeckel was in place, the Company reduced its programme of apartment renovations and modernisations on the basis that this investment could not be recouped in the form of rent uplift on re-letting.

The Portfolio continues to display significant reversionary potential, as evidenced by the fact that, during the current financial year, new lettings in Berlin were signed at an average premium of 33.8% to passing rents. Reflecting this, and the fact that the Mietendeckel is no longer in place, the Company has been able to resume its extensive capital expenditure programme.

Prior to the Federal Court ruling, all rental agreements had been structured to allow for the back payment of higher rents now legally due for the period during which the Mietendeckel was in place. Tenants had been advised by the Berlin government and tenant organizations to set aside appropriate reserves for this eventuality.

The Company estimated that the amount of back dated rent which could be claimed from tenants is approximately €2.1 million. As at 31 December 2021, in excess of 95% of this amount had already been collected. The Company will continue to work constructively with any tenants suffering hardship as it collects the remainder of back dated rents due.

Financial results

Revenue for the financial year to 31 December 2021 was €25.8 million (31 December 2020: €23.9 million). Profit before tax was €45.3 million (31 December 2020: €37.9 million) which was positively affected by a revaluation gain of €38.0 million (31 December 2020: €41.5 million).

The year-on-year rise in profit before tax is driven by a gain on the interest swaps during the year, offset by a smaller gain on disposal of condominiums and a charge to the Performance Fee due to the Property Advisor, whereas the prior year fee was a credit.

Financial highlights for the 12-month period to 31 December 2021

€ million (unless otherwise stated)	Year to 31 December 2021	Year to 31 December 2020
Gross rental income	25.8	23.9
Investment property fair-value gain	38.0	41.5
Profit before tax (PBT)	45.3	37.9
Reported EPS (€)	0.39	0.31
Investment property value	801.5	768.3
Net debt (Nominal balances) ¹	278.0	254.4
Net LTV (%)	34.7	33.1
IFRS NAV per share (€)	4.74	4.48
IFRS NAV per share (£) ²	3.98	4.04
EPRA NTA per share (€) ³	5.65	5.28
EPRA NTA per share (£) ²	4.74	4.76
Dividend per share (c)	7.5	7.5
Dividend per share (p)	6.30	6.62
€ EPRA NTA per share total return for period (%)	8.4	8.8
£ EPRA NTA per share total return for period (%) ²	1.0	16.0

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 Sterling/Euro 1:1.191 (2020: Sterling/Euro 1:1.11).

3 Further EPRA Net Asset Measures can be found in note 30.



Property expenses fell over the year, reflecting improved service charge recoveries in the year. Administration costs and legal and professional fees remained flat over the year. Reported earnings per share for the period were 0.39c (31 December 2020: 0.31c).

Reported EPRA NTA per share rose by 7.0% in the period to €5.65 (£4.74) (31 December 2020: €5.28 (£4.76)). After accounting for dividends paid during 2021 of 7.5c (6.46p), which were paid in May and October 2021, the Euro EPRA NTA total return for the period was 8.4% (2020: 8.8%). The Sterling EPRA NAV per share total return was 1.0% (31 December 2020: 16.0%), reflecting the strengthening of Sterling versus the Euro during the financial year.

Dividend

The Board is pleased to declare an unchanged final dividend of 5.15c per share (4.32p per share) (31 December 2020: 5.15c, 4.45p). The dividend is expected to be paid on or around 9 June 2022 to shareholders

on the register at close of business on 13 May 2022, with an ex-dividend date of 12 May 2022. Taking into account the interim dividend paid in October 2021, the total dividend for the financial year to 31 December 2021 is 7.5c per share (6.30p per share) (31 December 2020: 7.5c, 6.62p).

Since listing on the London Stock Exchange in June 2015 to 31 December 2021, including the announced dividend for 2021 and bought-back shares held in treasury, €85.4 million has been returned to shareholders. The dividend is paid from operating cash flows, including the disposal proceeds from condominium projects, and the Company will seek to continue to provide its shareholders with a secure dividend over the medium term, subject to the distribution requirements for Non-Mainstream Pooled Investments, and after full consideration of any ongoing impact associated with COVID-19 and the geopolitical and economic impact of the war in Ukraine.

Share buybacks at a discount to EPRA NTA

During the financial year ended 31 December 2021, the Company bought back a further 4,514,788 Ordinary Shares, representing 4.5% of the Ordinary Share capital, for a total consideration of £17.7 million. The average price paid represents a 17.8% discount to EPRA NTA per share as at 31 December 2020.

The capital made available for the buyback programme has been funded through a combination of existing cash balances, refinancing and condominium sale proceeds. This allocation has been achieved without compromising the organic growth prospects of the Company, which are based on reversionary re-letting, the preparation and sale of new condominiums and the construction of new attic living space.

Report of the Property Advisor continued

Rental income and vacancy rate

	Year to 31 December 2021	Year to 31 December 2020
Total sqm ('000)	189.7	193.2
Annualised Rental Income (€ million)	20.3	20.3
Gross in-place rent per sqm (€)	9.6	9.3
Like-for-like rent per sqm growth (%)	3.9	4.1
Vacancy %	8.4	6.8
EPRA Vacancy %	3.1	2.1

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

The Berlin residential property market has remained resilient during the financial year, with transaction volumes and investment demand observed by JLL, the Company's external valuers, recovering significantly following a stabilising political backdrop, namely the removal of the Mietendeckel and the completion of the German Federal Elections.

JLL has conducted a full RICS Red Book property-by-property analysis, tied back to comparable transactions in the Berlin market, and have provided a portfolio valuation on this basis.

As at 31 December 2021, the total Portfolio was valued at €801.5 million by JLL, an increase of 4.3% over the 12-month period (31 December 2020: €768.3 million).

On a like-for-like basis, after adjusting for the impact of acquisitions net of disposals, the Portfolio valuation increased by 6.3% in the year to 31 December 2021, and by 3.7% in the second half of the financial year. This increase reflects the combined impact of increased market rents, improvement in the micro locations of certain assets, and the further progress of splitting certain assets at the land registry.

The valuation as at 31 December 2021 represents an average value per sqm of €4,225 (31 December 2020: €3,977) and a gross fully occupied yield of 2.8% (31 December 2020: 2.4%). Included within the Portfolio are eight properties valued as condominiums with an aggregate value of €38.8 million, of which €5.7 million had been notarised for sale by 31 December 2021. (31 December 2020: nine properties; €52.4 million).

Like-for-like rental income per sqm growth of 3.9%

After considering the impact of acquisitions and disposals, like-for-like rental income per sqm grew 3.9% compared with 31 December 2020. Like-for-like rental income grew 1.3% over the same period.

Gross in-place rent was €9.6 per sqm as at 31 December 2021, an increase of 3.7% compared with 31 December 2020.

Limited impact from COVID-19 on rent collection

The impact of COVID-19 on rent collection continues to be limited, with over 97% of all residential and commercial rents collected in 2021, in line with rent collections in 2020. Rent collection during the months of January and February 2022 has also remained stable.

The Company continues to monitor carefully further developments concerning the COVID-19 pandemic and will continue to work with tenants in arrears because of COVID-19 by agreeing workable repayment schedules.

Portfolio valuation and breakdown

	Year to 31 December 2021	Year to 31 December 2020
Total sqm ('000)	189.7	193.2
Valuation (€m)	801.5	768.3
Like-for-like valuation growth (%)	6.3	6.3
Value per sqm (€)	4,225	3,977
Fully occupied gross yield (%)	2.8	2.4
Number of buildings	97	98
Residential units	2,569	2,618
Commercial units	138	139
Total units	2,707	2,757

Gross rental income (million)

€25.8

Profit before tax (PBT) (million)

€45.3

Investment property value (million)

€801.5

Dividend per share (£ pence)

6.3p

EPRA vacancy remains low

Reported vacancy at 31 December 2021 was 8.4% (31 December 2020: 6.8%). On an EPRA basis, which adjusts for units undergoing development, the vacancy rate was 3.1% (31 December 2020: 2.1%).

The rise in EPRA vacancy versus the half-year stage (30 June 2021: 1.3%) reflects a significant increase in capital expenditure during the second half of the year following the removal of the Mietendeckel which, in turn, has resulted in a higher number of newly modernised apartments returning to market for re-let.

Portfolio investment

During the year to 31 December 2021, a total of €9.5 million was invested across the Portfolio (31 December 2020: €4.2 million). These items are recorded as capital expenditure in the Financial Statements. A further €1.7 million (31 December 2020: €1.6 million) was spent on maintaining the assets and is expensed through profit or loss. The year-on-year increase in investment reflects the intensification in renovation activity resulting from the repeal of the Mietendeckel in April 2021, alongside increased renovation expenditure on the asset in Brandenburg and further work on bringing assets in a position to be sold as condominiums as set out on page 18.

The acquisition will be financed using the new loan facility recently agreed with Natixis, announced in January 2022.

The Company will continue to review future potential acquisition opportunities. These will be pursued only in instances where they meet the Company's strict investment return criteria and compare favourably against the alternative of share buybacks.

Record condominium notarisations at an 18.3% premium to book value

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

Condominium price growth across all major German cities has remained robust during 2021, having been largely unaffected by COVID-19. Industry data shows that average prices in Berlin increased by approximately 10% versus the same period in 2020.

In total, the Company notarised for sale condominiums with an aggregate value of €15.2 million during the year to 31 December 2021, a record high and a 4.1% increase compared with the prior year. A total of 37 residential and commercial condominium units were notarised (31 December 2020: 41 units) with an average achieved notarised value per sqm of €4,988, representing a 18.3% premium to 31 December 2020 assessed book value of each property. Residential condominiums were notarised at a 21.7% premium to 31 December 2020 book value.

Condominium sales for the second half of the financial year were particularly strong, with 24 condominium units being notarised for an aggregate value of €10.9 million. These sales represent a significant increase compared with the first half of the financial year, during which 13 residential units were notarised for sale, with an aggregate value of €4.3 million.

As at 31 December 2021, over 75% of the Berlin portfolio had been legally split into condominiums, providing opportunities for the implementation of further condominium sales projects where appropriate. A further 10% are in application, over half of which are in the final stages of the process.

The Company notes that new Federal Government legislation is likely to limit the ability of landlords to split their properties into condominiums in the future. Although

EPRA Net Initial Yield (NIY) and 'Topped up' Net Initial Yield (NIY)

All figures in € million unless otherwise stated	2021	2020
Investment property	801.5	768.3
Reduction for NCI share and property under development	(12.8)	(11.3)
Completed property portfolio	788.7	757.0
Estimated purchasers' costs	65.1	62.7
Gross up completed property portfolio valuation	853.8	819.7
Annualised cash passing collected rental income	20.3	16.4
Property outgoings	(3.4)	(2.8)
Annualised collected net rents	16.8	13.6
Expected increase from Mietendeckel rent cap expiry ¹	–	3.2
'Topped up' Annualised net rents	16.8	16.8
EPRA NIY (%)	2.0	1.7
EPRA 'Topped up' NIY (%)	2.0	2.1

1 Under EPRA guidelines, legally allowed lease incentives and contracted step rents are included in the 'Topped up' yield calculation. Since the Mietendeckel was declared unconstitutional in April 2021, the difference between annualised contracted rents and annualised collected rents for 2020 has been included in this line.

Berlin reversionary re-letting premium of 33.8%

During the year to 31 December 2021, 240 new leases were signed, representing a letting rate of approximately 10.2% of occupied units. The average rent achieved on all new lettings was €12.2 per sqm, a 4.4% increase on the prior year, and an average premium of 26.8% to passing rents. This compares with a 25.2% premium in the period to 31 December 2020.

The reversionary premium is negatively impacted by the inclusion of re-lettings from the acquisition in Brandenburg in 2021, where rents are lower than those achieved in central Berlin. Looking solely at the Berlin portfolio, which represents 91.4% of total lettable space, the reversionary premium achieved was 33.8%, in line with the prior year (year to 31 December 2020: 33.9%).

Acquisition of portfolio of properties under construction for €18.5 million

On 21 March 2022, the Company announced that it has exchanged contracts to acquire a portfolio of 17 new build, semi-detached, residential properties (34 houses) for a purchase price of €18.5 million. This new build has been forward-funded with construction expected to complete in the second half of 2024. It marks an important milestone for the Company, representing the first acquisition completed post the withdrawal of the Mietendeckel.

The price paid of €4,323 per sqm represents an estimated prospective gross yield of 3.5% and the projected fully occupied rental income generated by the property is €652,670 p.a., representing 3.2% of the Portfolio gross in-place rent as at 31 December 2021.

Report of the Property Advisor continued

this legislation is not retrospective and does not impact assets that have already been split into condominiums, it does have the potential to impact applications which are currently in process. These measures will inevitably increase the scarcity of condominiums available for sale in the future, further exacerbating the supply-demand imbalance which currently exists. The Company, therefore, believes the valuation impact on the Portfolio is likely to be positive given the high proportion of properties that have already legally split into condominiums.

Condominium construction

Prior to the removal of the Mietendeckel, the Property Advisor had completed an exercise to examine the financial viability of the creation of new condominium units within the footprint of the existing Portfolio.

After the overturning of the Mietendeckel, a condominium construction project commenced in an existing asset bought in 2007. The project involves building out the attic and renovating existing commercial units to create seven new residential units. Construction on this project started in the second half of 2021, and the first units are projected to be available for sale or rental in the second half of 2022. The total construction budget for this project is €3.9 million.

The Company also has building permits to renovate attics in 19 existing assets to create a further 45 units for sale as condominiums or as rental stock.

Debt and gearing¹

As at 31 December 2021, PSD had nominal borrowings of €288.4 million (31 December 2020: €291.4 million) and cash balances of €10.4 million (31 December 2020: €37.0 million), resulting in net debt of €278.0 million (31 December 2020: €254.4 million) and a net loan-to-value on the Portfolio of 34.7% (31 December 2020: 33.1%).

