Better Futures

Phoenix Spree Interim Report 2023

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.

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.

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www.phoenixspree.com

Half-Year Financial Summary

Phoenix Spree Deutschland (LSE: PSDL.LN), the specialist investor in Berlin residential real estate, announces its Interim Results for the six months ended 30 June 2023.

Gross rental income (million)
(Six months to June 2023)

€13.8

HY 2023 13.8
HY 2022 13.0

(Loss)/Profit before tax (million)
(Six months to June 2023)

-€58.0

-58.0 HY 2023
HY 2022 17.0

Portfolio valuation (million)[1]
(As at June 2023)

€714.3

HY 2023 714.3
2022 775.9

Like-for-like valuation decline
(Six months to June 2023)

-6.9%

-6.9 HY 2023
-3.1 2022

EPRA NTA per share
(As at June 2023)

€4.46

HY 2023 4.46
2022 5.10

EPRA NTA per share[2]
(As at June 2023)

£3.83

HY 2023 3.83
2022 4.52

EPRA NTA (€) per share total return
(As at June 2023)

-12.5%

-12.5 HY 2023
-8.4 2022

Net LTV[3]
(As at June 2023)

42.7%

HY 2023 42.7
2022 39.1

Portfolio valuation per sqm
(As at June 2023)

€3,808

HY 2023 3,808
2022 4,082

Annual like-for-like rent per sqm growth
(As at June 2023)

3.8% y-o-y

HY 2023 3.8
HY 2022 3.7

Like-for-like rent growth (%)
(As at June 2023)

5.6% y-o-y

HY 2023 5.6
HY 2022 4.3

EPRA Vacancy
(As at June 2023)

2.7%

HY 2023 2.7
2022 2.4

Condominium sales notarised (million)
(Six months to June 2023)

€2.0

HY 2023 2.0
HY 2022 3.0

1 Portfolio valuation includes investment properties under construction.
2 GBP:EUR FX rate 1:1.164 as at 30 June 2023.
3 Net LTV uses nominal loan balances as per note 17 rather than the loan balance on the Consolidated Statement of Financial Position which consider Capitalised Finance Arrangement Fees in the balance.

"It is pleasing that our core rental business continues to prosper, with rental values and growth well supported by the positive trends that continue to exist within the Berlin residential property market. Higher interest rates have affected property values across Europe and, against this backdrop, our enhanced disposal programme and, where feasible, returning proceeds to shareholders, remain a key focus during the current stage of the real estate cycle."

Robert Hingley
Chairman

Rental growth accelerating

- High net inward migration and declining construction levels are significantly increasing the supply-demand imbalance for Berlin residential rental property.
- Rental growth remains strong, and it is expected that annualised like-for-like rental growth will accelerate from the current rate of 5.6 per cent as at 30 June 2023.
- New PSD leases were signed at an average 31.2 per cent premium to passing rents in H1 2023. New letting rental values are expected to continue to be at a significant premium to average in-place rents across the Portfolio.
- EPRA vacancy of 2.7 per cent as at 30 June 2023 remains at a historically low level, reflecting ongoing structural undersupply of available rental property.

Upturn in condominium buyer interest

- During the six months to 30 June 2023, eight condominium units were notarised for sale for an aggregate value of €2.0 million (H1 2022: €3.0 million).
- Average achieved notarised value per sqm for residential units sold was €5,708, representing an average 68 per cent premium to 31 December 2022 carrying value.
- Since 30 June 2023, the Company has notarised a further six condominiums for €2.1 million. Additionally, reservations on a further three units, with a combined value of €0.8 million, have been received and are pending notarisation.
- Although 95 per cent of the Company's Portfolio is currently valued on a rental property basis, it has over 78 per cent of its properties legally split as condominiums, providing significant future optionality.

Portfolio management

- Two rental buildings are currently under offer with completion expected at the start of 2024.
- Several new condominium projects are being brought to market, resulting in a significant increase in apartments being offered for sale.
- Material reduction in capex spend from €16.4 million in 2022, with €4.6 million spent in H1 (H1 2022: €6.2 million) and a budget of €7.6 million for the full year.

Portfolio valuation impacted by interest rate rises and yield expansion

- Like-for-like Portfolio value, after adjusting for the impact of acquisitions and disposals, declined by 6.9 per cent during the half-year to 30 June 2023, reflecting an increase in market yields, partially offset by rental growth.
- Including investment properties under construction valued at €4.3 million, the Portfolio was valued at €714.3 million as at 30 June 2023, compared to €775.9 million as at 31 December 2022.

Regulatory backdrop more supportive

- The new Berlin Mietspiegel (rent index) announced on 15 June 2023 permits, on average, an increase in industry-wide rental values of 5.4 per cent versus 2021.
- The Company has notified all qualifying Mietspiegel tenants of rental increases, and these will become effective from October 2023 onwards.
- Following removal of the Mietendeckel rent cap, political sentiment is shifting from rent control towards increasing the supply of new homes.

Outlook and strategy

- Supply-demand imbalances and recent regulatory developments will continue to positively impact rental growth.
- Higher interest rates continue to weigh on buyer sentiment and transaction volumes and further increases in market yields and, correspondingly, continuing pressure on sales prices, cannot be ruled out.
- Reflecting current uncertainty over the duration of the interest rate cycle, the Company has adopted a conservative business plan, which will seek to reduce overall debt levels and, where feasible and appropriate, return capital to shareholders.
- Given the material difference between condominium values (for which, during the past 12 months, the Company has achieved sales prices, on average, of €5,545 per square metre) and the current share price (which, on an EPRA basis, implies a value per square metre across the entire portfolio of approximately €2,600), plans for future condominium sales have been accelerated, with three additional properties being brought to market.
- A significant part of the rental portfolio has been identified for disposal and is being actively marketed. Disposals at discounts to current carrying value are likely, although at a premium to the value implied by the share price as at 30 June 2023.
- The Company has no near-term refinancing requirements, with its first loan maturity not due until September 2026.

Chairman's Statement

The past three years have seen major changes in the geopolitical and economic landscape. The emergence from Covid-19 lockdowns strained supply chains, leading to inflation, which has since been exacerbated by the ongoing conflict in Ukraine.

Against this backdrop, the period of inexpensive borrowing which characterised much of the previous decade came to an end, with central banks hiking interest rates in response. While rental growth has continued due to structural supply shortages, rising rates have negatively impacted buyer sentiment, with a consequential impact on sales values and transaction volumes for both rental properties and condominiums.

Our core rental business continues to prosper. A combination of higher costs of home ownership, declining construction levels and high net inward migration is significantly increasing the supply-demand imbalance for Berlin residential rental property. Consequently, rental growth remains strongly underpinned and is expected to accelerate during the year ahead.

Higher interest rates have, however, affected global bond and equity markets, as well as property values across Europe, where values have fallen as rental yields rise. It is against this backdrop that the Company has reported a decline in the value of its properties during the first six months of the financial year. As at 30 June 2023, the Portfolio was valued at €714.3 million, a like-for-like decline of 6.9 per cent since the financial year-end. Reflecting this decline, the Euro EPRA NTA total return per share was (12.5) per cent over the six-month period and the sterling return was (15.2) per cent.

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

"Our core rental business continues to thrive, with rental values and growth well supported by the positive trends that continue to exist within the Berlin residential property market."

Adapting to a more challenging environment

To maintain the Company's financial resilience and avoid pressure to dispose of assets at prices that the Board considers not to be in shareholders' interests, the difficult decision was taken last year to suspend dividend payments until such time as condominium and other asset sales saw a sustainable recovery.

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

A significant part of the Portfolio has now been identified for disposal and a number of new condominium projects are being brought to market, resulting in an increase in apartments offered for sale. Given that the Company's share price remains at a material discount to EPRA NTA, disposals at discounts to current carrying values are under consideration.