On 29 December 2021, the Company signed a new €60 million facility with its lending partner, Natixis Pfandbriefbank AG, which comprises two components: a €45 million Acquisition Facility (the 'Acquisition Facility') and a €15 million Capital Expenditure Facility (the 'Capex Facility').

The new facility matures alongside the existing Natixis facility, in September 2026, and carries an interest rate of 1.15% over three-month Euribor. It can be used to finance up to 100% of the total cost of both acquisitions and capital expenditure. When drawn, it is non-amortising and terms to protect against future adverse interest rate movements have been agreed. As at 31 December 2021, €0.9 million of this facility had been drawn.

The Acquisition Facility provides the Company with additional flexibility to pursue potential future acquisitions if suitable opportunities, which offer clear value for shareholders, arise.

The Capex Facility will allow the Company to continue to undertake its extensive capital expenditure programme. The Company remains committed to improving

living standards for its tenants and fulfilling its environmental obligations and, following the overturning of the Mietendeckel, has been able to resume its comprehensive programme of vacant apartment renovations and modernisations.

In January 2022 the Company signed contracts to refinance existing debt provided by Berliner Sparkasse. The refinancing leverages the increase in valuation of certain underlying assets within the Portfolio, releasing a further €14.9 million of equity. Following completion, the total value of the loans that have been refinanced is €49.7 million and the maturities remain unchanged at between five and six years.

The interest rate payable on these loans is lower than the current portfolio average and no additional hedging instruments for adverse interest rate movements are required. The debt is being drawn down in three instalments, of which €9.9 million was drawn in February 2022, and the remainder is expected to be drawn in the first half of the year.

The equity released by the refinancing can be reinvested into the Portfolio, including future potential share buybacks.

The decrease in gross debt in the period partly results from the repayments of debt on sale of condominiums alongside amortisation of the debt held with Berliner Sparkasse, offset slightly by the drawdown of the debt from the newly signed facility with Natixis.



Nearly all PSD's debt effectively has a fixed interest rate through hedging. As at 31 December 2021, the blended interest rate of PSD's loan book was 2.0% (31 December 2020: 2.0%). The average remaining duration of the loan book at 31 December 2021 had decreased to 4.9 years (31 December 2020: 6.0 years).

- 1 Section uses nominal loan balances as per note 16 rather than the loan balances on the Consolidated Statement of Financial Position which take account of Capitalised Finance Arrangement Fees in the balance.

EPRA best practice reporting metrics

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

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

EPRA metrics

Metric	Balance	Page reference	Note reference
EPRA Earnings (€m)	(0.8)	84	29
EPRA Net Tangible Assets / share (NTA) (€)	5.65	85	30
EPRA Net Reinvestment Value / share (NRV) (€)	6.35	85	30
EPRA Net Disposal Value / share (NRV) (€)	4.77	85	30
EPRA Capital Expenditure (€m)	9.5	19	N/A
EPRA Net Initial Yield (%)	2.0	17	N/A
EPRA 'Topped up' Yield (%)	2.0	17	N/A
EPRA Vacancy (%)	3.1	16	N/A
EPRA Like-for-Like rental income growth (%)	3.9	16	N/A

EPRA Capital Expenditure

All figures in €'000 unless otherwise stated	31 December 2021	December 31 2020
Acquisitions	0	0
Like-for-like portfolio	4,674	3,645
Development	4,406	274
Other	397	252
Total Capital Expenditure	9,477	4,171

Statement on Ukraine and Russia

We are deeply concerned and profoundly saddened at the tragic humanitarian toll caused by the deplorable Russian military invasion of Ukraine. Whilst PSD's business is not directly affected, it is possible that there will be second derivative consequences on the global economy following the unprecedented package of sanctions imposed by the West. These include the possible effects of higher energy prices, the risk of supply shortages in basic materials, the possible knock-on impact of inflation leading to higher interest rates, changes to consumer behaviour and demographic changes as Western European countries seek to accommodate the growing Ukrainian refugee crisis. These circumstances have created a degree of uncertainty across global equity markets from which PSD is not immune. We will, of course, take into account all the relevant implications of this crisis into our forward planning as events unfold.

Unsurprisingly, given the extraordinary fiscal stimulus response to the pandemic, global inflationary pressures have built up, a trend which is likely to be exacerbated in the light of supply-side constraints caused by the Ukrainian crisis. Germany has been no

exception, with inflation reaching 5.3% by the end of 2021. However, the risk of a major fiscal tightening, as happened in the aftermath of the 2008–09 financial crisis, is low and financing conditions are likely to stay relatively benign. After such a deep recession, central banks are expected to proceed with caution as they withdraw pandemic support. Notwithstanding this, equity markets have reacted cautiously to the prospect of rising rates, attaching a significant risk premium to valuations of listed residential real estate Companies, all of which are currently valued at a discount to their Net Asset Value. This phenomenon is not new and is cyclical in nature.

Update on German political backdrop and continued housing shortage

There have been a number of supportive political developments including the Mietendeckel being declared void and the new Federal government consisting of the SPD, Greens and FDP which holds out the prospect of a more stable framework for the foreseeable future.

Although the general direction of new government policy initiatives will continue to be towards tightening tenant protections, particularly in areas with overstretched housing markets, there now appears to be broad political recognition that blunt policy instruments, such as the Mietendeckel, are not the best way to address housing market imbalances. Sensibly, the new government appears to be shifting its focus towards increasing the supply of housing and, with a target of 400,000 new homes per year, the new coalition is ahead of the previous government's goals.

Whilst we consider increasing the supply of housing to be the correct policy response, it will take many years to address the chronic shortage of affordable German housing, particularly in Berlin, where there are currently 174 applicants per rental flat and with last year's building permits accounting for less than 1% of Berlin housing stock. In the event that net inward migration, which had ceased during the pandemic, begins to feature again, the shortage of available housing stock could be exacerbated still further.

Report of the Property Advisor continued

A major reason for low supply is the persistent large discount of the cost of existing housing stock to replacement cost. In Berlin, where prices have increased the most (from a significantly lower level than other German cities), the discount to replacement cost remains. Given significant increases in material costs, labour shortages and the additional cost of new green initiatives that the construction industry will seek to pass on to end-buyers, the relative attractiveness to investors of existing stock versus new build is expected to endure.

Tenant location decisions within Berlin's private rental market have also shown some signs of change in the wake of COVID-19. Scarcity of supply of affordable rental property, coupled with a growing realisation that working remotely is a viable alternative to a daily, city-centre commute, have begun to impact tenant settlement choices. Less densely populated areas in the greener suburban areas of Berlin, where supply is less constrained, with more affordable rents and strong commuter links, now hold increasing appeal for tenants seeking to relocate, particularly in areas where new employers are expanding or relocating. This trend has been particularly evident in certain micro locations such as Erkner, where the Company recently announced its first acquisition since 2019.

A lack of available central Berlin rental properties, coupled with favourable mortgage-versus-market rent dynamics, has also provided a favourable tailwind for condominium pricing. 2021 saw double digit increases in condominium prices, a trend that was evident in PSD's own portfolio, and further price inflation is anticipated in the year ahead. Recent federal policy initiatives have further empowered state governments to restrict condominium splitting in the future and it is anticipated that the Berlin authorities will take advantage of these new powers. This will serve to compound further the supply-demand imbalance. With over three quarters of PSD's portfolio already legally split into condominiums, it is expected that the valuation impact on the Portfolio will be positive.

Focus on sustainability

An increasingly-important theme during recent years has been the focus on providing more sustainable, socially and environmentally friendly accommodation. The Europe-wide drive towards climate neutrality by 2050 has ensured that ESG considerations are now a core part of investment decision making among real estate investors and landlords alike. This trend will continue to gather pace in the years ahead.

Gross borrowings (million)

€288.4

Cash balances (million)

€10.4

Net loan-to-value on the Portfolio

34.7%





Whilst an increasing number of landlords and investors are bolstering their environmental credentials, the full scope of prescribed ESG criteria is not yet fully known. Currently, the direction of travel appears to be driving investment strategy towards new build as opposed to the refurbishment of existing properties on the basis that the reduction of emissions is focused on the operational (as opposed to building) phase. However, the refurbishment and modernisation of existing buildings, which is a central pillar of PSD's strategy, is widely regarded as more sustainable than the alternative of new build. This is because the CO₂ emissions produced during demolition, construction and the production of building materials (embedded carbon) represents over three quarters of all emissions across the entire life cycle of a new build completed to modern efficiency standards. In addition, embedded carbon is released almost entirely during the demolition and construction phases, with an immediate impact on the environment. This contrasts with long-term existing stock where the same emissions would have already been depreciated.

A more considered approach is required, one which fully recognises the role of embedded carbon as the largest source of emissions throughout the life cycle of a building. Should the road ahead include the introduction of a comprehensive CO₂ tax inclusive of embedded carbon generated during the construction phase, refurbishments of existing property would become relatively more attractive versus the alternative of new construction, which would have to absorb a

proportionately higher proportion of emission costs. Currently, it is uncertain as to whether future policy initiatives will shift in this direction although it is encouraging that the new German federal coalition government has already declared its intention to look more closely at the use, impact and measurement of embedded carbon.

What is clear is that the potential consequences of ESG regulation on the investment markets will be an enduring theme for years to come. PSD recognises this and will continue to monitor and report on its ESG activities. For the financial year ended 2021, the Company intends to report on its ESG emissions and strategy in a separate Report, compliant with EPRA ESG reporting standards.

Outlook

Finally, looking specifically at PSD, the Property Advisor looks to the year ahead with optimism. Following the removal of the Mietendeckel, the Company is well placed to resume its reversionary rental strategy. This will support future rental growth across the Portfolio irrespective of market rental growth.

The Company believes it can continue to provide capital growth and income to its investors through a disciplined approach to reinvestment into the existing portfolio, condominium sales at a premium to NAV, share buybacks at a discount to NAV and acquisitions if, and only if, they screen favourably versus alternative uses of capital.

Corporate Responsibility

Committed to Acting Responsibly

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

Our approach to corporate responsibility

The Board recognises the importance of a strong corporate governance structure and operating with integrity, transparency and clear accountability towards its tenants, shareholders and other key stakeholders.

To secure our long-term success, we are committed to taking account of what is important to all of our key stakeholders, balancing these different interests and addressing our environmental and social impacts. This commitment is captured within our Company Values, business model and 'Better Futures' CR Plan.

As a member of EPRA, we want to contribute to greater transparency in reporting. We have introduced EPRA's SBPR and capture our ESG measurements within their framework. This commitment has been recognised at the EPRA Sustainability

Awards 2021, with PSD receiving both a Silver and Most Improved award in recognition of the Company's commitment to best practice in its reporting.

Stakeholder engagement

We proactively engage with our stakeholders to ensure we understand their differing viewpoints and take these into consideration when making business decisions. We strive to strike a meaningful balance between providing a return to our investors and addressing our social and environmental impacts.

Due to the COVID-19 pandemic continuing to affect many of our stakeholders' lives in 2021, the Company's overriding priority continued to be the health and wellbeing of our tenants, work colleagues and wider stakeholders. Where required we continued to support tenants (both residential and

commercial), on a case-by-case basis, agreeing with them the payment of monthly rents, deferring rental payments and agreeing workable repayment schedules.

Our Company Values

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



Our Company Values



Responsible

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



Fair

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



Excellence

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



Respectful

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



Corporate Responsibility continued

Our 'Better Futures' Corporate Responsibility ('CR') Plan

Our 'Better Futures' Plan provides a framework to guide our activities and improve our overall sustainability by being integrated throughout our business operations.

Our CR pillars align with EPRA's ESG reporting.



Environmental (E)

Protecting our environment

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



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Social (S)

Respecting people

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



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Valuing our customers

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



» Read more page 28

Investing in our communities

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



» Read more page 29

Governance (G)

Governing responsibly

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



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Environmental

Protecting our Environment



We aim to reduce our environmental impact during the property refurbishment process, encourage our tenants to minimise their utility use and continue to improve our measurement and reporting.

We acknowledge that the German property sector needs to play a major role in Germany achieving its target of climate neutrality by 2045. We recognise that the nature of our business has environmental and social impacts and that we have a responsibility to consider and minimise these impacts where possible. Our Environment Policy sets guidance as to how PSD, our Property Advisor (QSIX) and other key suppliers should operate to reduce this impact. We also recognise that measuring our impacts and transparent reporting are important elements in our journey to reduce our ESG impacts. Therefore in 2021, we continued to evolve our measurement and reporting of our building portfolio, in line with EPRA's SBPR framework.

Improving the sustainability of good housing stock through renovation lies at the core of our business. Bringing valuable housing stock back into good repair extends the life of the building and makes it available to the public for future use. Throughout the property refurbishment process, we work with our contractors to minimise the amount of waste by re-using materials, where feasible and ensure that all construction works are carried out in line with local health and safety regulations. In line with our Sustainable Procurement Policy, we aim to use products and materials that have a low environmental impact, so long as their technical

performance meets the required standards, and they are economically viable for refurbished properties.

Although the core of our business consists of upgrading older buildings, where we do develop new builds, we operate to high environmental standards. We have recently purchased a site in Erkner, in the outskirts of Berlin, where we are developing 34 single family houses. Each unit will have an electric car charging point and triple glazing as standard and heating will use a combination of hybrid solar collectors and brine/water heat pumps. These energy-saving measures have led to the asset being given a pro forma KfW 55 energy efficiency rating, one of the highest ratings that new builds can be given. The energy-efficient nature of the acquisition highlights the Company's commitment to ensuring that new build acquisitions are fully compliant with the highest efficiency standards.

However, the greatest environmental impact from our property portfolio is from the utilities used by our tenants in their homes. As a landlord, we do not have direct control over the majority of the utility usage since it is up to tenants how much they consume in their homes. However, where we can, we encourage our tenants to reduce their utility usage by providing them with helpful hints and advice and we ensure that increasing volumes of the electricity supplied to our

buildings is from renewable sources. In 2021 we modernised the heating system in 4% of our portfolio, improving their environmental impact by approximately 10%.

To better manage tenants' waste, we ensure that tenants are kept well informed about how to properly recycle their rubbish and we work with our waste providers on the disposal routes. Many of our properties have been awarded recycling awards.

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

Notwithstanding that we have no direct control over the majority of the utility usage in our properties and that our visibility and oversight is limited due to the majority of our tenants having a direct contract with the electricity provider, we have continued to strengthen our ESG monitoring and reporting across 2021 in line with EPRA's SBPR framework. In addition to measuring the buildings that use oil and district heating energy, in 2021, we have added in some of our buildings using gas heating. This has increased the percentage of our building portfolio being measured.

Given QSIX is a separate legal Entity, their office impact is not included within our EPRA ESG reporting. For more details on our ESG performance see our EPRA SBPR Reports 2020 and 2021.



Social

Respecting People



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

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

QSix is committed to having an inclusive working environment that encourages all employees to develop both personally and professionally through having access to a variety of training programmes, receiving on-the-job support and coaching and having annual Development Reviews. The culture is to have a strong work-life balance, with the Company and QSix being committed to the health and wellbeing of all employees. Leading health and welfare benefits are provided, including access to medical and legal advice.

QSix continued to put in place extra health and safety measures in their offices and set up systems to accommodate employees working from home during 2021 due to the continued COVID-19 restrictions and challenges. They undertook an employee survey to engage employees in managing the working environment during this challenging time to ensure productivity remained high whilst balancing employees' concerns.

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

90%

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

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



"I started as a Receptionist for QSix in their London office in December 2020. My manager was very supportive and gave me numerous projects to help me develop my skills and in April 2021, I was promoted to the role of HR Administrator.

During 2021, I worked towards gaining my CIPD Foundation Certificate in People Practice, which QSix funded. They gave me time off to study and take the assessments.

I have used many of the things I learned on my course in my day-to-day job and continue to be given challenging new projects to develop my skills further and gain more experience."

Katarzyna Araszewska HR Administrator, QSix

Corporate Responsibility continued

Social

Valuing our Customers



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

Providing people with homes is a basic human need and therefore our tenants are at the centre of our business activity. PSD focuses on providing homes for people that are both comfortable and affordable. We aim to make a positive contribution to our tenants' living standards and to ensure that their apartment is a place in which they enjoy living. In 2021, we have continued to make improvements in our buildings for the enjoyment of our tenants with renovating common areas such as staircases and elevators and providing bike storage. The topic of affordable housing has dominated public debate in recent years and PSD seeks to help with this challenge via providing more renovated apartments at pricing that is transparent and fair.

Providing a reliable friendly rental service and responding to any concerns in a timely manner are important to building our tenant satisfaction and long-term tenant loyalty, which ultimately safeguards our long-term commercial success. Through the close contact our Management Agent has with our tenants and tenant surveys, we are able to build a clear picture of what is important to our tenants so that we can deliver a high standard of service.

The annual tenant satisfaction survey that was conducted for 2021 by the Property Advisor, showed that 85% of new tenants were satisfied with their apartment and 88% were satisfied with the rental process.

We seek to provide a healthy, safe and secure environment for our tenants and improve the standard of accommodation through renovation and regular inspections to ensure that we identify and eliminate any hazards. In 2021 we have continued to have no major health and safety incidents reported across our building portfolio.

With the continuation of the COVID-19 pandemic in 2021 and the German Federal Constitutional Court ruling that the Mietendeckel legislation in Berlin was unlawful resulting in many tenants having to pay back dated rents, the Company has engaged with tenants on a responsible basis, deferring rental payments if they would cause unnecessary hardship.

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

We are committed to providing a highly professional service to our investors through strong corporate governance and providing timely, frequent and clear business updates. We have a dedicated investor resource available to address investor questions and, subject to COVID-19 restrictions,

arrange investor visits to Berlin to allow investors to view the portfolio, meet members of the Berlin team and discuss industry trends with external experts.

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

Percentage of new tenants who said they were satisfied with the rental process

88%

Percentage of new tenants who said they were satisfied with their apartment

85%



Social

Investing in our Communities



We help contribute to thriving communities by investing in homes for people and supporting local charities.

In addition to investing in communities by providing homes that people want to live in at affordable rents, we look to improve the external façade of the buildings and other outdoor areas. For our tenants, the look and feel of a neighbourhood plays an important role in how they feel about their home and the community they live in. In 2021, €9.5 million was reinvested in building improvement programmes across the portfolio.

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

For the third year, we have continued to support The Intercultural Initiative, a women's refuge that helps women affected by domestic violence by providing emergency shelter and advice and counselling to the women and their children. 2021 was a challenging year for the charity due to ongoing COVID-19 disruptions, with higher reported cases of domestic violence. PSD's donation continued to help fund the operational costs of a support apartment, which provides accommodation for families who no longer need to live in the refuge, but still require protection and support as they adjust to a new independent life and build the necessary skills and confidence. We also helped fund early intervention services for the women and their children around mental health and other health matters.

PSD also began supporting The Laughing Hearts charity, which supports children living in children's homes and social care. The charity aims to provide the children with cultural, sport and art activities and social events that they otherwise would not have access to. The aim is to

break the cycle of disadvantage and broaden the children's experiences and give them a more positive outlook for the future. Our donations in 2021 helped fund the purchase of sports and camping equipment for Summer school activities that were being run for the children. The children being able to participate in such activities was more important than ever in 2021, after the COVID-19 lockdown restrictions they had experienced. We also provided 150 school cones containing equipment for new school starters that the charity donated as part of a German tradition.

"Laughing Hearts are very pleased that PSD is helping fund some of our activities with the children we support. Their help has enabled us to provide these children growing up in care, with experiences and opportunities that they otherwise would not have received – making a positive difference to their lives."

Dr Mention Nidal Al-Saadi
(Laughing Hearts Club President)

QSix, our key partner, continued to support SPEAR and SHP for a third year. The two charities work with homeless people or those at risk of becoming homeless in Greater London. The funding with SHP supports an employability programme that helps homeless people or those at high risk of becoming homeless to find a job and secure a sustainable income that enables them to afford housing. In 2021, 180 people participated in the programme. Funding is given to SPEAR to run an outreach service, helping rough sleepers in the Wandsworth area secure accommodation and helping them to address health and wider social care problems. In 2021, this helped 302 homeless people in Wandsworth.



Corporate Responsibility continued

Governance

Governing Responsibly



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

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

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

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

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




Additional information on our governance is contained within our EPRA SBPR reporting.






Principal Risks and Uncertainties





Key:

-  Increasing
-  Unchanged
-  Decreasing

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

Risk	Impact	Mitigation
Conflict in Ukraine  NEW	<p>The current Russian invasion of Ukraine does not yet appear to have any direct impact on PSD; however, the secondary effects of the conflict may have significant adverse effects.</p> <p>The conflict may raise the risk to the Company in the following areas.</p> <p>Cyber risk – The Russian state has been linked to cyber-attacks on Government and international infrastructure and the risk of an increase in these attacks is highly likely now that the Russian state is subject to sanctions from countries in Western Europe and the USA.</p> <p>Financial risk – The likely deterioration in the macro-economic environment may lead to a more 'wait-and-see' attitude from investors and financial institutions which may lead to an inability for the Company to refinance its debt. The rise in inflation may also lead to an increase in interest rates, causing the cost of refinancing its debt to rise.</p> <p>Market risk – The conflict is likely to affect investor sentiment across Europe, convincing financial institutions and other Companies to operate a 'wait-and-see' approach to their cash reserves rather than investing them, potentially affecting economic growth prospects. Furthermore, as with supply chain risk below, the sanctions imposed on the Russian Government are likely to push up prices of energy raw materials as they become more difficult to obtain. The increase in prices of raw materials is likely to lead to increased inflation across Europe.</p> <p>Supply chain risk – The German Government and German Companies have procured significant amounts of fuel and raw materials from Russia over the previous years. With the advent of significant sanctions on the Russian Government, the availability of these is likely to be significantly reduced, potentially harming the Company's ability to source raw materials to aid its refurbishment and construction programmes.</p> <p>Vulnerable tenants – The economic dislocation caused by the Ukraine conflict is likely to cause an increase in the number of vulnerable tenants in Company units as rising inflation and unemployment could lead to tenants being unable to meet their rent payments as they fall due. An increase in the number of vulnerable tenants may increase the scrutiny on the Company should these tenants not be treated in a fair manner.</p>	<p>Cyber risk – The mitigation of this risk is addressed in the Cyber risk section below on page 33.</p> <p>Financial risk – The mitigation of this risk is addressed in the Financial risk section below on page 33.</p> <p>Market risk – The mitigation of this risk is addressed in the Market risk section below on page 32.</p> <p>Supply chain risk – The Company has operated in the German market since 2007 and has developed a diversified supply chain across Germany in both Berlin and the cities in which it used to operate; the Company would be able to source raw materials from these suppliers should they be required.</p> <p>Vulnerable tenants – The Company has a policy of engaging directly with vulnerable tenants through its Vulnerable Tenant Policy which sets out procedures to follow to assist tenants who may require additional protection.</p>

Risk	Impact	Mitigation
Tenant / letting and political risk 	<p>Property laws remain under constant review by both the 'Red-Red-Green' coalition government in Berlin and the recently-elected 'Traffic Light Coalition' Federal Government.</p> <p>The new Federal Government has issued its coalition intentions paper 'Koalitionsvereinbarung' (coalition agreement) and, while no policies have been brought into law yet, the intentions paper indicates that the new government is looking at nationwide rent moratoriums, caps on permitted rent increases and tightening of rental brakes.</p>	<p>The Property Advisor regularly monitors the impact that existing and proposed laws or regulations could have on future rental values and property planning applications.</p> <p>The Property Advisor considers that the Company has a flexible business model, which should enable it to adapt to any new rent regulations proposed by the Federal Government. Furthermore, to a significant extent, the proposals of the new Federal Government are similar to rules already in place in the State of Berlin and, therefore, there is not expected to be a significant impact on the Company's operations from these proposed regulations.</p>
Market risk 	<p>Economic, political, fiscal and legal issues can have a negative effect on property valuations. A decline in Group property valuations could negatively impact the ability of the Group to sell properties within the Portfolio at valuations which satisfy the Group's investment objective.</p> <p>The rapidly-developing situation in Ukraine has the possibility to impact negatively gas, energy and raw material supplies to Germany and the rest of Europe. This could lead to rises in overall costs both for the Company and its tenants.</p> <p>COVID-19 remains prevalent in Germany and potential restrictions to work and assembly have the possibility of negatively impacting the Company's operations and tenants' ability to pay rents as they fall due.</p> <p>The Federal Government is currently considering introducing new laws which would allow States to block the partitioning of apartment blocks into condominiums. The Berlin Government has recently adopted similar proposals.</p>	<p>Although the Board and Property Advisor cannot control external macro-economic risks, economic indicators are constantly monitored by both the Board and Property Advisor and Company strategy is tailored accordingly.</p> <p>The Board and the Property Advisor are continuing to monitor the deteriorating situation in Ukraine. While it is not clear as yet what effect the announced sanctions from the German and other European governments on the Russian Government are likely to have on the Company's finances and operations, the Company has been able to operate in unfavourable economic environments before, including the COVID-19 pandemic and the Mietendeckel.</p> <p>The effects of COVID-19 on the Company's operations and finances have been limited, with strong rent collection during 2021. Its outsourced service providers have also managed to continue operating with limited disruption.</p> <p>The blocking of the ability for landlords to split assets at the land registry would likely be a net positive for the Company since the supply of condominiums would be materially reduced, increasing the value of the stock of over 1,700 units already split owned by the Company.</p>

Risk	Impact	Mitigation
Financial risk 	<p>A fall in revenues could result in the Group breaching financial covenants of a lender, and also lead to the inability to repay any debt and related borrowing costs. A fall in revenue or asset values could also lead to the Company being unable to maintain dividend payments to investors.</p> <p>The current situation in Ukraine may lead to financial institutions operating a 'wait-and-see approach' to lending and investing, which may lead to an inability for the Company to refinance its Portfolio in the future. The potential for interest rate rises in response to rising inflation could also lead to increasing interest costs for the Company.</p>	<p>The Group took on new covenants when signing its facility with Natixis: Interest coverage ratio (ICR), debt yield and loan-to-value covenants. Only the debt yield and ICR covenants are 'hard' covenants, resulting in an event of default in case of breach. The loan-to-value covenant is a 'cash trap' covenant alone (the requirement to hold all related rental income in Natixis Accounts until sufficient debt is repaid to return to with the covenant level), with no event of default. The Company carried out extensive sensitivity analysis prior to signing the facility and, even in the most stressed rent scenarios, no covenants were breached.</p> <p>The Property Advisor continues to model expected revenues and covenant levels, and these are reported to the Board as part of its Viability Assessment which can be seen on page 38.</p> <p>If rent levels or property values were to fall to a point where the covenants were in danger of being affected, the Company expects to use its surplus cash flow and cash reserves to pay down debt balances to rectify the situation. At the most recent covenant test date, in January 2022, all covenants were cleared.</p> <p>The Company also continues to monitor its balance sheet and to review potential refinancing opportunities as part of its day-to-day operations. However, opportunities in these areas may become limited due to current uncertain macro-economic environment stemming from the economic dislocation caused by Russian military action in Ukraine. The Property Advisor will look to accelerate or delay, as appropriate, potential refinancing opportunities in response to the changing macro-economic environment.</p>
IT and cyber security risk 	<p>The Company is dependent on network and information systems of various service providers – mainly the Property Advisor, Property Manager and Administrator, and is therefore exposed to the risk of cyber-crimes and loss of data.</p> <p>As cyber-crime remains prevalent across Europe, this is considered a significant risk by the Group. A breach could lead to the illegal access of commercially-sensitive information and the potential to impact investor, supplier and tenant confidentiality and to disrupt the business of the Company.</p> <p>The Russian state has been linked to cyber-attacks on Government and international infrastructure and the risk of an increase in these attacks is highly likely now that the Russian state is subject to sanctions from countries in Western Europe and the USA.</p>	<p>There is a constant review of IT systems and infrastructure in place for the Company to ensure these are as robust as possible. Service providers are required to report to the Board on request, and at least annually, on their financial controls and procedures.</p> <p>A detailed review has been undertaken during the year of the cyber security of the Company and its outsourced processes. From this review, the Company has required all its key service providers to report 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.</p> <p>Service providers are also required to hold detailed risk and controls registers regarding their IT systems. The Property Advisor and the Board reviews service organisations' IT reports as part of Board meetings each year.</p> <p>The Board believes that, while the risk of cyber-attacks has increased due to the sanctions imposed on the Russian Government, 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>
Lack of investment opportunity 	<p>Availability of potential investments which meet the Company's investment objective can be negatively affected by supply and demand dynamics within the market for German residential property and the state of the German economy and financial markets more generally.</p>	<p>The Property Advisor has been active in the German residential property market since 2006. It has specialised acquisition personnel and an extensive network of industry contacts, including property agents, industry consultants and the principals of other investment funds. It is expected that future acquisitions will be sourced from these channels.</p> <p>Since the overturning of the Mietendeckel in April 2021, regulation has focused more on slowing down the market by extension of Milieuschutz areas and the prohibition of splitting assets at the land registry. The Property Advisor believes that this attempt to slow down the market will create other opportunities, including densification projects within the current Portfolio and acquiring in the suburbs of Berlin, outside the scope of these regulations, where the growth potential is more promising. An example of this being the recently-signed forward funding acquisition in Erkner, which is detailed on page 17.</p>
Outsourcing risk 	<p>The Group's future performance depends on the success of its outsourced third-party suppliers, particularly the Property Advisor, QSIX, but also its outsourced property management, International Financial Reporting Standards ('IFRS') and German GAAP accountants and its administrative functions. The departure of one or more key third-party providers may have an adverse effect on the performance of the Group.</p>	<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 stake in the Group, 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 provide responses annually to a Board assessment questionnaire regarding their internal controls and performance. These questionnaires are reviewed annually by the Board.</p>