Our tenants

The topic of affordable housing has dominated public debate in Germany in recent years and we remain committed to maintaining a portfolio of homes for our tenants that are comfortable as well as, of course, compliant with all health and safety standards. During the first half of the financial year, over one third of the Company's gross revenues were reinvested into the Portfolio as we continued to make improvements to our buildings.

Our latest tenant satisfaction survey, completed in the first half of 2023, demonstrated high tenant satisfaction levels with both the quality of their apartment and the rental process.

Protecting our environment

We acknowledge that the German property sector needs to play a major role in Germany achieving its target of climate neutrality by 2045. Our Environment Policy sets guidance as to how PSD, our Property Advisor (QSix) and other key suppliers should operate to help achieve this. We continue to develop the environmental measurement and reporting of our Portfolio, in line with EPRA's sBPR framework.

Our most recent EPRA Sustainability report, for which the Company achieved a Gold Award, can be viewed on the Company website.

Our charities

The Company has continued its financial support programme 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.

Our Property Advisor has also continued to support two London-based homeless charities, SPEAR and SHP. Funding is given to SPEAR to run an outreach service, providing accommodation to rough sleepers and helping with their health and wider social care problems. SHP supports an employability programme that assists homeless people, or those at high risk of becoming homeless, with finding a job and securing a sustainable income. QSix additionally supports Home-Start, a UK community network of trained volunteers and expert support helping families with young children.

Our Board

Following the death of Greg Branch in August 2022, the Board was pleased to announce the appointment of Steven Wilderspin as a non-executive Director of the Company with effect from 10 January 2023. Steven, a Jersey resident, is a fellow of the Institute of Chartered Accountants of England and Wales and has acted as an independent director of several public and private investment funds and commercial companies since 2007. His experience and insight add a valuable perspective to complement and enhance the skill set of the Board.

Outlook

At present, it remains too early to predict when the real estate cycle will reach its inflexion point. Reflecting current uncertainty in economic and capital market conditions, the enhanced disposal activity outlined above will be the primary focus of the Company's strategy for the foreseeable future. In the meantime, our core rental business continues to thrive, with rental values and growth well supported by the positive trends that continue to exist within the Berlin residential property market.

Robert Hingley
Chairman
26 September 2023

Report of the Property Advisor

Revenue for the six-month period was €13.8 million (six months to 30 June 2022: €13.0 million). The Company recorded a loss before tax of €58.0 million (six months to 30 June 2022: profit before tax €17.0 million), reflecting the non-cash impact of a revaluation loss of €57.3 million (six months to 30 June 2022: revaluation gain of €11.4 million).

Property expenses rose by 8.2 per cent over the year. The primary driver of this was a 23.2 per cent increase in service charges paid on behalf of tenants in relation to energy and utility price movements, partially offset by a 9.9 per cent decline in the Property Advisor's fees and expenses. Reported earnings per share for the period were (€0.51) cents (30 June 2022: €0.15 cents).

Reported EPRA NTA per share declined by 12.5 per cent in the first half of 2023 to €4.46 (£3.83) (31 December 2022: €5.10 (£4.52)). The € EPRA NTA total return in the first half of 2023 was (12.5) per cent (H1 2022: 2.2 per cent). The £ EPRA NTA total return for the same period was (15.2) per cent, reflecting a strengthening of the £ against the € during the first six months of the year.

Like-for-like Portfolio value decline of 6.9 per cent

During the first half of the financial year, buyer sentiment and transaction volumes within the Berlin residential market continued to be affected by historically high inflation and interest rates. These weaker market conditions have negatively impacted the valuation of the Portfolio.

As at 30 June 2023, the Portfolio, including investment properties under construction valued at €4.3 million, was valued at €714.3 million (31 December 2022: €775.9 million). On a like-for-like basis, after adjusting for the impact of acquisitions and disposals, the Portfolio valuation declined by 6.9 per cent during the half-year to 30 June 2023 and 11.6 per cent versus the first half of the prior year.

The like-for-like valuation decrease in the year has been substantially driven by the increase in risk-free yields which reflect movements in market interest rate expectations and the subsequent impact on all real estate asset classes.

Financial highlights for the six-month period to 30 June 2023

€ million (unless otherwise stated)	**6 months to 30-Jun-23**	6 months to 30-Jun-22	Year to 31-Dec-22	Year to 31-Dec-21
Gross rental income	**13.8**	13.0	25.9	25.8
Investment property fair value (loss)/gain	**(57.3)**	11.4	(42.2)	38.0
(Loss)/gain before tax (PBT)	**(58.0)**	17.0	(17.5)	45.3
Reported EPS (€)	**(0.51)**	0.15	(0.17)	0.39
Investment property value	**714.3**	820.1	775.9	801.5
Net debt (Nominal balances)[1]	**305.0**	295.6	303.3	278.0
Net LTV (%)[1]	**42.7**	36.0	39.1	34.7
IFRS NAV per share (€)	**3.99**	4.84	4.50	4.74
IFRS NAV per share (£)[2]	**3.43**	4.17	3.99	3.98
EPRA NTA per share (€)	**4.46**	5.72	5.10	5.65
EPRA NTA per share (£)[2]	**3.83**	4.92	4.52	4.74
Dividend per share (€ cents)	**–**	2.35	2.35	7.50
Dividend per share (£ pence)	**–**	2.09	2.09	6.38
€ EPRA NTA per share total return for period (%)	**(12.5)**	2.2	(8.4)	8.4
£ EPRA NTA per share total return for period (%)	**(15.2)**	4.8	(3.2)	1.0

1 Net LTV and net debt uses nominal loan balances as per note 17 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 GBP:EUR FX rate 1:1.164 as at 30 June 2023.

Portfolio valuation and breakdown

	30-Jun-23	30-Jun-22	31-Dec-22	31-Dec-21
Total sqm ('000)	**186.5**	188.1	188.8	189.7
Valuation (€m)	**714.3**	820.1	775.9	801.5
Like-for-like valuation (decline)/growth (%)	**(6.9)**	2.2	(3.1)	6.3
Value per sqm (€)[1]	**3,808**	4,318	4,082	4,225
Fully occupied gross yield (%)	**3.3**	2.8	3.0	2.8
Number of buildings	**94**	95	96	97
Residential units	**2,477**	2,554	2,553	2,569
Commercial units	**137**	136	135	138
Total units	**2,614**	2,690	2,688	2,707

1 Excludes Investment property under construction.

The valuation represents an average value per square metre of €3,808 (31 December 2022: €4,082), and a gross fully occupied yield of 3.3 per cent (31 December 2022: 3.0 per cent). Included within the Portfolio are seven multi-family properties valued as condominiums, with an aggregate value of €39.2 million (30 June 2022: six properties; €32.8 million).

Rental income per square metre growth of 3.8 per cent

Net rental income grew by 4.3 per cent in the twelve months period to €21.7 million annualised. Adjusting for acquisitions and disposals, like-for-like rental income grew by 5.6 per cent, driven by like-for-like rental income per square metre growth of 3.8 per cent to €10.2 (30 June 2022: 3.7 per cent), and a reduction in vacancy, driven by the letting of 39 renovated units in our project in Brandenburg.

The new transitional Berlin Mietspiegel, announced on 15 June 2023, provides an additional tailwind to rental values. This replaces the previous rent index of 2021 and applies until a new qualified rent index is published, expected to be in the first half of 2024. On average, the new index represents an increase in rental values of 5.4 per cent versus 2021. Although this is not the primary driver of PSD's rental growth, it is expected that it will be accretive to rental income in the second half of the financial year.

Notwithstanding current cost-of-living pressures, rent collection levels have remained stable. The Company continues to manage rent-to-income affordability multiples for new tenants conservatively and expects rent collection levels to remain resilient.