Board of Directors

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

Robert Hingley

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

Robert, a UK resident, acts as an Independent Non-executive Director and Chairman of the Company. He is Chairman of Euroclear UK & International Limited and The Law Debenture Corporation Plc and a Director of Marathon Asset Management Limited. He had 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 ('ABI') as Director, Investment Affairs in September 2012 and, following the merger of ABI's Investment Affairs with the Investment Management Association ('IMA'), 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. Robert was appointed to the Board on 15 June 2015.

Jonathan Thompson

Independent Non-executive Director and Chair of the Audit Committee

Jonathan is the Non-executive Chairman of the Argent Group of real estate regeneration, development and investment businesses. He is also a Non-executive Director and Chair of the Audit Committee at Schroders European Real Estate Investment Trust Plc, a Non-executive Director and Chair of the Audit and Risk Committee at The Government Property Agency and an Independent Member of the investment advisory Board to a family wealth fund. He is a past Chair of the Investment Property Forum and a past member of the Board of the British Property Federation. 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. Jonathan was appointed to the Board on 24 January 2018.

Monique O'Keefe

Independent Non-executive Director, Senior Independent Director and Chair of the ESG Committee and the Remuneration Committee¹

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

¹ Resigned on 3 December 2021 with final resignation date being 31 March 2022.

Antonia Burgess

**Independent Non-executive Director
and Chair of the Risk Committee**

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

Greg Branch

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

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

Isabel Robins

Independent Non-executive Director

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 roles, including with EcoWorld Ballymore, and as Director of a regulated Guernsey Manager investing in real estate and private equity for high-net-worth individuals. Isabel has over 23 years' experience running complex offshore real estate structures, encompassing a broad range of property funds, investments, and developments, including working with Schroders and Abdn. She is a Jersey-resident Independent Non-executive Director and is regulated by the JFSC and is a member of the Institute of Directors.

On appointment to the Board on 14 March 2022, Isabel Robins was appointed to the Audit Committee, the Property Valuation Committee, the Risk Committee, the Nomination Committee and as Chair of the ESG Committee.

Directors' Report

The Directors are pleased to present their Annual Report and the audited Consolidated Financial Statements for the year ended 31 December 2021.

Corporate Governance

The Corporate Governance Statement on pages 40 to 47 forms part of this Directors' Report, which, together with the Strategic Report set out on pages 2 to 31 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule ('DTR') 4.1.5R.

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

Dividends

The Directors have declared a final dividend of 5.15c (2020: 5.15c) per Ordinary Share for the period 1 July 2021 to 31 December 2021 to be paid on or around 9 June 2022 to Ordinary Shareholders on the register on 13 May 2022.

The Directors declared a dividend of 5.15c per Ordinary Share for the period 1 July 2020 to 31 December 2020, paid on 7 June 2021 to Ordinary Shareholders on the register on 14 May 2021 and a further dividend of 2.35c per Ordinary Share for the period 1 January 2021 to 30 June 2021, paid on 29 October 2021 to Ordinary Shareholders on the register on 8 October 2021.

Directors

The Directors in office as of 31 December 2021, and subsequently, and their biographical details are shown on pages 34 to 35.

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

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

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

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

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

The Board believes that its procedures regarding conflicts of interest have operated effectively. At 31 December 2021, the interests of the Directors in the Ordinary Shares of the Company are as follows:

	31 December 2021 Number of shares	31 December 2020 Number of shares
Quentin Spicer*	N/A	39,600
Robert Hingley	5,150	5,150
Jonathan Thompson	7,337	7,337

* Quentin Spicer retired with effect from 8 June 2021.

There has been no change to the interests of each Director between 31 December 2021 and the date of this Report.

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

Share capital

No shares were issued by the Company during the year.

At the year end, the issued share capital of the Company comprised 100,751,410 Ordinary Shares of which 7,949,293 were held in treasury. At general meetings of the Company, Ordinary Shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held. At 31 December 2021, the total voting rights of the Company were 92,802,117, and as at the date of this Report are 92,802,117, being the issued share capital minus shares held in treasury.

On 8 June 2021, 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 2022 AGM.

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 14,514,054 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 8 June 2021.

At 31 December 2021, 7,949,293 shares, representing 7.9% of shares in issue, have been repurchased at an average price of £3.42 per share and an average discount to December 2021 EPRA NTA of 27.9%. At 31 December 2021, all the repurchased shares were held in treasury.

During the year, the Company transferred 1,193,995 Treasury Shares, with value €6,304,291, to QSix Residential Limited in settlement of the Performance Fee due to the Property Advisor for the three-year performance period to December 2020. This represented 1.2% of shares in issue.

As of 29 March 2022, the Company has repurchased a further 240,463 shares representing 0.2% of Ordinary Shares which are also held in treasury.

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

Substantial shareholdings

At 31 December 2021, the Company had been informed of the following holdings representing more than 5% of the voting rights of the Company:

Name of holder	Percentage of voting rights	No. of Ordinary Shares
Thames River Capital	15.81%	14,675,087
Bracebridge Capital	14.29%	13,259,275

The following changes have been notified to the Company between 31 December 2021 and the date of this Report:

Name of holder	Percentage of voting rights	No. of Ordinary Shares
Thames River Capital	16.22%	15,066,628
Bracebridge Capital	14.29%	13,259,275

Requirements of the Listing Rules

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

Financial risk management

Details of the financial risk management objectives and policies adopted by the Directors, and the exposure of the Company to price, credit, liquidity and cash-flow risk can be found in note 3 to the Consolidated Financial Statements.

Directors' Report continued

Events after the reporting date

- The Company had exchanged contracts for the sale of 10 residential units and one attic unit in Berlin with aggregated consideration of €5.7 million prior to the reporting date. The sale of these units subsequently completed in Q1 2022.
- In Q1 2022 the Company exchanged contracts for the sale of six condominiums in Berlin for an aggregate consideration of €2.1 million. Completion of these contracts is expected in Q2 2022.
- In Q1 2022, 240,463 of the Company's shares were bought back with average price paid of £3.87, an 18.4% discount to December 2021 EPRA NTA per share of £4.76.
- In March 2022, the Company exchanged contracts to acquire a portfolio of 17 new build, semi-detached, residential properties (34 houses) for a purchase price of €18.5 million. Further information can be found on page 17.

Auditor

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

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

Going concern

The Directors have reviewed projections for the period up to March 2023, using assumptions which the Directors consider to be appropriate to the current financial position of the Group with regard to revenues, its cost base, the Group's investments, borrowing and debt repayment plans. 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 from managing its capital and its risks are set out in the Strategic Report. After making enquiries and having regard to Financial Reporting Council ('FRC') Guidance for Companies on COVID-19 issued on 4 December 2020, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and, therefore, continue to adopt the going-concern basis in the preparation of these Financial Statements.

Viability Statement

The Directors have assessed the viability of the Group over a three-year period to February 2025. 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 32 to 33. 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 28 February 2025:

- a) the potential operating-cash-flow requirement of the Group;
- b) seasonal fluctuations in working-capital requirements;
- c) property vacancy rates;
- d) rent arrears and bad debts;
- e) capital and administration expenditure (excluding potential acquisitions as set out below) during the period;
- f) condominium sales proceeds;
- g) expected debt releases;
- h) the potential impact of COVID-19;
- i) the potential impact of the war in Ukraine; and
- j) asset construction development costs.

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

The effect of COVID-19 and its associated restrictions, as they relate to the Company, were assessed by the Board as part of this Viability Statement. The Board considers that it is not necessary to model any adverse assumptions with respect to the impact of further COVID-19 restrictions as the Company believes it has demonstrated throughout the pandemic that its financial and operational results have remained robust and that it is able to operate effectively in the most difficult of environments. Furthermore, it is increasingly evident that there is little appetite in Germany, and throughout Europe for a return to restrictions to try and stem the spread of COVID-19, and the focus appears to be towards 'living with' the virus as it becomes endemic. Therefore, on this basis it is appropriate not to model separately any adverse effects on viability due to COVID-19.

The rapidly-developing situation in Ukraine has the possibility to affect negatively gas and energy supplies to Germany and the rest of Europe. This could, in turn, lead to rises in overall property and corporate costs both for the Company and its tenants. The effect on the Company's business and viability is extremely difficult to determine at this early stage, but the Directors believe that the stress testing set out below would accurately reflect a reasonable 'worst-case' scenario that may arise as a result of the current position.

Financial modelling and stress testing was carried out on the Group's cash flows taking into account the following assumptions, which the Directors believe to reflect the conditions present in a 'worst-case' scenario:

- increased regulation of rent levels of tenancies in the Berlin and Brandenburg markets leads to a fall in rental income of 20% over the forecast period;
- a fall in asset values due to an external market shock leading to an inability to refinance properties over the forecast period;
- projected condominium sales are reduced by 20% as a response to the Berlin and/or Federal authorities attempting to slow down the condominium sales;
- changes in ESG regulations lead to a mandated 20% increase in capital expenditure to reach the required regulatory level. This includes a 20% increase in the costs of the forward-funding acquisition in Erkner as described on page 17; and
- a cyber-attack on the Company which leads to a General Data Protection Regulation ('GDPR') data-breach fine of 4% of annual revenue in 2023.

After applying the assumptions above, individually and collectively, there was no scenario by which the viability of the Company over the next 12 months was brought into doubt from a cash-flow perspective. Under the stresses set out above, cash-flow mitigation may be required in 2023 and headroom could be obtained in the following ways:

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

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

The projection of cash flows includes the impact of further potential property acquisitions in order to draw the full acquisition facility signed with Natixis in December 2021. However, as the facility is a 100% loan-to-cost then the impact on the cash flows is limited to a rise in the interest paid on the loan balance over the forecast period. Furthermore, the Directors complete a formal review of the working capital headroom of the Group for material acquisitions.

Directors' confirmations

In accordance with the FCA's DTRs, each of the Directors, whose names are set out on pages 34 to 35, 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 AIS, 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 March 2022

Corporate Governance Statement

Board leadership and purpose

This Corporate Governance Statement comprises pages 40 to 47 and forms part of the Directors' Report.

Introduction from Chairman

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

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 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 JFSC, provides more relevant information to shareholders.

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

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

Board leadership, purpose and culture

At 31 December 2021, the Board comprised five Directors. Their biographical details are shown on pages 34 to 35. 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 page 46. The interests that some of the Directors hold in the Company, as set out on page 36 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 2 to 21 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:

- Mietendeckel response;
- the interim and annual Financial Statements;
- declaration of dividends;
- issuance of Ordinary Shares as satisfaction of the Property Advisor's Performance Fee;
- share buybacks;
- ordinary winding up of four special purpose vehicles;
- 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;
- refinances;
- recommendations from the Company's respective Committees; and
- annual review of service providers.

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

Additionally, the Board continuously monitors its policies, practices and behaviours and undertakes a rigorous evaluation of its own performance and that of its key service providers on an annual basis to ensure their culture is aligned with the Company's purpose, values, and strategy. Details on the Board evaluation and the Annual Service Provider Review can be found on pages 46 and 43, respectively. Where the Board is not satisfied, it will seek assurance from key service providers that Management have taken corrective action.

Stakeholder engagement

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

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Group. The Board receives feedback on the views of shareholders from its corporate broker and the Property Advisor. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Board seeks to utilise stakeholder communication to inform them of the decisions that the Company takes, whether about the products or services it provides, or about its strategic direction, its long-term health, and the society in which it operates. The Board agrees that stakeholder engagement strengthens the business and promotes its long-term success to the benefit of stakeholders and shareholders alike. As set out in more detail on pages 8 to 9 of the Strategic Report, during the period, the Company engaged with shareholders in relation to the change to the Company's strategy as a result of removal of the Mietendeckel, the share buyback programme and how the Company monitors its environmental impact.

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

The Board believes that the 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 www.phoenixspree.com.

2021 AGM

The 2021 AGM of the Company was held on 8 June 2021. Resolutions 1 to 9 related to ordinary business and resolutions 10 and 11 related to the following special business:

- to authorise the Company to make market purchases of and to cancel or hold in treasury up to 14,514,054 of its shares (representing approximately 14.41% 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 99% of votes cast in favour.

2022 AGM

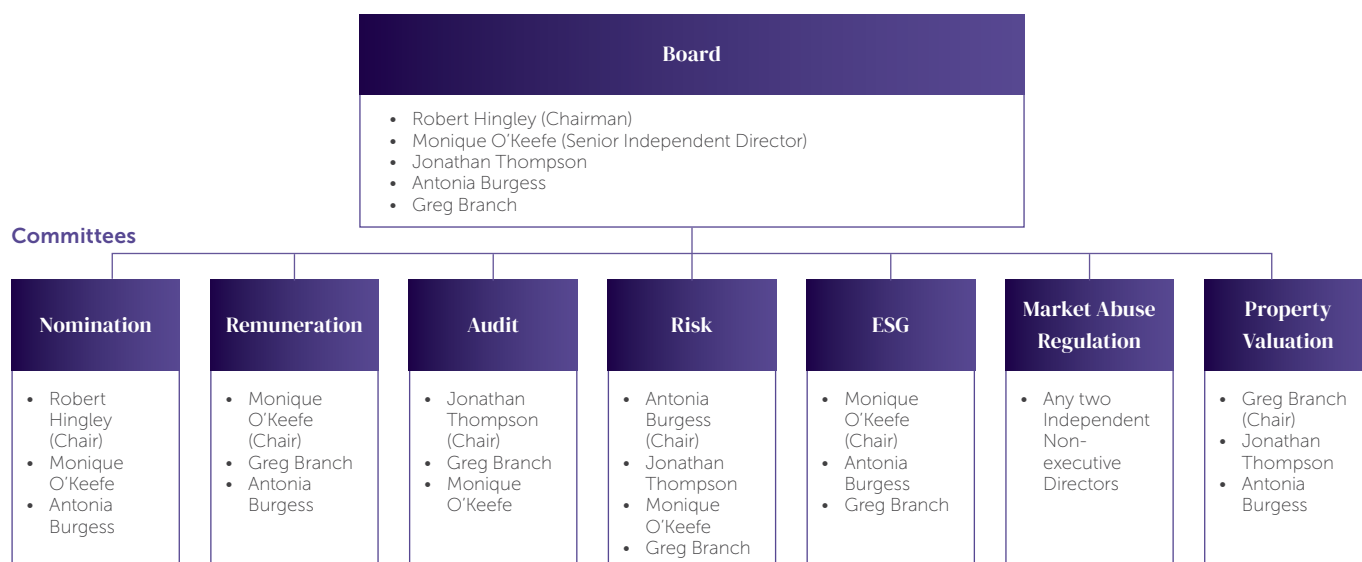
The 2022 AGM will be held on 15 June 2022 at the registered office of the Company: 12 Castle Street, St Helier, Jersey JE2 3RT.

A separate notice convening the AGM will be distributed to shareholders with the Annual Report and Financial Statements on or around 16 May 2022, 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 at 31 December 2021



At 31 December 2021, the Board comprised five Non-executive Directors. Their biographical details are on pages 34 to 35.

Changes to the composition of the Committees during the year are described in the Nomination Committee Report on page 46.

Chairman and Senior Independent Director

The Chairman, Robert Hingley, is responsible for the leadership of the Board's business and setting its agenda, together with the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely, and clear information and that there is adequate time available for the discussion of agenda items at each Board meeting. The Chairman is deemed by his fellow Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. He has no significant commitments other than those disclosed in his biography on page 34.

Monique O'Keefe was appointed Senior Independent Director on 29 May 2020 following Charlotte Valeur's retirement from the Board. The Senior Independent Director works closely with the Chairman, acting as a sounding board when necessary and serves as an intermediary for the other Directors and shareholders, and takes the lead in the annual evaluation of the Chairman by the Directors. Monique O'Keefe resigned on 3 December 2021 with final termination date being 31 March 2022. On the 14 March 2022, Antonia Burgess was appointed as Senior Independent Director to replace Monique O'Keefe.

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.

Quentin Spicer, who retired on 8 June 2021, was not a member of any Board Committee due to his length of service exceeding nine years and the Board therefore considered him non-independent.

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

Property Valuation Committee

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

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

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

ESG 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.

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

General Board matters

Post-year end in March 2022, the Board reviewed the overall performance of the Property Advisor and the terms of the Property Advisory Agreement, as set out in note 26, and, based on the results, the continued appointment of the Property Advisor is considered to be in the best interests of the shareholders as a whole. It was approved by the Board that QSix Residential be retained as Property Advisor under the terms of the agreement.

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

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, which also carries out its 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.

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

The Committee is also responsible for oversight and advice to the Board on the current risk exposures and future risk strategy of the 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 Committee and serves as a useful component in tracking the principal and emerging risks of the Company.

During the year, the Committee carried out a robust assessment of the principal risks, emerging risks and principal uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The result of this review, the potential impact of each type of risk identified and the mitigants put in place are set out in the 'Principal Risks and Uncertainties' section of the Annual Report on pages 32 to 33.

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

Corporate Governance Statement continued

Division of Responsibilities

Audit Committee

The membership and activities of the Audit Committee are described in its Report on pages 48 to 50.

Nomination Committee

The membership and activities of the Nomination Committee are described in this Report on pages 46 to 47.

Remuneration Committee

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

Further details about the Remuneration Committee are remuneration matters are set out in the Directors' Remuneration Report and Policy on pages 51 to 53.

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 Committee held during the year ended 31 December 2021 and the attendance of individual Directors.

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

	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	–	–
Q Spicer*	–	–	–	–	–	–
J Thompson	4	4	–	–	–	–
M O'Keefe	–	–	1	1	3	3
A Burgess	4	4	1	1	3	3
G Branch	4	4	–	–	3	3

	Remuneration		Market Abuse Regulation (any 2 Non-executive Directors)	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended
R Hingley	–	–	3	3
Q Spicer*	–	–	2	2
J Thompson	–	–	3	3
M O'Keefe	1	1	3	3
A Burgess	1	1	4	4
G Branch	1	1	3	3

* Quentin Spicer retired from the Board at the AGM held on 8 June 2021.

During the year, 10 additional Board meetings were held. These meetings were in respect of refinancing debt, the approval and execution of engagement letters and powers of attorney, share buybacks, the approval of the annual Financial Statements and Committee recommendations.

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 JFSC. This programme entails the Company's service providers presenting to the Directors on key topics such as:

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

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

All Directors 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.

Corporate Governance Statement continued

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

Diversity

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

Tenure and succession planning

The Board'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.

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

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

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

Directors' attendance at all Board and Committee meetings held during the year is detailed on pages 44 to 45. 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. Although the Company is not an FTSE 350 Company, the Board believes it is best practice for the Company to follow this provision. In the intervening years, internal performance evaluations are carried out by the means of questionnaires. The aim of the evaluation is to recognise the strengths, address any weaknesses and consider improvements to the Board process. The evaluation is designed to ensure that the Board meets its objectives and effectiveness is maximised.

The evaluations focus on the following issues:

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

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

During the final quarter of 2021, the Directors participated in an external Board evaluation process, conducted by independent, external consultant, Value Alpha. Value Alpha provides no other services to the Company. The evaluation focused on Board composition, including Directors' skills, experience and behaviours, Board processes and decision-making mechanisms. The findings of the evaluation were presented to and discussed with the Board in January 2022.

The evaluation concluded that the Board is performing strongly and represents a healthy platform for the next stage of the Board's and Company's evolution. Behaviours are appropriate, commitment is high and Board meetings are effective.

The following actionable recommendations were made:

- consider ways to strengthen the relationship further with key service providers, in particular QSix and Apex, and ensure clarity of roles concerning strategy, governance and resources;
- consider recompensing Jersey-based Directors for the extra work involved in administration;
- devise succession planning for the Board which sees critical roles become Jersey-based;
- monitor the issue of diversity;
- consider, with QSix and Apex, ways to improve the quality of the Board packs; and
- prioritise getting together socially as soon as pandemic conditions permit.

Actions against each of these recommendations are currently under way. The Board will continue to conduct an externally facilitated performance evaluation every three years and internal evaluations in the intervening years.

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

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.

Monique O'Keefe resigned on 3 December 2021 with final termination date being 31 March 2022. In seeking a replacement for Monique O'Keefe, a shortlisted candidate, Isabel Robins, who had been identified by the independent external recruitment Company Thomas & Dessain Executive Recruitment during the Company's 2020 recruitment process, was approached. The Company had already followed the recommended recruitment procedure during 2020 in identifying Isabel Robins and so, it was not necessary to initiate a new recruitment process. Accordingly, Isabel Robins joined the Board on 14th March 2022.

On appointment to the Board, Isabel Robins was appointed to the Audit Committee, the Property Valuation Committee, the Risk Committee, the Nomination Committee and as Chair of the ESG Committee.

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

Audit, risk and internal control

The Company's approach to compliance with the AIC Code in respect of audit is set out in the Audit Committee Report on page 48.

The Company's approach to compliance with the AIC Code in respect of risk and internal control is described under 'Division of Responsibilities, Risk Committee' on page 43.

Remuneration

The Company's approach to compliance with the AIC Code in respect of remuneration is set out in the Directors' Remuneration Report on page 52.

Audit Committee Report

Audit, Risk and Internal Control

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

Composition of the Audit Committee

The Audit Committee is chaired by Jonathan Thompson with Greg Branch and Monique O'Keefe as members. Jonathan Thompson was appointed Chair of the Committee upon his appointment to the Board on 24 January 2018, Monique O'Keefe became a member upon her appointment to the Board on 17 April 2018 and Greg Branch became a member on 14 September 2020. The qualifications and experience of the members of the Audit Committee during the financial year are set out in their biographical details on pages 34 to 35. 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 pages 44 to 45.

Summary of the role of the Audit Committee

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

- Monitoring the integrity of the Annual Report and Financial Statements of the Group, covering:
 - formal announcements relating to the Group's financial performance;
 - significant financial reporting issues and judgements;
 - 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.
- Monitoring the quality and effectiveness of the independent external Auditor, 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; and
- Monitoring the continuing Government response to the COVID-19 pandemic and its effects on the Company as well as its third-party service providers.

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 it is fair, balanced, understandable, comprehensive, consistent with prior years and how the Board assesses the performance of the Company's business during the financial year, as required by the AIC Code.

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

The Committee presented its 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.	<p>The Group has appointed JLL to act as the Independent Property Valuer ('the valuer'). The Audit Committee is satisfied that the valuer is independent and that it conducts its work in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (RICS).</p> <p>The Property Valuation Committee reviews the Valuer's Report, the methodology adopted and the assumptions incorporated to assess the adequacy of the valuation. They also meet the independent valuers JLL as part of the Valuation Review.</p>

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.

Auditors are subject to mandatory rotation every five years. As RSM UK Audit were appointed in 2014, a new Auditor, Graham Ricketts, was introduced for the 2019 Financial Statement audit process.

The Chair of the Committee maintained regular contact with the Company's Auditor throughout the year and met him prior to the finalisation of the audit of the 2021 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 Auditor 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 January 2022. The Auditor met again with the Chair of the Audit Committee in March 2022 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 2021:

	2021 £	2020 £
Audit	199,000	177,000
Agreed upon procedures – Interim Report	26,000	25,000
Agreed upon procedures – performance fee	–	10,000
Total	225,000	212,000

Audit Committee Report continued

Audit, Risk and Internal Control

Independence and objectivity

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

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

Audit tendering

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

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

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

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

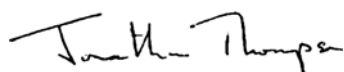
The Committee has an established policy for the commission of non-audit work from the Group's Auditor.

The external Auditor is excluded from providing non-audit services to the Group where the objectives of such assignments are inconsistent with the objectives of the audit. 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 43 and of its assessment of the principal and emerging risks is set out on pages 32 to 33.



Jonathan Thompson

Chair of the Audit Committee

29 March 2022

Directors' Remuneration Report

Remuneration

Statement from the Chair of the Remuneration Committee

As set out on page 42 of the Corporate Governance Statement, the Remuneration Committee comprised Monique O'Keefe (Chair), Antonia Burgess and Greg Branch. The Committee is responsible for setting the Directors' remuneration levels, including in respect of the Chairman, with consideration of the following:

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

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

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

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

A resolution will be put to shareholders at the Company's upcoming AGM to be held on 15 June 2022 to receive and approve the Directors' Remuneration Report.

This Report is not subject to audit.

Voting at AGM

The Directors' Remuneration Report for the year ended 31 December 2020 was approved by shareholders at the AGM held on 8 June 2021. The votes cast by proxy were as follows:

	Directors' Remuneration Report	
	Number of votes cast	% of votes cast
For	43,392,766	99.95%
Against	23,123	0.05%
At Chairman's discretion	–	0%
Total votes cast	43,415,889	100%
Number of votes withheld	6,500	–

Directors' Remuneration Report continued

Remuneration

Directors' remuneration for the year ended 31 December 2021

The fees paid to the Directors for the year ended 31 December 2021 (and prior year) are set out below:

Audited	2021			2020		
	Director's fee £	Expenses £	Total £	Director's fee £	Expenses £	Total £
R Hingley	50,000	–	50,000	50,000	95	50,095
M O'Keefe	40,000	–	40,000	40,000	652	40,652
Q Spicer*	17,562	–	17,562	40,000	–	40,000
C Valeur**	–	–	–	16,329	–	16,329
J Thompson	45,000	415	45,415	45,000	255	45,255
A Burgess**	40,000	–	40,000	15,452	–	15,452
G Branch**	40,000	–	40,000	13,260	–	13,260
Total	232,562	415	232,977	220,041	1,002	221,043

* Quentin Spicer retired from the Board at the AGM on 8 June 2021;

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

Relative importance to spend on pay

The table below sets out, in respect of the year ended 31 December 2021:

- the remuneration paid to the Directors; and
- the distributions made to Directors by way of dividend.