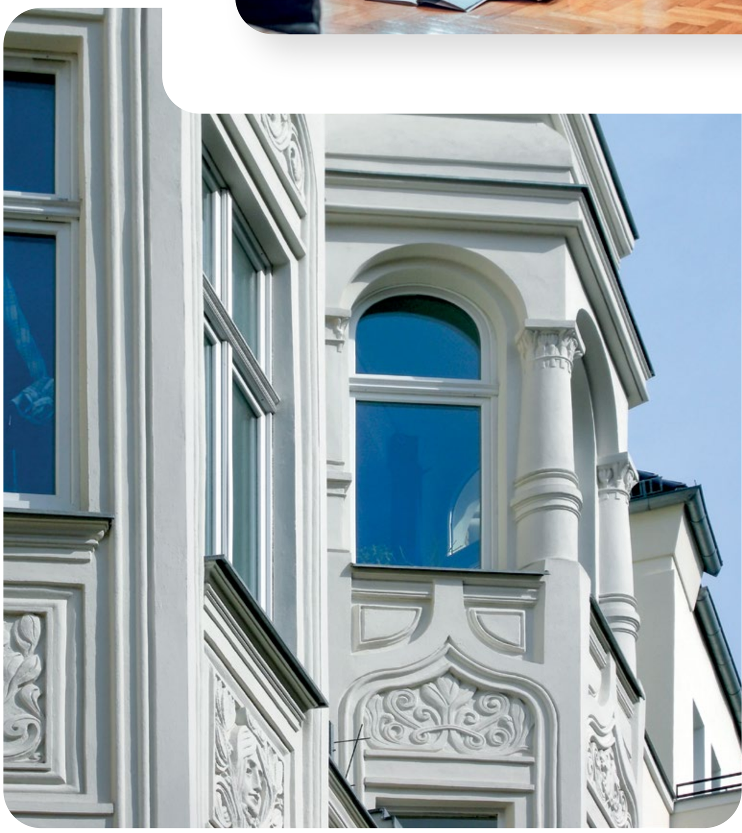
EPRA vacancy remains at historically low levels

Reported vacancy as at 30 June 2023 was 5.2 per cent (30 June 2022: 7.0 per cent). On an EPRA basis, which adjusts for units undergoing development and made available for sale, the vacancy rate was 2.7 per cent (30 June 2022: 2.5 per cent). EPRA vacancy is expected to remain at historically low levels given the ongoing supply-demand imbalance for rental property in Berlin.

Rental income and vacancy rate

	30-Jun-23	30-Jun-22	31-Dec-22	31-Dec-21
Total sqm ('000)	**186.5**	188.1	188.8	189.7
Annualised Net Rental Income (€m)[1]	**21.7**	20.8	21.4	20.3
Net Cold Rent per sqm (€)	**10.2**	9.8	10.0	9.6
Like-for-like rent growth (%)	**5.6**	4.3	6.1	1.3
Like-for-like rent per sqm growth (%)	**3.8**	3.7	3.9	3.9
Vacancy (%)	**5.2**	7.0	6.2	8.4
EPRA Vacancy (%)	**2.7**	2.5	2.4	3.1

1 Net Rental Income excludes heating and service costs.



Report of the Property Advisor continued

Reversionary re-letting premium of 31.2 per cent

During the six months to 30 June 2023, 148 new leases were signed, representing a letting rate of approximately 6.2 per cent of occupied units. The average rent achieved on all new lettings was €13.39 per sqm, a 5.7 per cent increase on the prior year, and an average premium of 31.2 per cent to passing rents. This compares to a 28.4 per cent premium in the six-month period to 30 June 2022. The unit churn rate for the 12-month period to 30 June 2023 was 8.4 per cent (30 June 2022: 10.6 per cent).

Historically, the reversionary premium for the Portfolio overall has been negatively impacted by the inclusion of re-lettings from the acquisition in Brandenburg in 2020, where rents were lower than those achieved in central Berlin. However, during the first six months of the current financial year, both rental values and the reversionary premium in Brandenburg matched those recorded in central Berlin.

Investment in the Portfolio

During the first half of 2023, a total of €4.6 million was invested across the Portfolio (H1 2022: €6.2 million). These items are recorded as capital expenditure in the Financial Statements. A further €0.9 million (H1 2022: €0.9 million) was spent on maintaining the assets and is expensed through the profit and loss account. The Company will continue to carefully consider all elements of discretionary capital expenditure and it is expecting a material year-on-year decline for the full financial year, reflecting the Company's stated intention to conserve cash at the current stage of the real estate cycle.

Disposals and acquisitions

The Property Advisor has undertaken a detailed analysis of the entire Portfolio of assets to identify individual apartment blocks, portfolios of apartment blocks and additional condominiums units for sale and continues to actively market a wide range of properties. Given that the Company's share price remains at a material discount to NTA, disposals at discounts to current carrying values are under consideration. Any surplus cash generated will be returned to shareholders or used to reduce debt levels.

EPRA Net Initial Yield (NIY)

All figures in €'000 unless otherwise stated

	30-Jun-23	30-Jun-22	31-Dec-22	31-Dec-21
Investment property	**714.3**	820.1	775.9	801.5
Reduction for NCI share and property under development	**(5.7)**	(12.9)	(12.3)	(12.8)
Completed property portfolio	**708.7**	**807.2**	**763.6**	**788.7**
Estimated purchasers' costs	**57.8**	67.9	63.2	65.1
Gross up completed property portfolio valuation	**766.5**	**875.1**	**826.8**	**853.8**
Annualised cash passing collected rental income	**21.7**	20.8	21.4	20.3
Property outgoings	**(3.7)**	(3.5)	(3.6)	(3.4)
Annualised collected net rents	**18.0**	**17.2**	**17.8**	**16.8**
EPRA NIY (%)	**2.3**	**2.0**	**2.1**	**2.0**

EPRA Capital Expenditure

All figures in €'000 unless otherwise stated

	30-Jun-23	30-Jun-22	31-Dec-22	31-Dec-21
Acquisitions	**–**	–	11.6	–
Like-for-like portfolio	**2.2**	1.8	7.4	4.7
Development	**2.2**	4.3	8.5	4.4
Other	**0.2**	0.2	0.5	0.4
Total Capital Expenditure	**4.6**	**6.2**	**28.0**	**9.5**

Since the financial year end, the Company has completed the sale of two properties for €7.3 million. These buildings were acquired in 2008 for €2.3 million and, prior to notarisation, had a carrying value of €7.9 million. Excluding condominium sales, the combined value of disposals completed during the past 12 months is €12.1 million. Since 30 June 2023, the Company has accepted offers on two additional properties and discussions are ongoing on a range of other assets however there can be no guarantee that sales will complete.

The Company has previously stated that it will not seek to undertake further acquisitions at this point in the real estate cycle. In August 2023 the Company completed on an acquisition which was notarised in September 2022 for a purchase price of €4.9 million, representing a price per sqm of €2,312. No further payments are expected to be made during 2023 in relation to the development project in Erkner.

Upturn in Condominium volumes in Q3 2023

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

During the six months to 30 June 2023, eight condominium units were notarised for sale for an aggregate value of €2.0 million (H1 2022: €3.0 million). The average achieved notarised value per sqm for the residential units was €5,708, representing an average 68 per cent premium to 31 December 2022 carrying value. The premium achieved on these buildings reflects the fact that they were fully renovated and unoccupied.

Although condominium sales volumes were impacted by higher borrowing costs during the first half of the financial year, buyer interest has since shown tentative signs of recovery, with the volume of properties notarised or reserved for notarisation having increased since the half year end. Since 30 June 2023, the Company has notarised a further six condominiums for €2.1 million. The majority of these units were occupied, with a combined sales value representing a 2.9 per cent discount to 31 December 2022 carrying value.

Reservations on a further three occupied units with a combined value of €0.8 million have been received and are pending notarisation.

Asking prices of condominiums are regularly reviewed and benchmarked to market comparables, particularly for tenanted units, where sales conditions remain challenging. Following recent price revisions, the Company expects condominium sales to accelerate in H2 2023 and H1 2024, reflecting revised sales price expectations and a greater stock of renovated vacant units which are currently work in progress. Moreover, several new projects are in preparation and expected to be brought to market by the year-end. It is expected that the greater availability of units for sale will further support sales activities in 2024.