	31 December 2021 £'000	31 December 2020 £'000	Change %
Directors' remuneration	233	221	5.2
Dividends paid to Directors	3	3	–

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 2021, the interest of the Directors in the Ordinary Shares of the Company are set out below:

	31 December 2021	31 December 2020
Quentin Spicer*	N/A	39,600
Robert Hingley	5,150	5,150
Jonathan Thompson	7,337	7,337

* Quentin Spicer retired with effect 8 June 2021.

There have been no changes to the interests of the existing Directors between 31 December 2021 and the date of this Report.

Remuneration Policy

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

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

The Group's Policy, designed to support strategy and promote long-term sustainable success of the Company, is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar Companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Group properly and to reflect its specific circumstances. There were no changes to the Policy during 2021, but at the Board meeting on 14 March 2022 it was approved that the three Jersey-based Non-executive Directors would receive a £5,000 fee increase to better reflect their workload. This was effective from 1 January 2022.

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

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

Directors' fee levels

The Board has set three levels of fees: one for the Chairman, one for the Directors, and an additional fee that is paid to the Director who chairs the Audit Committee. Fees are reviewed annually in accordance with the above Policy. The fee for any new Director appointed will be determined on the same basis. The basic and additional fees payable to Directors in respect of the year ended 31 December 2021 and the expected fees payable in respect of the year ending 31 December 2022 are set out in the table below:

	Expected annual fee for the year to 31 December 2022 £	Annual fees for the year to 31 December 2021 £
Chairman	50,000	50,000
Chair of the Audit Committee	45,000	45,000
Non-executive Directors	40,000	40,000
Additional Jersey-resident Director's fee	5,000	–
Total remuneration paid to Directors	230,000	215,000

Approval

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



Monique O'Keefe

Chair of the Remuneration Committee

29 March 2022

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 IFRS 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 ('IAS').

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

In preparing the Group Financial Statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted IAS.
- 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, IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and UK-adopted IAS. 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 34 to 35 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 PSD Ltd 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:



Monique O'Keefe

Chair of the Remuneration Committee

29 March 2022

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 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and IFRS 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 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRS 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 IAS

As explained in note 2.1 to the Financial Statements, the Group in addition to complying with its legal obligation to apply IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, has also applied UK-adopted IAS.

In our opinion the Financial Statements give a true and fair view of the Consolidated Financial Position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with UK-adopted IAS.

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: €8,010,000 (2020: €7,680,000) Performance materiality: €6,010,000 (2020: €5,760,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax

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 2021 was €759.8 million (2020: €749.0 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 Income Statement. The Group has appointed an independent valuation expert ('the valuer') in determining the fair value of the investment properties at 31 December 2021.</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 48 to 50; the significant accounting judgements and estimates on pages 72 to 73; significant accounting policies on pages 66 to 71 and notes 16 and 17 to the Financial Statements on pages 77 to 79.</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 and land registry documents 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 with the average or the previous year and discussing and challenging the valuation of these properties with the valuer, as well as obtaining evidence to support the explanations received.• Challenging the valuer on the appropriateness of key assumptions in the valuation, including specific discussion of increases in value outside of an average range, reductions in property values, uplifts for condominiumisation and densification.• Engaging an independent auditor's expert to assist us in challenging assumptions made by the valuer in respect of the Berlin property market.
Key observations	<p>Disclosure of the impact of the key judgements and estimates applied in respect of the valuation of investment properties are disclosed in note 4 to the Financial Statements. Based on the results of the audit procedures outlined above, we have no observations to report.</p>

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	€8,010,000 (2020: €7,680,000)
Basis for determining overall materiality	1% of property valuation (2020: 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	€6,010,000 (2020: €5,760,000)
Basis for determining performance materiality	75% of overall materiality (2020: 75% of overall materiality)
Reporting of misstatements to the Audit Committee	Misstatements in excess of €200,000 (2020: €192,000) 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 12 months from when the Financial Statements are authorised for issue.

In relation to Entities reporting on how they have applied the AIC Code, 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.

Corporate Governance Statement

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

Independent Auditor's Report continued

to the Members of Phoenix Spree Deutschland Limited

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 38;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why this period is appropriate set out on pages 38 to 39;
- Directors' Statement on fair, balanced and understandable set out on page 39;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 32 to 33;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 43; and,
- The section describing the work of the Audit Committee set out on pages 48 to 50.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 54, 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; 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 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; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the Financial Statements is included in Appendix 1 of this Auditor's Report. This description, which is located on page 60, 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 eight years, covering the years ending 31 December 2014 to 31 December 2021.

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

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

Use of our Report

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



Graham Ricketts

For and on behalf of RSM UK Audit LLP
Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
28 March 2022

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 2021

	Notes	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Continuing operations			
Revenue	6	25,790	23,899
Property expenses	7	(16,082)	(16,437)
Gross profit		9,708	7,462
Administrative expenses	8	(3,447)	(3,263)
Gain on disposal of investment property (including investment property held for sale)	10	1,518	2,178
Investment property fair-value gain	11	37,983	41,458
Performance Fee due to Property Advisor	26	(343)	439
Operating profit		45,419	48,274
Net finance charge (before gain/(loss) on interest-rate swaps)	12	(7,482)	(8,199)
Gain / (loss) on interest-rate swaps	12	7,313	(2,218)
Profit before tax		45,250	37,857
Income tax expense	13	(7,882)	(7,550)
Profit after tax		37,368	30,307
Other comprehensive income		–	–
Total comprehensive income for the year		37,368	30,307
Total comprehensive income attributable to:			
Owners of the parent		37,311	29,788
Non-controlling interests		57	519
		37,368	30,307
Earnings per share attributable to the owners of the Parent:			
From continuing operations			
Basic (€)	29	0.39	0.31
Diluted (€)	29	0.39	0.30

Consolidated Statement of Financial Position

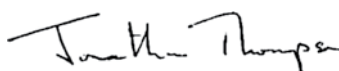
At 31 December 2021

	Notes	As at 31 December 2021 €'000	As at 31 December 2020 €'000
ASSETS			
Non-current assets			
Investment properties	16	759,830	749,008
Property, plant and equipment	18	20	42
Other financial assets at amortised cost	19	926	901
Deferred tax asset	13	1,722	2,880
		762,498	752,831
Current assets			
Investment properties – held for sale	17	41,631	19,302
Trade and other receivables	20	11,699	8,414
Cash and cash equivalents	21	10,441	36,996
		63,771	64,712
Total assets		826,269	817,543
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	22	922	1,018
Trade and other payables	23	11,893	9,018
Current tax	13	512	550
		13,327	10,586
Non-current liabilities			
Borrowings	22	283,233	286,531
Derivative financial instruments	24	10,884	18,197
Deferred tax liability	13	75,198	68,273
		369,315	373,001
Total liabilities		382,642	383,587
Equity			
Stated capital	27	196,578	196,578
Treasury Shares	27	(33,275)	(17,206)
Share-based payment reserve	26	343	6,369
Retained earnings		276,394	244,685
Equity attributable to owners of the parent		440,040	430,426
Non-controlling interest	28	3,587	3,530
Total equity		443,627	433,956
Total equity and liabilities		826,269	817,543

The consolidated Financial Statements on pages 61 to 90 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Robert Hingley
Chairman
29 March 2022



Jonathan Thompson
Director
29 March 2022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to the owners of the parent						Non-controlling interest €'000	Total equity €'000
	Stated capital €'000	Treasury Shares €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000			
Balance at 1 January 2020	196,578	(11,354)	6,808	221,859	413,891	3,011		416,902
Comprehensive income:								
Profit for the year	–	–	–	29,788	29,788	519		30,307
Other comprehensive income	–	–	–	–	–	–		–
Total comprehensive income for the year	–	–	–	29,788	29,788	519		30,307
Transactions with owners – recognised directly in equity:								
Dividends paid	–	–	–	(6,962)	(6,962)	–		(6,962)
Performance Fee	–	–	(439)	–	(439)	–		(439)
Acquisition of Treasury Shares	–	(5,852)	–	–	(5,852)	–		(5,852)
Balance at 31 December 2020	196,578	(17,206)	6,369	244,685	430,426	3,530		433,956
Comprehensive income:								
Profit for the year	–	–	–	37,311	37,311	57		37,368
Other comprehensive income	–	–	–	–	–	–		–
Total comprehensive income for the year	–	–	–	37,311	37,311	57		37,368
Transactions with owners – recognised directly in equity:								
Dividends paid	–	–	–	(7,435)	(7,435)	–		(7,435)
Performance Fee	–	–	343	–	343	–		343
Settlement of Performance Fee using Treasury Shares	–	4,536	(6,369)	1,833	–	–		–
Acquisition of Treasury Shares	–	(20,605)	–	–	(20,605)	–		(20,605)
Balance at 31 December 2021	196,578	(33,275)	343	276,394	440,040	3,587		443,627

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Profit before tax	45,250	37,857
Adjustments for:		
Net finance charge	169	10,417
Gain on disposal of investment property	(1,518)	(2,178)
Investment property revaluation gain	(37,983)	(41,458)
Depreciation	8	8
Performance Fee due to Property Advisor (share-based payment)	343	(439)
Operating cash flows before movements in working capital	6,269	4,207
(Increase) / decrease in receivables	(1,320)	2,071
Increase in payables	2,875	1,782
Cash generated from operating activities	7,824	8,060
Income tax received / (paid)	163	(1,316)
Net cash generated from operating activities	7,987	6,744
Cash flow from investing activities		
Proceeds on disposal of investment property (net of disposal costs)	13,758	7,213
Interest received	1	19
Capital expenditure on investment property	(9,477)	(4,171)
Put option settlement	–	(7,542)
Repayment of shareholder loans	–	1,622
Disposals to property, plant and equipment	14	4
Net cash generated from (used in) investing activities	4,296	(2,855)
Cash flow from financing activities		
Interest paid on bank loans	(7,743)	(7,541)
Repayment of bank loans	(4,059)	(38,845)
Drawdown on bank loan facilities	900	50,000
Dividends paid	(7,435)	(6,962)
Acquisition of Treasury Shares	(20,501)	(5,956)
Net cash (used in) financing activities	(38,838)	(9,304)
Net (decrease) in cash and cash equivalents	(26,555)	(5,415)
Cash and cash equivalents at beginning of year	36,996	42,414
Exchange gains on cash and cash equivalents	–	(3)
Cash and cash equivalents at end of year	10,441	36,996

Reconciliation of Net Cash Flow to Movement in Debt

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Cash flow from (decrease) / increase in debt financing		(3,159)	11,155
Non-cash changes from (decrease) / increase in debt financing		(235)	140
Change in net debt resulting from cash flows		(3,394)	11,295
Movement in debt in the year		(3,394)	11,295
Debt at the start of the year		287,549	276,254
Debt at the end of the year	22	284,155	287,549

Notes to the Financial Statements

For the year ended 31 December 2021

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, 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 12 Castle Street, St Helier, Jersey, JE2 3RT, Channel Islands.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and UK-adopted IAS.

The Consolidated Financial Statements are presented to the nearest €1,000.

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as they have been adopted by the European Union and United Kingdom, that are relevant to its operations and effective for accounting periods beginning on 1 January 2021.

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 to February 2025, which include the going-concern assessment period to 31 March 2023. 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 31. 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 38. The Group therefore continues to adopt the going-concern basis in preparing its Consolidated Financial Statements.

2.3 Basis of consolidation

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

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

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

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

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

2.4 Revenue recognition

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

2.5 Foreign currencies

(a) Functional and presentation currency

The currency of the primary economic environment in which the Group operates ('the functional currency') is the Euro (€). The presentational currency of the Consolidated Financial Statements is also the Euro (€).

(b) Transactions and balances

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

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

2.6 Segment reporting

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

2.7 Operating profit

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

2.8 Administrative and property expenses

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

2.9 Separately disclosed items

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

2.10 Property Advisor fees

The element of Property Advisor fees for management services provided are accounted for on an accruals basis and are charged to the Consolidated Statement of Comprehensive Income. These fees are detailed in note 7 and classified under 'Property Advisors' fees and expenses. The settlement of the Property Advisor Performance Fees is detailed in note 26. 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, 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 Financial Statements continued

For the year ended 31 December 2021

2. Summary of significant 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 – 4.50% 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. Provision is made based on the expected credit loss model which reflects the Company's historical credit loss experience over the past three years but also reflects the lifetime expected credit loss.

Cash and cash equivalents

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

Trade and other payables

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

Borrowings

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

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

Treasury Shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity 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.

2.17 Current and deferred income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.17 Current and deferred income tax (continued)

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

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

2.18 New standards and interpretations

The following relevant new standards, amendments to standards and interpretations have been issued, and are effective for the financial year beginning on 1 January 2021, as adopted by the European Union and United Kingdom:

Title	As issued by the IASB, mandatory for accounting periods starting on or after
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)	Accounting periods beginning on or after 1 January 2021
Amendments to IFRS 4 Insurance contracts – deferral of IFRS 9	Accounting periods beginning on or after 1 January 2021
Amendments to IFRS 16 Leasing – COVID-19 Related Rent Concessions	Accounting periods beginning on or after 1 April 2021

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)

In September 2020, the IASB published Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), finalising its response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to assist reporting entities to provide investors with useful information about the effects of the reform on their Financial Statements.

This second set of amendments focus on issues arising post-replacement, i.e., when the existing interest rate benchmark is actually replaced with alternative benchmark rates.

The amendments do not impact on the current Financial Statements as they are related to amendments to hedge accounting requirement which are not relevant to the Group.

Amendments to IFRS 4 Insurance contracts – deferral of IFRS 9

IFRS 9 addresses the accounting for financial instruments and is effective for annual reporting periods beginning on or after 1 January 2018. However, for insurers meeting the eligibility criteria, IFRS 4 provides a temporary exemption which permits them to continue to apply IAS 39 Financial Instruments: Recognition and Measurement rather than implement IFRS 9.

This temporary exemption was applicable to annual periods beginning before 1 January 2021. In June 2020 the IASB published an amendment to IFRS 4 to extend the temporary exemption from applying IFRS 9 until annual periods beginning before 1 January 2023. This amendment maintains the alignment of the effective dates of IFRS 9 and IFRS 17.

The amendments do not impact on the current Financial Statements as they are related to insurance contracts which are not relevant to the Group.

Amendments to IFRS 16 Leasing – COVID-19 Related Rent Concessions

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

An extension was issued on 31 March 2021 which permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

The amendments do not impact on the current Financial Statements as no COVID-19-related rent concessions have been recognised.

New and revised IFRS Standards in issue but not yet effective

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 IFRS 3 Business Combinations Reference to the Conceptual Framework	Accounting periods beginning on or after 1 January 2022
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use	Accounting periods beginning on or after 1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract	Accounting periods beginning on or after 1 January 2022
Annual Improvements 2018-2020	Accounting periods beginning on or after 1 January 2022

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.

(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 to the Consolidated Financial Statements.

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

(c) General property market risk

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

(d) Market risk – rent legislation

Through its policy of investing in Berlin, the Group is subject to the risk of changing rental legislation 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 on pages 32 to 33.

(e) Market risk – Ukraine

Although the Company has no direct exposure to either Russia or Ukraine, it is expected that the continuing conflict will 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 second derivative impacts are being closely monitored by the Board and the Property Advisor. Further information regarding the risk to the Company from the crisis in Ukraine can be found in the principal risks and uncertainties on page 32.

Notes to the Financial Statements continued

For the year ended 31 December 2021

3. Financial risk management (continued)

3.3 Credit risk

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

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

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

3.4 Liquidity risk

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

3.5 Capital management

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

The capital structure of the Group consists of net debt (borrowings disclosed in note 22 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 2021 €'000	As at 31 December 2020 €'000
Borrowings	(284,155)	(287,549)
Cash and cash equivalents	10,441	36,996
Net debt	(273,714)	(250,553)
Equity	443,627	433,956
Net debt to equity ratio	62%	58%

4. Critical accounting estimates and judgements

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

i) Estimate of fair value of investment properties

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and condition, and expected future rentals. The valuation as at 31 December 2021 is based on the rules, regulations and market as at that date. The fair value estimates of investment 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 2021 €'000	31 December 2020 €'000
Rental income	20,624	19,055
Service charge income	5,166	4,844
	25,790	23,899

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

	31 December 2021 €'000	31 December 2020 €'000
Within one year	1,224	1,267
One to two years	1,177	1,217
Two to three years	979	925
Three to four years	875	703
Four to five years	663	627
Later than five years	562	437
	5,480	5,176

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

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2021

7. Property expenses

	31 December 2021 €'000	31 December 2020 €'000
Property management expenses	1,195	1,143
Repairs and maintenance	1,731	1,553
Impairment charge – trade receivables	420	160
Service charges paid on behalf of tenants	6,014	7,137
Property Advisors' fees and expenses	6,722	6,444
	16,082	16,437

8. Administrative expenses

	31 December 2021 €'000	31 December 2020 €'000
Secretarial and administration fees	609	589
Legal and professional fees	2,405	2,364
Directors' fees	287	248
Bank charges	62	32
Loss on foreign exchange	82	69
Depreciation	8	8
Other income	(6)	(47)
	3,447	3,263

Further details of the Directors' fees are set out in the Directors' Remuneration Report on pages 51 to 53.

9. Auditor's remuneration

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

	31 December 2021 €'000	31 December 2020 €'000
Fees payable to the Group's Auditor and its associates for the audit of the Consolidated Financial Statements:	237	197
Fees payable to the Group's Auditor and its associates for other services:		
– Agreed upon procedures – half-year Report	31	28
– Agreed upon procedures – Performance Fee	–	11
	268	236

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

	31 December 2021 €'000	31 December 2020 €'000
Disposal proceeds	16,667	9,998
Book value of disposals	(14,309)	(7,479)
Disposal costs	(840)	(341)
	1,518	2,178

12 residential units and eight parking spaces with a value of €5.2 million were notarised in 2020 and completed in 2021, the book value of these units in December 2020 reflected their notarised value. 34 units notarised and completed in 2021, achieving a gross premium to book value of 25.4%, and a premium to book value of 18.8% net of disposal costs.

11. Investment property fair-value gain

	31 December 2021 €'000	31 December 2020 €'000
Investment property fair-value gain	37,983	41,458

Further information on investment properties is shown in note 16.

12. Net finance charge

	31 December 2021 €'000	31 December 2020 €'000
Interest income	(26)	6
Interest from related party loans	–	(57)
Change in put option liability arising on settlement	–	591
Finance expense on bank borrowings	7,508	7,659
Net finance charge before (gain) / loss on interest-rate swap	7,482	8,199
(Gain) / loss on interest-rate swap	(7,313)	2,218
	169	10,417

Finance expense on bank borrowings for the prior period includes a total of €383,000 in respect of loan breakage fees incurred due to the loan refinancing carried out during the year (2021: Nil).

13. Income tax expense

	31 December 2021 €'000	31 December 2020 €'000
The tax charge for the period is as follows:		
Current tax (credit) / charge	(201)	453
Deferred tax charge – origination and reversal of temporary differences	8,083	7,097
	7,882	7,550

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

	31 December 2021 €'000	31 December 2020 €'000
Profit before tax	45,250	37,857
Tax at German income tax rate of 15.8% (2020: 15.8%)	7,150	5,981
Income not taxable	(240)	(344)
Losses carried forward not recognised	972	1,913
Total tax charge for the year	7,882	7,550

Reconciliation of current tax liabilities

	31 December 2021 €'000	31 December 2020 €'000
Balance at beginning of year	550	1,413
Tax received / (paid) during the year	163	(1,316)
Current tax (credit) / charge	(201)	453
Balance at end of year	512	550

Reconciliation of deferred tax

	Capital gains on properties €'000 (Liabilities)	Interest-rate swaps €'000 Asset	Total €'000 (Net liabilities)
Balance at 1 January 2020	(60,825)	2,529	(58,296)
Charged to the Statement of Comprehensive Income	(7,448)	351	(7,097)
Deferred tax (liability) / asset at 31 December 2020	(68,273)	2,880	(65,393)
Charged to the Statement of Comprehensive Income	(6,925)	(1,158)	(8,083)
Deferred tax (liability) / asset at 31 December 2021	(75,198)	1,722	(73,476)

Notes to the Financial Statements continued

For the year ended 31 December 2021

13. Income tax expense (continued)

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 2021 was 15.8% (2020: 15.8%).

Factors affecting future tax charges

The Group has accumulated tax losses of approximately €35 million (2020: €30.0 million) in Germany, which will be available to set against suitable future profits should they arise, subject to the criteria for relief. These losses are offset against the deferred taxable gain to give the deferred tax liability set out above.

14. Dividends

	31 December 2021 €'000	31 December 2020 €'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2021 of 2.35c (2.02p) declared 24 September 2021, paid 29 October 2021 (2020: 2.35c (2.1p)) per share.	2,228	2,229
Dividend for the year ended 31 December 2020 of 5.15c (4.65p) declared 29 March 2021, paid 7 June 2021 (2020: 5.15c (4.4p)) per share.	5,207	4,733

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 II Limited (Liquidated on 30 December 2021)	Jersey	100	Liquidated
Phoenix Spree Deutschland III Limited	Jersey	100	Investment property
Phoenix Spree Deutschland IV Limited (Liquidated on 30 December 2021)	Jersey	100	Liquidated
Phoenix Spree Deutschland V Limited (Liquidated on 30 December 2021)	Jersey	100	Liquidated
Phoenix Spree Deutschland VII Limited	Jersey	100	Investment property
Phoenix Spree Deutschland IX Limited (Liquidated on 30 December 2021)	Jersey	100	Liquidated
Phoenix Spree Deutschland X Limited	Jersey	100	Finance vehicle
Phoenix Spree Deutschland XI Limited	Jersey	100	Investment property
Phoenix Spree Deutschland XII Limited	Jersey	100	Investment property
Phoenix Property Holding GmbH & Co KG	Germany	100	Holding Company
Phoenix Spree Mueller GmbH	Germany	94.9	Investment property
Phoenix Spree Gottlieb GmbH	Germany	94.9	Investment property
PSPF Holdings GmbH	Germany	100	Holding Company
Jühnsdorfer Weg Immobilien GmbH	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

	2021 €'000	2020 €'000
Fair value		
At 1 January	768,310	730,160
Capital expenditure	9,477	4,171
Property additions	–	–
Disposals	(14,309)	(7,479)
Fair-value gain	37,983	41,458
Investment properties at fair value – as set out in the Report by JLL	801,461	768,310
Assets classified as 'Held for Sale' (Note 17)	(41,631)	(19,302)
At 31 December	759,830	749,008

The property Portfolio was valued at 31 December 2021 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 Advisors QSix Residential Limited. JLL use their own assumptions with respect to rental growth, and adjustments to non-recoverable costs. JLL also uses data from comparable market transactions where these are available alongside their own assumptions.

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

All properties are valued as Level 3 measurements under the fair-value hierarchy (see note 31) as the inputs to the discounted cash flow methodology which have a significant effect on the recorded fair value are not observable. Additionally, JLL perform reference checks back to comparable market transactions to confirm the valuation model.

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

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

Discounted cash flow methodology ('DCF')

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.

Notes to the Financial Statements continued

For the year ended 31 December 2021

16. Investment properties (continued)

The principal inputs to the valuation are as follows:

	Year ended 31 December 2021 Range	Year ended 31 December 2020 Range
Residential properties		
Market rent		
Rental value (€ per sqm per month)	9.25-14.75	10-15
Stabilised residency vacancy (% per year)	1-3	1-4
Tenancy vacancy fluctuation (% per year)	4-9.5	5-8
Commercial properties		
Market rent		
Rental value (€ per sqm per month)	4.6-34	2-33
Stabilised commercial vacancy (% per year)	0-67	1-3
Estimated Rental Value ('ERV')		
ERV per year per property (€'000)	23-2,366	64-2,278
ERV (€ per sqm)	9.25-14.75	9-15
Financial rates – blended average		
Discount rate (%)	3.1	3.1
Portfolio yield (%)	2.4	2.2

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 €76.1 million, and a decrease in the discount rate of 0.25% would increase the investment property fair value by €94.7 million.

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

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

Rental scenario

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

Condominium scenario

Where properties have the potential or the benefit of all relevant permissions required to sell apartments individually (condominiums) 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 additional value is reflected by using a lower discount rate under the DCF methodology. Properties which do not have the benefit of all relevant permissions are described as valued using a standard rental scenario. Included in properties valued under the condominium scenario are properties not yet released to 'held for sale' as only a portion of the properties are forecast to be sold in the coming 12 months.

Disposal scenario

Where properties have been notarised for sale prior to the reporting date but have not completed; they are held at their notarised disposal value. These assets are considered held for sale under IFRS 5 and can be seen in note 17.

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

	31 December 2021 €'000	31 December 2020 €'000
Rental scenario	762,690	715,870
Condominium scenario	33,050	45,264
Disposal scenario	5,721	7,176
Total	801,461	768,310

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

	31 December 2021 €'000	31 December 2020 €'000
Investment properties	37,817	40,633
Investment properties held for sale (see note 17)	166	825
	37,983	41,458

17. Investment properties – held for sale

	2021 €'000	2020 €'000
Fair value – held for sale investment properties		
At 1 January	19,302	10,639
Transferred from investment properties	35,886	15,004
Capital expenditure	586	313
Properties sold	(14,309)	(7,479)
Valuation gain on apartments held for sale	166	825
At 31 December	41,631	19,302

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

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

Properties notarised for sale by the reporting date are valued at their disposal price (disposal scenario), and other properties are valued using the rental or condominium scenario (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 the expected sales have been transferred to assets held for sale.

The investment properties held for sale have debt of €13.0m (2020: €2.7m) that is repayable upon sale of those investment properties.

Notes to the Financial Statements continued

For the year ended 31 December 2021

18. Property, plant and equipment

	Equipment €'000
Cost or valuation	
As at 1 January 2020	127
Disposals	(4)
As at 31 December 2020	123
Disposals	(14)
As at 31 December 2021	109
Accumulated depreciation and impairment	
As at 1 January 2020	73
Charge for the year	8
As at 31 December 2020	81
Charge for the year	8
As at 31 December 2021	89
Carrying amount	
As at 31 December 2020	42
As at 31 December 2021	20

19. Other financial assets at amortised cost

	31 December 2021 €'000	31 December 2020 €'000
Current		
At 1 January	–	1,590
Accrued interest	–	32
Loan repayment	–	(1,622)
At 31 December	–	–
	31 December 2021 €'000	31 December 2020 €'000
Non-current		
At 1 January	901	876
Accrued interest	25	25
At 31 December	926	901

The Company entered into a loan agreement with the minority interest of Accentro Real Estate AG. 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 2021 €'000	31 December 2020 €'000
Current		
Trade receivables	827	707
Less: impairment provision	(315)	(222)
Net receivables	512	485
Prepayments and accrued income	514	16
Investment property disposal proceeds receivable	4,513	2,444
Service charges receivable	5,562	4,895
Prepaid Treasury Shares	–	104
Other receivables	598	470
	11,699	8,414

Ageing analysis of trade receivables

	31 December 2021 €'000	31 December 2020 €'000
Up to 12 months	511	482
Between 1 year and 2 years	–	3
Over 3 years	1	–
	512	485

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 2021, and on 31 December 2020 was determined as set out below.

The Group applies the following loss rates to trade receivables.

As noted below, a loss allowance of 50% (2020: 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 2021
Expected loss rate (%)	0%	36%	100%	
Gross carrying amount (€'000)	274	371	182	827
Loss allowance provision (€'000)	–	(133)	(182)	(315)

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

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

	31 December 2021 €'000	31 December 2020 €'000
Balance at the beginning of the year	222	223
Impairment losses recognised	420	160
Amounts written off as uncollectable	(327)	(161)
Balance at the end of the year	315	222

All impairment losses relate to the receivables arising from tenants.