As at 30 June 2023, 78 per cent of the Portfolio was registered as condominiums, providing opportunities for the implementation of future sales projects. Although a further 6 per cent of the Portfolio is currently in application for splitting, the Federal Government has implemented strict regulations that limit landlords' ability to split their properties into condominiums in the future. Due to this, it cannot be guaranteed that ongoing applications will be completed. Importantly, however, this legislation only applies to current and future applications and does not affect properties that have already been split. Moreover, these regulations are likely to result in a reduced supply of condominiums for sale in the future.

Debt and gearing

As at 30 June 2023, PSD had total borrowings of €318.1 million (31 December 2022: €315.8 million) and cash balances of €13.1 million (31 December 2022: €12.5 million), resulting in net debt of €305.0 million (31 December 2022: €303.3 million) and a net loan to value on the Portfolio of 42.7 per cent (31 December 2022: 39.1 per cent).

The small change in gross debt in the period results from an additional drawdown from the Natixis facility, which includes borrowings to fund historic capital expenditure. Partly offsetting these drawdowns were repayments of debt following the sale of properties and condominiums, alongside amortisation of debt held with Berliner Sparkasse.

The interest rate on 88.3 per cent of PSD's debt is fixed or hedged with swaps.

As at 30 June 2023, the blended interest rate of PSD's loan book was 2.49 per cent (31 December 2022: 2.23 per cent).

The average remaining duration of the loan book at 30 June 2023 had decreased to 3.3 years (31 December 2022: 3.8 years).

Market conditions and outlook

Economic backdrop

The decade leading up to mid-2022 was characterised by a sustained period of low interest rates and cheap money and these tailwinds led to steady increases in real estate prices. However, government support measures during the Covid-19 pandemic and supply shortages created by the ongoing conflict in Ukraine have created significant inflationary pressures. The response from global central banks has been a significant tightening in monetary policy to combat inflation, with the ECB lending rate rising from zero in 2019 to 4.5 per cent currently. With prime yields for German residential real estate having fallen to little above 2 per cent in 2021, significantly lower than in most of continental Europe and the UK, the speed of the upward correction in residential yields across Germany has been significant.

Although the rate of inflation in Germany is now in decline, the German manufacturing sector in particular, has been significantly impacted by energy price shocks linked to the war in Ukraine. The International Monetary Fund currently predicts that Germany will be the only major advanced economy to shrink in 2023. The city of Berlin, which has a significantly higher reliance on the service, technology and education sectors, is less exposed to the economic impact of a downturn in manufacturing.

Report of the Property Advisor continued

Rental growth
Higher interest rates have meant that in Berlin it is usually less expensive to rent versus the debt servicing costs of buying an equivalent apartment. Demand for rental properties therefore continues to rise as a higher cost of home ownership encourages potential buyers to remain within the rental system for longer.

Rental demand has been further increased by inward migration of more than 1.5 million refugees into Germany from Ukraine during 2022 and 2023, placing further pressure on residential vacancy levels, which are already at historically low levels. The bulk of net inward migration has been in major urban areas, including Berlin. The Berlin Senate currently estimates that over 60,000 have settled in the city since the onset of the war.

At the same time, higher funding, labour, and construction costs have continued to present significant headwinds to new-build construction, limiting the future supply of rental accommodation. According to JLL, construction costs in aggregate increased by 17 per cent during 2022 and this, coupled with sharply increased borrowing costs now being incurred by developers, has meant that fewer construction projects are economically viable. The most recent prediction from GdW, a trade body representing housing associations, is for residential completions to fall from 295,300 in 2022 to 242,000 in 2023 and 214,000 in 2024. This compares with an annual average of 405,000 between 1950 and 2022 and is well below the annual forward target set by the German Government of 400,000. Moreover, the number of building permits granted in Germany during the first half of 2023 is approaching a 10-year low, which suggests that future construction will be significantly constrained.

The combination of rising demand and supply shortage is providing a tailwind for PSD's rental business, and it is expected that annualised like-for-like rental growth will accelerate from its current level of 5.6 per cent as at 30 June 2023, helped by the Company's modernisation and renovation programme.

Asset values
Although higher interest rates are positively affecting rental values, they have weakened transaction volumes and asset values. CBRE estimates that transaction volumes of over 50 units in the German multi-family market totalled approximately €3.1 billion in the first half of 2023 – more than 60 per cent less than in the same period of the previous year, with the second quarter being the weakest in terms of sales since 2011.

Whilst there is evidence to suggest that there is a substantial amount of capital that has been earmarked to invest in German residential property, uncertainty about the extent and duration of the interest rate cycle and associated correction in property values continues to weigh on deployment decisions. In instances where portfolios of properties are being placed on the market, either pricing is not matching vendor expectations, with no transaction occurring, or transaction values have been at distressed levels. This risk continues to be reflected in the share prices of listed German residential companies, all of which are trading at a c.50-70 per cent discount to most recently published EPRA net asset value.

Positioning the Company
In common with its German residential listed peers, PSD has not been immune from these trends. Since 30 June 2022, the gross yield on the Portfolio has risen from 2.8 to 3.3 per cent, leading to a decline in the value of the Portfolio of 12.1 per cent after taking into account a 3.8 per cent increase in portfolio rents. Although it is still difficult to assess the future development of interest rates, volatility has decreased significantly, reflecting the fact that inflation is now in decline. However, inflation across Europe is proving to be more stubborn than in the US, and the monetary response is therefore likely to be more protracted. Further declines in property values therefore cannot be ruled out.

Against this backdrop, the Company will continue to focus on conserving cash through careful monitoring of capex, reducing debt and returning capital to shareholders, where feasible and appropriate. To this end, a significant part of the Portfolio has been identified for disposal. Given the material difference between condominium values (for which, during the past 12 months, the Company has achieved average sales prices of €5,545 per square metre) and the current share price (which, on an EPRA basis, implies a value square metre across the entire Portfolio of approximately €2,600), plans for future condominium sales have also been accelerated.

Fully occupied gross yield as at 30 June 2023

3.3%

Key Performance Indicators

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

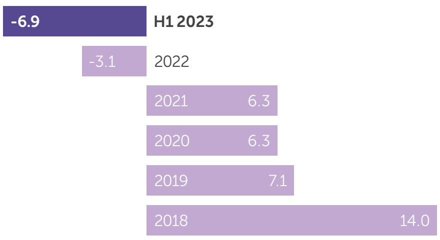
- The value of the Portfolio declined by 6.9 per cent on a like-for-like for basis for the first half of the year (H1 2022: 2.2 per cent increase).
- Like-for-like Portfolio rent per sqm increased by 3.8 per cent in the half-year to 30 June 2023 (H1 2022: 3.7 per cent).

- The EPRA vacancy of the Portfolio as at 30 June 2023 stood at 2.7 per cent (31 December 2022: 2.4 per cent).
- The Group continued with its targeted condominium sales programme, notarising sales of €2.0 million in the half year to 30 June 2023 (H1 2022: €3.0 million).

- EPRA NTA per share declined by 12.5 per cent to €4.46 as at 30 June 2023 (31 December 2022: €5.10).
- No dividend was declared for H1 2023 (H1 2022 2.35 € cents per share).

Like-for-like portfolio annual value decline/growth

-6.9%

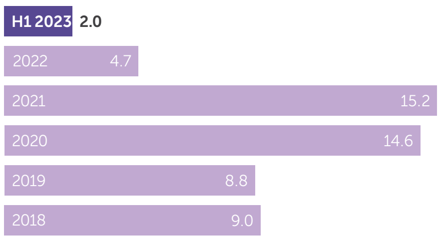


Like-for-like portfolio rent per sqm (€)

+3.8% y-o-y

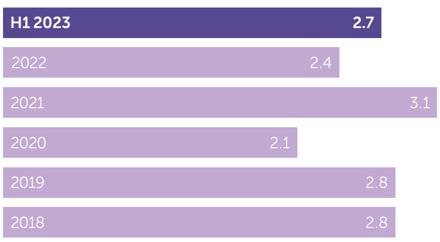
Condominium sales notarised (millions)

€2.0



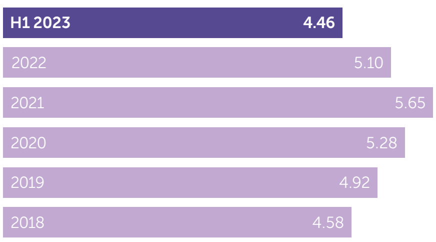
EPRA vacancy

2.7%



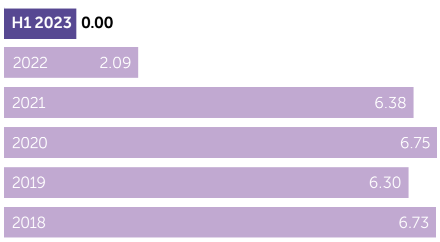
EPRA NTA per share

€4.46



Dividend per share (pence)

0.00p



Statement of Directors' Responsibilities

The important events that have occurred during the period under review, the key factors influencing the condensed consolidated financial statements and the principal factors that could impact the remaining six months of the financial year are set out in the Chairman's Statement and the Property Advisor Report.

Since the date of the Annual Report for the year ended 31 December 2022, capital and investment markets have continued to react negatively to inflationary pressures, rising interest rates and economic uncertainty more generally.

As stated above, sentiment in the Berlin real estate market remains poor. Other principal risks considered are substantially unchanged since the date of the Annual Report for the year ended 31 December 2022, and continue to be as set out in that report. These include, but are not limited to:

- Financial and economic risk
- Market risk
- Inflationary and interest rate risk
- Tenant, letting and political risk
- Outsourcing risk
- IT and Cyber Security risk
- Regulatory risk

The Directors confirm that, to the best of their knowledge:

- The condensed set of financial statements contained within this half yearly financial report have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The half yearly financial report includes a fair review of the information required by the FCA's Disclosure and Transparency Rule 4.2.7R being disclosure of important events that have occurred during the first six months of the financial year, their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The half yearly financial report includes a fair review of the information required by the Disclosure and Transparency Rule 4.2.8R being disclosure of related party transactions during the first six months of the financial year, how they have materially affected the financial position of the Group during the period and any changes therein.

The half yearly financial report was approved by the Board on 26 September 2023 and the above responsibility statement was signed on its behalf by:

Robert Hingley
Director
26 September 2023

Condensed Consolidated Statement of Comprehensive Income

For the period from 1 January 2023 to 30 June 2023

Continuing operations	Notes	**Six months ended 30 June 2023 (unaudited) €'000**	Six months ended 30 June 2022 (unaudited) €'000	Year ended 31 December 2022 (audited) €'000
Revenue		**13,827**	12,972	25,934
Property expenses	5	**(9,455)**	(8,737)	(17,119)
Gross profit		**4,372**	4,235	8,815
Administrative expenses	6	**(1,467)**	(1,306)	(3,264)
Gain/(loss) on disposal of investment property (including investment property held for sale)	7	**516**	88	(185)
Investment property fair value (loss)/gain	10	**(57,340)**	11,395	(42,241)
Performance fee due to Property Advisor	20	**–**	343	343
Operating (loss)/profit		**(53,919)**	14,755	(36,532)
Net finance charge (before gain/(loss) on interest rate swaps)	8	**(4,470)**	(3,892)	(7,937)
Gain/(loss) on interest rate swaps	8	**349**	6,089	26,920
(Loss)/profit before taxation		**(58,040)**	16,952	(17,549)
Income tax credit/(expense)	9	**11,012**	(2,981)	1,739
(Loss)/profit after taxation		**(47,028)**	13,971	(15,810)
Other comprehensive income		**–**	–	–
Total comprehensive (loss)/income for the period		**(47,028)**	13,971	(15,810)
Total comprehensive income attributable to:				
Owners of the parent		**(46,614)**	13,891	(15,435)
Non-controlling interests		**(414)**	80	(375)
		(47,028)	13,971	(15,810)
Earnings per share attributable to the owners of the parent:				
From continuing operations				
Basic (€)	22	**(0.51)**	0.15	(0.17)
Diluted (€)	22	**(0.51)**	0.15	(0.17)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	As at 30 June 2023 (unaudited) €'000	As at 30 June 2022 (unaudited) €'000	As at 31 December 2022 (audited) €'000
ASSETS				
Non-current assets				
Investment properties	12, 14	**704,644**	779,290	761,377
Property, plant and equipment		**11**	18	12
Other financial assets at amortised cost	15	**816**	938	828
Derivative financial instruments	19	**16,385**	–	16,036
Deferred tax asset	9	**–**	759	–
		721,856	781,005	778,253
Current assets				
Investment properties – held for sale	13	**9,705**	40,804	14,527
Trade and other receivables	16	**13,714**	11,775	10,068
Cash and cash equivalents		**13,059**	9,550	12,485
		36,478	62,129	37,080
Total assets		**758,334**	843,134	815,333
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	17	**1,029**	835	820
Trade and other payables	18	**13,568**	10,962	15,130
Current tax	9	**760**	1,296	808
		15,357	13,093	16,758
Non-current liabilities				
Borrowings	17	**313,815**	300,270	311,264
Derivative financial instruments	19	**–**	4,795	–
Deferred tax liability	9	**59,799**	76,413	70,920
		373,614	381,478	382,184
Total liabilities		**388,971**	394,571	398,942
Equity				
Stated capital	21	**196,578**	196,578	196,578
Treasury shares		**(37,448)**	(37,111)	(37,448)
Share based payment reserve	20	**–**	–	–
Retained earnings		**207,435**	285,429	254,049
Equity attributable to owners of the parent		**366,565**	444,896	413,179
Non-controlling interest		**2,798**	3,667	3,212
Total equity		**369,363**	448,563	416,391
Total equity and liabilities		**758,334**	843,134	815,333

Condensed Consolidated Statement of Changes in Equity

For the period from 1 January 2023 to 30 June 2023

	Attributable to the owners of the parent						
	Stated capital €'000	Treasury Shares €'000	Share based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2022	**196,578**	**(33,275)**	**343**	**276,394**	**440,040**	**3,587**	**443,627**
Comprehensive income:							
Profit for the period	–	–	–	13,891	13,891	80	13,971
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**13,891**	**13,891**	**80**	**13,971**
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(4,856)	(4,856)	–	(4,856)
Performance fee	–	–	(343)	–	(343)	–	(343)
Acquisition of treasury shares	–	(3,836)	–	–	(3,836)	–	(3,836)
Balance at 30 June 2022 (unaudited)	**196,578**	**(37,111)**	**–**	**285,429**	**444,896**	**3,667**	**448,563**
Comprehensive income:							
Loss for the period	–	–	–	(29,326)	(29,326)	(455)	(29,781)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**(29,326)**	**(29,326)**	**(455)**	**(29,781)**
Transactions with owners – recognised directly in equity:							
Dividends paid	–	–	–	(2,054)	(2,054)	–	(2,054)
Acquisition of treasury shares	–	(337)	–	–	(337)	–	(337)
Balance at 31 December 2022 (audited)	**196,578**	**(37,448)**	**–**	**254,049**	**413,179**	**3,212**	**416,391**
Comprehensive income:							
Loss for the period	–	–	–	(46,614)	(46,614)	(414)	(47,028)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**(46,614)**	**(46,614)**	**(414)**	**(47,028)**
Balance at 30 June 2023 (unaudited)	**196,578**	**(37,448)**	**–**	**207,435**	**366,565**	**2,798**	**369,363**

The share based payment reserve had been established in relation to the issue of shares for the payment of the performance fee of the property advisor. Treasury shares comprise the accumulated cost of shares acquired on-market.