21. Cash and cash equivalents

	31 December 2021 €'000	31 December 2020 €'000
Cash at bank	9,120	35,971
Cash at agents	1,321	1,025
Cash and cash equivalents	10,441	36,996

Notes to the Financial Statements continued

For the year ended 31 December 2021

22. Borrowings

	31 December 2021		31 December 2020	
	Nominal value €'000	Book value €'000	Nominal value €'000	Book value €'000
Current liabilities				
Accrued interest – NATIXIS Pfandbriefbank AG	1,026	121	901	217
Bank loans – Berliner Sparkasse	801	801	801	801
	1,827	922	1,702	1,018
Non-current liabilities				
Bank loans – NATIXIS Pfandbriefbank AG	237,678	234,328	240,000	236,789
Bank loans – Berliner Sparkasse	48,905	48,905	49,742	49,742
	286,583	283,233	289,742	286,531
	288,410	284,155	291,444	287,549

The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

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

All borrowings are secured against the investment properties of the Group. As at 31 December 2021, the Group had an undrawn debt facilities of €59.1m (2020: €Nil).

23. Trade and other payables

	31 December 2021 €'000	31 December 2020 €'000
Trade payables	2,758	1,410
Accrued liabilities	1,472	2,463
Service charges payable	5,203	5,145
Advanced payment received on account	2,437	–
Deferred income	23	–
	11,893	9,018

Advanced payment received on account relates to disposal proceeds received prior to the balance sheet date for units that proceeded to change ownership in the first quarter of 2022.

24. Derivative financial instruments

	31 December 2021 €'000	31 December 2020 €'000
Interest-rate swaps – carried at fair value through profit or loss		
Balance at 1 January	18,197	15,979
Fair value movement through profit or loss	(7,313)	2,218
Balance at 31 December	10,884	18,197

The notional principal amounts of the outstanding interest-rate swap contracts at 31 December 2021 were €204,269,000 (2020: €204,269,000). At 31 December 2021 the fixed interest rates vary from 0.775% to 1.24% (2020: 0.24% to 1.07%) above the main factoring Euribor rate, and mature between September 2026 and February 2027.

Maturity analysis of interest-rate swaps

	31 December 2021 €'000	31 December 2020 €'000
Less than 1 year	–	–
Between 1 and 2 years	–	–
Between 2 and 5 years	10,405	–
More than 5 years	479	18,197
	10,884	18,197

25. Other financial liabilities

	31 December 2021 €'000	31 December 2020 €'000
Current		
Balance at beginning of year	–	6,951
Change in put option liability on settlement	–	591
Exercise of put option	–	(7,542)
Balance at end of year	–	–

26. Share-based payment reserve

	Performance Fee €'000
Balance at 1 January 2020	6,808
Fee credit for the period	(439)
Balance at 31 December 2020	6,369
Fee charge for the year	343
Settlement of Performance Fee	(6,369)
Balance at 31 December 2021	343

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 Advisor 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. The 2020 fee was settled during the year and the 2021 fee will be settled in 2023.

27. Stated capital

	31 December 2021 €'000	31 December 2020 €'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 2021 was 100,751,410 (31 December 2020: 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 2021, the Group held 7,949,293 of the Company's shares (2020: 4,628,500). During the year a further 4,514,788 shares were purchased in the market, and 1,193,995 was issued out of shares held in treasury in settlement of the Performance Fee due to the Property Advisor for the Performance Period ended December 2020.

28. Non-controlling interests

	Non-controlling interest %	31 December 2021 €'000	31 December 2020 €'000
Phoenix Spree Mueller GmbH	5.1%	1,475	1,329
Phoenix Spree Gottlieb GmbH	5.1%	1,342	1,250
Jühnsdorfer Weg Immobilien GmbH	5.1%	770	951
		3,587	3,530

Notes to the Financial Statements continued

For the year ended 31 December 2021

29. Earnings per share and EPRA earnings per share

	31 December 2021	31 December 2020
Earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	37,311	29,788
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (Number)	94,973,655	97,136,617
Effect of dilutive potential Ordinary Shares (Number)	72,433	1,806,285
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share (Number)	95,046,088	98,942,902
Earnings per share (€)	0.39	0.31
Diluted earnings per share (€)	0.39	0.30
EPRA earnings per share		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	37,311	29,788
Changes in value of investment properties	(37,983)	(41,458)
Profit or loss on disposal on investment properties	(1,518)	(2,178)
Changes in fair value of financial instruments	(6,970)	1,779
Deferred tax adjustments	8,083	7,097
Change in Non-controlling interest	240	498
EPRA Earnings	(837)	(4,474)
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (Number)	94,973,655	97,136,617
EPRA Earnings per Share (€)	(0.01)	(0.05)
Diluted EPRA Earnings per Share (€)	(0.01)	(0.05)

30. Net Asset Value per share and EPRA Net Asset Value

	31 December 2021	31 December 2020
Net assets (€'000)	440,040	430,426
Number of participating Ordinary Shares	92,802,117	96,122,909
Net Asset Value per share (€)	4.74	4.48

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

EPRA NRV (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 2021			
IFRS Equity attributable to shareholders	440,040	440,040	440,040
<i>Include / Exclude*:</i>			
Hybrid instruments	(343)	(343)	(343)
Diluted NAV	439,697	439,697	439,697
<i>Include*:</i>			
Revaluation of investment property	–	–	–
Revaluation of investment property under construction	–	–	–
Revaluation of other non-current investments	–	–	–
Revaluation of tenant leases held as finance leases	–	–	–
Revaluation of trading properties	–	–	–
Diluted NAV at fair value	439,697	439,697	439,697
<i>Exclude*:</i>			
Deferred tax in relation to fair-value gains of investment property	73,476	73,476	
Fair value of financial instruments	10,884	10,884	
Goodwill as a result of deferred tax	–	–	–
Goodwill as per the IFRS balance sheet	–	–	–
Intangibles as per the IFRS balance sheet	–	–	–
<i>Include*:</i>			
Fair value of fixed interest rate debt			3,051
Revaluation of intangibles to fair value	–		
Real estate transfer tax	65,072	–	
NAV	589,129	524,057	442,748
Fully diluted number of shares	92,802,117	92,802,117	92,802,117
NAV per share (€)	6.35	5.65	4.77
	EPRA NRV €'000	EPRA NTA €'000	EPRA NDV €'000
At 31 December 2020			
IFRS Equity attributable to shareholders	430,426	430,426	430,426
<i>Include / Exclude:</i>			
Hybrid instruments	(6,369)	(6,369)	(6,369)
Diluted NAV	424,057	424,057	424,057
<i>Include*:</i>			
Revaluation of investment property	–	–	–
Revaluation of investment property under construction	–	–	–
Revaluation of other non-current investments	–	–	–
Revaluation of tenant leases held as finance leases	–	–	–
Revaluation of trading properties	–	–	–
Diluted NAV at fair value	424,057	424,057	424,057
<i>Exclude:</i>			
Deferred tax in relation to fair-value gains of investment property	65,393	65,393	
Fair value of financial instruments	18,197	18,197	
Fair value of fixed interest rate debt			2,946
Real estate transfer tax	62,721	–	
NAV	570,368	507,647	427,003
Fully diluted number of shares	96,122,909	96,122,909	96,122,909
NAV per share (€)	5.93	5.28	4.44

Notes to the Financial Statements continued

For the year ended 31 December 2021

31. 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 2021 €'000	31 December 2020 €'000
At amortised cost		
Trade and other receivables – current	11,185	8,294
Cash and cash equivalents	10,441	36,996
Other financial assets at amortised cost	926	901
	22,552	46,191

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

	31 December 2021 €'000	31 December 2020 €'000
Held at amortised cost		
Borrowings payable: current	922	1,018
Borrowings payable: non-current	283,233	286,531
Trade and other payables	11,893	9,018
	296,048	296,567
Fair value through profit or loss		
Derivative financial liability – interest rate swaps	10,884	18,197
	10,884	18,197
	306,932	314,764

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 or due to the commercial variable rates applied to the long-term liabilities.

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

The interest-rate swaps are expected to mature between September 2026 and 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 2021 €'000	31 December 2020 €'000
Financial assets/ (liabilities)		
Interest rate swaps – Level 2 – current	(10,405)	–
Interest rate swaps – Level 2 – non-current	(479)	(18,197)
	(10,884)	(18,197)

Financial risk management

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

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

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

Interest rate risk

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

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

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

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

Foreign exchange risk

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

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

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

	31 December 2021 €'000	31 December 2020 €'000
Financial assets		
Cash and cash equivalents	563	174
Financial liabilities		
Trade and other payables	(494)	(408)
Net position	69	(234)

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

	Weakened by 10% increase/ (decrease) in post-tax profit and impact on equity €'000	Strengthened by 10% increase/ (decrease) in post-tax profit and impact on equity €'000
31 December 2021	7	(7)
31 December 2020	(23)	23

Notes to the Financial Statements continued

For the year ended 31 December 2021

31. Financial instruments (continued)

Credit risk management

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

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

The Group holds cash at the following banks: Barclays Private Clients International Jersey Ltd, Deutsche Bank AG, Berliner Sparkasse and Hausbank. The split of cash held at each of the banks respectively at 31 December 2021 was 26% / 57% / 10% / 7% (31 December 2020: Barclays Private Clients International Jersey, Deutsche Bank AG, Berliner Sparkasse and Mittelbrandenburgische Sparkasse the split was 34% / 59% / 3% / 2%). Barclays and Deutsche Bank have credit ratings of A and A- respectively, Berliner Sparkasse and Mittelbrandenburgische Sparkasse have a credit rating of A+.

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

Details of receivables from tenants in arrears at each reporting date can be found in note 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 interest payable and principal cash flows.

Maturity analysis for financial liabilities

	Less than one year €'000	Between one to two years €'000	Between two to five years €'000	More than five years €'000	Total €'000
At 31 December 2021					
Borrowings payable: current	922	–	–	–	922
Borrowings payable: non-current	–	–	–	283,233	283,233
Other financial liabilities	–	–	–	–	–
Trade and other payables	11,893	–	–	–	11,893
	12,815	–	–	283,233	296,048

	Less than one year €'000	Between one to two years €'000	Between two to five years €'000	More than five years €'000	Total €'000
At 31 December 2020					
Borrowings payable: current	1,018	–	–	–	1,018
Borrowings payable: non-current	–	–	–	286,531	286,531
Trade and other payables	9,018	–	–	–	9,018
	10,036	–	–	286,531	296,567

32. Capital commitments

	31 December 2021 €'000	31 December 2020 €'000
Contracted capital commitments at the end of the year	–	2,783

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

33. 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:

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

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

- 0.1% of the value of any borrowing arrangement which the Property Advisor has negotiated and/or supervised; and
- 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 is entitled to a letting fee equal to between one and three month's net cold rent (being gross rents receivable less service costs and taxes) for each new tenancy signed by the Company where the Property Advisor has sourced the relevant tenant.

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

QSix Residential Limited was the Group's appointed Property Advisor. Partners of QSix Residential formerly sat on the Board of Phoenix Spree Deutschland Limited and retain a shareholding in the Group. During the year ended 31 December 2021, an amount of €6,722,029 (€6,653,493 Management Fees and €90,437 Other expenses and fees) (2020: €6,443,811 (€6,295,082 Management Fees and €148,729 Other expenses and fees)) was payable to QSix Residential. At 31 December 2021 €977,260 (2020: €336,251) was outstanding. Fees payable to the Property Advisor in relation to overseeing capital expenditure during the year were €397,440 (2020: €252,000).

The Property Advisor is also entitled to an asset and estate management Performance Fee. The charge for the period in respect of the Performance Fee was €343,000 (2020: Credit of €439,000). Please refer to note 26 for more details.

The Property Advisor has a controlling stake in IWA Real Estate GmbH & Co KG who are contracted to dispose of condominiums in Berlin on behalf of the Company. During the period, fees of €639,000 were charged (2020: €nil).

Apex Financial Services (Alternative Funds) Limited, the Company's administrator provided administration and company secretarial services. During the period, fees of €609,000 were charged (2020: €592,000) with €154,000 (2020: €nil) outstanding.

Notes to the Financial Statements continued

For the year ended 31 December 2021

33. Related party transactions (continued)

In March 2015 the Group entered into a five-year option agreement to acquire the remaining 5.2% interest in Phoenix Spree Property Fund Ltd & Co KG (PSPF) from the limited partners M Hilton and P Ruddle, both then Directors of PMM Partners (UK) Limited. The options were exercised three months after the fifth anniversary of the majority-interest acquisition, on 1 July 2020. The option was settled for €7,542,000 and was settled in cash for €5,920,000 net of initial loans to the limited partners of €1,622,000. €7,542,000 being 5.2% of the Net Asset Value of PSPF at the time of settlement, as set out in the original 2015 agreement. For their role as limited partners in PSPF & Co KG up to their date of exit, they were paid €30,000.

Fees payable to Directors during the year amounted to €287,000 (2020: €248,000).

Dividends paid to Directors in their capacity as a shareholder amounted to €2,976 (2020: €3,494).

34. Events after the reporting date

The Company had exchanged contracts for the sale of 10 residential units and one attic unit in Berlin with aggregated consideration of €5.7 million prior to the reporting date. The sale of these units subsequently completed in Q1 2022.

In Q1 2022 the Company exchanged contracts for the sale of six condominiums in Berlin for an aggregate consideration of €2.1 million. Completion of these contracts is expected in Q2 2022.

In Q1 2022, 240,463 of the Company's shares were bought back with average price paid of £3.87, an 18.4% discount to December 2021 EPRA NTA per share of £4.76.

In March 2022, the Company exchanged contracts to acquire a portfolio of 17 new build, semi-detached, residential properties (34 houses) for a purchase price of €18.5 million. Further information can be found on page 17.

Professional Advisors

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Registrar

Link Asset Services (Jersey) Limited
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Notes



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