Condensed Consolidated Statement of Cash Flows

For the period from 1 January 2023 to 30 June 2023

	Six months ended 30 June 2023 (unaudited) €'000	Six months ended 30 June 2022 (unaudited) €'000	Year ended 31 December 2022 (audited) €'000
Profit before taxation	**(58,040)**	16,952	(17,549)
Adjustments for:			
Net finance charge	**4,121**	(2,197)	(18,983)
(Gain)/loss on disposal of investment property	**(516)**	(88)	185
Investment property revaluation loss/(gain)	**57,340**	(11,395)	42,241
Depreciation	**31**	8	8
Performance fee due to property advisor	**–**	(343)	(343)
Operating cash flows before movements in working capital	**2,936**	2,937	5,559
Increase in receivables	**(3,646)**	(4,424)	(2,882)
Decrease in payables	**(1,562)**	(931)	(463)
Cash (used in)/generated from operating activities	**(2,272)**	(2,418)	2,214
Income tax paid	**(157)**	(19)	(521)
Net cash (used in)/generated from operating activities	**(2,429)**	(2,437)	1,693
Cash flow from investing activities			
Proceeds on disposal of investment property (net of disposal costs)	**9,380**	11,244	21,010
Interest received	**2,829**	2	474
Capital expenditure on investment property	**(4,649)**	(6,234)	(16,437)
Property additions	**–**	(7,724)	(13,229)
(Acquisition)/disposals of property, plant and equipment	**(30)**	(6)	–
Net cash generated from/(used in) investing activities	**7,530**	(2,718)	(8,182)
Cash flow from financing activities			
Interest paid on bank loans	**(6,572)**	(3,687)	(7,296)
Loan arrangement fees paid	**–**	–	(499)
Repayment of bank loans	**(4,821)**	(3,281)	(6,354)
Drawdown on bank loan facilities	**6,866**	20,012	33,765
Dividends paid	**–**	(4,856)	(6,910)
Acquisition of treasury shares	**–**	(4,001)	(4,173)
Net cash (used in)/generated from financing activities	**(4,527)**	4,187	8,533
Net increase/(decrease) in cash and cash equivalents	**574**	(968)	2,044
Cash and cash equivalents at beginning of period/year	**12,485**	10,441	10,441
Exchange gains on cash and cash equivalents	**–**	–	–
Cash and cash equivalents at end of period/year	**13,059**	9,550	12,485

Reconciliation of Net Cash Flow to Movement in Debt

For the period from 1 January 2023 to 30 June 2023

	Notes	**Six months ended 30 June 2023 (unaudited) €'000**	Six months ended 30 June 2022 (unaudited) €'000	Year ended 31 December 2022 (audited) €'000
Cashflow from increase in debt financing		**2,045**	16,731	27,411
Loan arrangement fees paid		**–**	–	(499)
Non-cash changes from increase in debt financing		**715**	219	1,017
Change in net debt resulting from cash flows		**2,760**	16,950	27,929
Movement in debt in the period/year		**2,760**	16,950	27,929
Debt at the start of the period/year		**312,084**	284,155	284,155
Debt at the end of the period/year	17	**314,844**	301,105	312,084

Notes to the Condensed Consolidated Financial Statements

For the period from 1 January 2023 to 30 June 2023

1. General information

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

The Group invests in residential and commercial property in Germany.

The registered office is at IFC 5, St. Helier, Jersey, JE1 1ST, Channel Islands.

2. Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2022.

The comparative figures for the financial year ended 31 December 2022 are extracted from, but do not comprise, the Group's annual consolidated financial statements for that financial year.

The interim condensed consolidated financial statements were authorised and approved for issue on 27 September 2023.

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

2.1 Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Directors have prepared forecasts for the Company in the light of the continuing global inflationary pressures and rising interest rates, the conclusion of which was that there were no concerns. These condensed consolidated financial statements have therefore been prepared on a going concern basis.

2.2 New standards and interpretations

There are currently no new standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2023 that are required to be adopted by the Group.

3. Critical accounting estimates and judgements

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

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 30 June 2023, which has been used to prepare these financial statements is based on the rules, regulations and market as at that date. The fair value estimates of investments properties are detailed in note 12.

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

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

Notes to the Condensed Consolidated Financial Statements continued

For the period from 1 January 2023 to 30 June 2023

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

The Directors remain ultimately responsible for ensuring that the valuers are adequately qualified, competent and base their results on reasonable and realistic assumptions. The Directors have appointed JLL as the real estate valuation experts who determine the fair value of investment properties using recognised valuation techniques and the principles of IFRS 13. Further information on the valuation process can be found in note 12.

For further information with regard to the movement in the fair value of the Group's investment properties, refer to the management report on page 6.

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

In accordance with the requirement of IFRS 5, Management has made an assumption in respect of the likelihood of investment properties – held for sale, being sold within the following 12 months. Management considers that based on historical and current experience of market since 30 June 2023, the properties can be reasonably expected to sell within this timeframe.

4. Segmental information

Information reported to the Board of Directors, the chief operating decision maker, relates to the Group as a whole. Therefore, the Group has not included any further segmental analysis within these condensed consolidated unaudited interim financial statements.

5. Property expenses

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Property management expenses	**720**	613	1,233
Repairs and maintenance	**937**	899	1,525
Impairment charge – trade receivables	**(52)**	(66)	868
Service charges paid on behalf of tenants	**4,759**	3,862	6,631
Property Advisors' fees and expenses	**3,091**	3,429	6,862
	9,455	8,737	17,119

6. Administrative expenses

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Secretarial & administration fees	**446**	318	651
Legal & professional fees	**913**	895	2,261
Directors' fees	**135**	152	275
Bank charges	**8**	41	74
(Profit)/loss on foreign exchange	**(1)**	(105)	5
Depreciation	**31**	8	8
Other income	**(65)**	(3)	(10)
	1,467	1,306	3,264

7. Gain/(loss) on disposal of investment property (including investment property held for sale)

	Notes	**30 June 2023 (unaudited) €'000**	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Disposal proceeds		**9,514**	7,314	13,754
Book value of disposals	12	**(8,864)**	(6,720)	(12,982)
Disposal costs		**(134)**	(506)	(957)
		516	88	(185)

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

8. Net finance charge/(income)

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Interest income	**(156)**	(14)	(376)
Swap interest income	**(2,661)**	–	–
Fair value gain on interest rate swap	**(349)**	(6,089)	(26,920)
Finance expense on bank borrowings	**7,287**	3,906	8,313
	4,121	(2,197)	(18,983)

9. Income tax (credit)/expense

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
The tax charge for the period is as follows:			
Current tax charge	**109**	803	817
Deferred tax charge – origination and reversal of temporary differences	**(11,121)**	2,178	(2,556)
	(11,012)	2,981	(1,739)

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

	30 June 2023 €'000	30 June 2022 €'000	31 December 2022 €'000
(Loss)/gain before tax on continuing operations	**(58,040)**	16,952	(17,549)
Tax at German income tax rate of 15.8% (2022: 15.8%)	**(9,185)**	2,678	(2,773)
Income not taxable	**(82)**	(14)	29
Tax effect of losses brought forward	**(1,746)**	316	1,005
Total tax (credit)/expense for the period/year	**(11,012)**	2,981	(1,739)

Reconciliation of current tax liabilities

	30 June 2023 €'000	30 June 2022 €'000	31 December 2022 €'000
Balance at beginning of period/year	**808**	512	512
Tax paid	**(157)**	(19)	(521)
Current tax charge	**109**	803	817
Balance at end of period/year	**760**	1,296	808

Reconciliation of deferred tax

	Capital gains on properties €'000 Liability	Interest rate swaps €'000 Liability	Total €'000 Net liabilities
Balance at 1 January 2022	(75,198)	1,722	(73,476)
Charged to the statement of comprehensive income	(1,215)	(963)	(2,178)
Deferred tax (liability)/asset at 30 June 2022	(76,413)	759	(75,654)
Charged to the statement of comprehensive income	8,031	(3,297)	4,734
Deferred tax liability at 31 December 2022	(68,382)	(2,538)	(70,920)
Charged to the statement of comprehensive income	11,176	(55)	11,121
Deferred tax liability at 30 June 2023	**(57,206)**	**(2,593)**	**(59,799)**

Notes to the Condensed Consolidated Financial Statements continued

For the period from 1 January 2023 to 30 June 2023

10. Investment property fair value (loss)/gain

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Investment property fair value (loss)/gain	**(57,340)**	11,395	(42,241)

Further information on investment properties is shown in note 12.

11. Dividends

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Amounts recognised as distributions to equity holders in the period: Interim dividend for the year ended 31 December 2022 of 2.35c (2.09p) declared 29 September 2022, paid 29 October 2022 (2021: 2.35c (2.02p)) per share.	**–**	–	2,158
No final dividend was paid for the year ended 31 December 2022 (2021: 5.15c (4.36p) per share, declared 30 March 2022, paid 9 June 2022.	**–**	4,856	4,752

The Board are not proposing to declare a dividend for the first half of the year (six months to 30 June 2022: 2.35c (2.09p)).

12. Investment properties

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Fair value			
Balance at beginning of period/year	**775,904**	801,461	801,461
Capital expenditure	**4,649**	6,234	16,437
Property additions	**–**	–	13,229
Disposals	**(8,864)**	(6,720)	(12,982)
Fair value (loss)/gain	**(57,340)**	11,395	(42,241)
Investment properties at fair value – as set out in the report by JLL	**714,349**	812,370	775,904
Assets considered as "Held for sale" (Note 13)	**(9,705)**	(40,804)	(14,527)
Assets considered as "Under construction" (Note 14)	**–**	7,724	–
Balance at end of period/year	**704,644**	779,290	761,377

The property portfolio was valued at 30 June 2023 by the Group's independent valuers, Jones Lang LaSalle GmbH ('JLL'), in accordance with the methodology described below. The valuations were performed in accordance with the current Appraisal and Valuation Standards, 8th edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS).

The valuation of the property Portfolio (other than the assets held at directors' valuation as noted below) is performed on a building-by-building basis and the source information on the properties including current rent levels, void rates and non-recoverable costs was provided to JLL by the Property Advisors QSix Residential Limited. Assumptions with respect to rental growth, adjustments to non-recoverable costs and the future valuation of these are those of JLL. Such estimates are inherently subjective and actual values can only be determined in a sales transaction. JLL also uses data from comparable market transactions where these are available alongside their own assumptions.

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 condensed consolidated financial statements.

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

All properties are valued as Level 3 measurements under the fair value hierarchy (see note 24) 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 or loss in respect of investment property is disclosed in the condensed consolidated statement of comprehensive income as 'Investment property fair value gain or loss'.

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

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

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

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

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

Included within Investment Properties is an investment property under construction which has been valued by the Directors using a methodology that the Directors deem appropriate to represent the fair value of this asset. The fair value of the investment property under construction has been calculated as the Red Book value of the completed asset minus the present value of cashflows required to achieve the finished asset. The Red Book value has been provided by JLL based on the same valuation methodology as the rest of the portfolio. The present value of cashflows required to achieve the finished asset has been derived using a discounted cashflow using the remaining contractual payments and the same discount rate as JLL have applied to cashflows post completion. The subjectivities surrounding the present value of future payments are deemed to be the finished asset value, the discount rate and the timing of payments.

The Group categorises all investment properties in the following three ways;

Rental Scenario
Where properties have been valued under the "Discounted Cashflow Methodology" and are intended to be held by the Group for the foreseeable future, they are considered valued under the "Rental Scenario" This will equal the "Investment Properties" line in the Non-Current Assets section of the condensed consolidated statement of financial position.

Condominium scenario
Where properties have the potential or the benefit of all relevant permissions required to sell apartments individually (condominiums), and have been approved for sale by the Board, then we refer to this as a 'condominium scenario'. Properties expected to be sold in the coming year from these assets are considered held for sale under IFRS 5 and can be seen in note 13. 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 as set out in note 13.

The table below sets out the assets valued using these 3 scenarios:

	30 June 2023 €'000	30 June 2022 €'000	31 December 2022 €'000
Rental scenario	**675,193**	779,540	738,554
Condominium scenario	**37,745**	32,318	28,470
Disposal scenario	**1,411**	512	8,880
Total	**714,349**	812,370	775,904

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For the period from 1 January 2023 to 30 June 2023

13. Investment properties – Held for sale

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Fair value – held for sale investment properties			
At beginning of period/year	**14,527**	41,631	41,631
Transferred from investment properties	**3,352**	5,359	(14,566)
Capital expenditure	**558**	534	1,038
Properties sold	**(8,864)**	(6,720)	(12,982)
Valuation gain on apartments held for sale	**132**	–	(594)
At end of period/year	**9,705**	40,804	14,527

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 notarised for sale by the reporting date are valued at their disposal price (disposal scenario), and other properties are valued using the condominium or rental scenarios (see note 12) 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.

14. Investment properties – Under construction

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Fair value – under construction investment properties			
At beginning of period/year	**–**	–	–
Properties purchased	**–**	5,550	–
Capital expenditure	**–**	2,174	–
At end of period/year	**–**	7,724	–

For the presentation of the 30 June 2022 interim consolidated financial statements, investment properties were considered as under construction from the point of completion of the acquisition of the property up until the completion of the development, at which point the property would be transferred to investment properties. The presentation was changed for the 31 December 2022 annual consolidated financial statements, to include investment properties under construction within investment properties. The valuation methodology for investment properties under construction has been included within note 12.

15. Other financial assets at amortised cost

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Non-current			
Balance at beginning of period/year	**828**	926	926
Transfer to current other financial assets at amortised cost	**–**	–	(122)
Repayment of loan interest	**(24)**	–	–
Accrued interest	**12**	12	24
Balance at end of period/year	**816**	938	828

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

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

None of these financial assets were either past due or impaired.

16. Trade and other receivables

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Current			
Trade receivables	**827**	1,061	932
Less: impairment provision	**(321)**	(249)	(373)
Net receivables	**506**	812	559
Prepayments and accrued income	**618**	2,321	68
Service charges receivable	**9,530**	8,066	6,192
Other receivables	**3,060**	576	3,249
	13,714	11,775	10,068

17. Borrowings

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Current liabilities			
Bank loans – NATIXIS Pfandbriefbank AG*	**228**	34	19
Bank loans – Berliner Sparkasse	**801**	801	801
	1,029	835	820
Non-current liabilities			
Bank loans – NATIXIS Pfandbriefbank AG**	**253,850**	239,454	250,872
Bank loans – Berliner Sparkasse	**59,965**	60,816	60,392
	313,815	300,270	311,264
	314,844	301,105	312,084

* Nominal value of the borrowings as at 30 June 2023 was €1,240,000 (31 December 2022: €1,031,000, 30 June 2022: €986,000).

** Nominal value of the borrowings as at 30 June 2023 was €256,074,000 (31 December 2022: €253,602,000, 30 June 2022: €242,497,000).

For further information on borrowings, refer to the management report on page 9.

18. Trade and other payables

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Trade payables	**3,868**	609	4,525
Accrued liabilities	**1,283**	2,806	1,485
Service charges payable	**8,417**	5,769	5,394
Advanced payment received on account	**–**	1,778	3,700
Deferred income	**–**	–	26
	13,568	10,962	15,130

19. Derivative financial instruments

Interest rate swaps – carried at fair value through profit or loss

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
At beginning of period/year	**16,036**	(10,884)	(10,884)
Gain in movement in fair value through profit or loss	**349**	6,089	26,920
At end of period/year	**16,385**	(4,795)	16,036

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2023 were €230,098,750 (December 2022: €214,878,750, June 2022: €204,269,000). At 30 June 2023 the fixed interest rates vary from 0.775% to 3.21% (December 2022: 0.775% to 1.287%, June 2022: 0.24% to 1.01%) above the main factoring Euribor rate.

Maturity analysis of interest rate swaps

	30 June 2023 €'000	30 June 2022 €'000	31 December 2022 €'000
Between 2 and 5 years	**16,385**	(4,795)	16,036
	16,385	(4,795)	16,036

20. Share based payment reserve

	Performance fee €'000
Balance at 1 January 2022	343
Settlement of performance fee in shares	(343)
Balance at 30 June 2022	–
Fee charge for the period	–
Balance at 31 December 2022	–
Fee charge for the period	–
Balance at 30 June 2023	**–**

No performance fee has been recognised in the period because the performance criteria were not met.

Performance Fee

The Property Advisor is entitled to an asset and estate management performance fee, measured over consecutive three year periods, equal to 15% of the excess (or in the case of the initial period or any performance period ending prior to 31 December 2020, 16%) by which the annual EPRA NAV total return of the Group exceeds 8% per annum, compounding (the 'Performance Fee'). As the EPRA NAV measurement has been superseded by EPRA NTA (See note 23), future performance fees will be calculated with respect to movements in EPRA NTA.
The Performance Fee is subject to a high watermark, being the higher of:
(i) EPRA 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 of the provisions continued with the Property Advisor and Investor Relations Agreement.

Other Property Advisor Fees

Under the Property Advisory Agreement for providing property advisory services, the Property Advisor will be entitled to a Portfolio and Asset Management Fee as follows:
(i) 1.2% of the EPRA NTA of the Group where EPRA NTA of the Group is equal to or less than €500 million; and
(ii) 1% of the EPRA NTA of the Group greater than €500 million.

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

The 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.

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.

On 17 August 2023 the Company announced an amendment to the fees payable to the Property Advisor. Details of the revised fee paid to the Property Advisor are set out in note 27.

21. Stated capital

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Issued and fully paid:			
At 1 January	**196,578**	196,578	196,578
	196,578	196,578	196,578

The number of shares in issue at 30 June 2023 was 100,751,410 (including 8,924,047 as Treasury Shares) (31 December 2022: 100,751,410 (including 8,924,047 as Treasury Shares), 30 June 2022: 100,751,410 (including 8,879,802 as Treasury Shares)).

22. Earnings per share

	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent (€'000)	**(46,614)**	13,891	(15,435)
Weighted average number of ordinary shares for the purposes of basic earnings per share (Number)	**91,827,363**	92,456,025	92,139,098
Effect of dilutive potential ordinary shares (Number)	**–**	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share (Number)	**91,827,363**	92,456,025	92,139,098
Earnings per share (€)	**(0.51)**	0.15	(0.17)
Diluted earnings per share (€)	**(0.51)**	0.15	(0.17)

23. Net asset value per share and EPRA Net Tangible Assets (NTA)

	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
Net assets (€'000)	**366,565**	444,896	413,179
Number of participating ordinary shares	**91,827,363**	91,871,607	91,827,363
Net asset value per share (€)	**3.99**	4.84	4.50

EPRA NTA

	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
Net assets (€'000)	**366,565**	444,896	413,179
Add back deferred tax assets and liabilities, derivative financial instruments and share based payment reserves (€'000)	**43,414**	80,449	54,884
EPRA NTA (€'000)	**409,979**	525,345	468,063
EPRA NTA per share (€)	**4.46**	5.72	5.10

Notes to the Condensed Consolidated Financial Statements continued

For the period from 1 January 2023 to 30 June 2023

24. 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 condensed consolidated financial statements.

Principal financial instruments

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

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

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

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Held at amortised cost			
Trade and other receivables – current	**13,096**	9,454	10,000
Cash and cash equivalents	**13,061**	9,552	12,485
Loans and receivables	**816**	938	828
	26,973	19,944	23,313
Fair value through profit or loss			
Derivative financial asset – interest rate swaps	**16,385**	–	16,036
	16,385	–	16,036
	43,358	19,944	39,349

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

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Held at amortised cost			
Borrowings payable: current	**1,029**	835	820
Borrowings payable: non-current	**313,815**	300,270	311,264
Trade and other payables	**13,568**	10,962	15,130
	328,412	312,067	327,214
Fair value through profit or loss			
Derivative financial liability – interest rate swaps	**–**	4,795	–
	–	4,795	–
	328,412	316,862	327,214

Fair value of financial instruments

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

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

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

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Financial (liabilities)/assets			
Interest rate swaps – Level 2 – current	**–**	–	–
Interest rate swaps – Level 2 – non-current	**16,385**	(4,795)	16,036
	16,385	(4,795)	16,036

The valuation basis for the investment properties is disclosed in note 12.

25. Capital commitments

	30 June 2023 (unaudited) €'000	30 June 2022 (unaudited) €'000	31 December 2022 (audited) €'000
Contracted capital commitments at the end of the year	**22,750**	12,950	26,750

Capital commitments include contracted obligations in respect of the acquisition, construction, enhancement and repair of the Group's properties. Within the amount disclosed above, €12.95m relates to an asset under construction and is matched 100% with secured debt finance.

26. Related party transactions
Related party transactions not disclosed elsewhere are as follows:

QSix Residential Limited is the Group's appointed Property Advisor. No Directors of QSix Residential Limited currently sit on the Board of PSD, although its Principals retain a shareholding in the Company. For the six-month period ended 30 June 2023, an amount of €3,262,874 (€3,219,011 Management Fees and €43,863 Other expenses and fees) (December 2022: €6,861,680 (€6,773,608 Management fees and €88,072 Other expenses and fees), June 2022: €3,429,000 (€3,384,000 Management Fees and €45,000 Other expenses and fees)) was payable to QSix Residential Limited. At 30 June 2023 €1,315,162 (December 2022: €1,584,505, June 2022: €839,000) was outstanding.

The Property Advisor is also entitled to an asset and estate management performance fee. The charge for the period in respect of the performance fee was €Nil (December 2022: €Nil, June 2022: credit €343,000). Please refer to note 20 for more details.

Apex Financial Services (Alternative Funds) Limited, the Company's administrator provided administration and company secretarial services to PSDL and its subsidiaries in 2023. For the six-month period ended 30 June 2023, an amount of €307,602 (December 2022: €651,000, June 2022: €289,000) was payable to Apex Financial Services (Alternative Funds) Limited. At 30 June 2023 €8,730 (December 2022: €Nil, June 2022: €117,500) was outstanding.

Dividends paid to Directors in their capacity as a shareholder amounted to €Nil (December 2022: €937, June 2022: €643).

27. Events after the reporting date
The Company has exchanged contracts for the sale of six residential units in Berlin with aggregated consideration of €2.1 million after the reporting date. The sale of these is expecting completion in 2023.

In September 2022 the Company exchanged contracts to acquire an asset in Berlin for the purchase price of €4.9m. The transaction completed in Q3 2023.

On 17 August 2023 the Company announced an amendment to the fees payable to the Property Advisor. From 1 July 2023 all ongoing fees to the Property Advisor are subject to a cap of €5.0m for a period of 12 months. The Property Advisor has agreed to waive any Performance fee for the period. The Property Advisor will be entitled to an additional disposal fee of 1% of the gross value of assets sold over the 12-month period.

Professional Advisors

Property Advisor	QSix Residential Limited 54-56 Jermyn Street London SW1Y 6LX
Administrator Company Secretary and Registered Office	Apex Financial Services (Alternative Funds) Limited IFC 5 St. Helier Jersey JE1 1ST
Registrar	Link Asset Services (Jersey) Limited IFC 5 St. Helier Jersey JE1 1ST
Principal Banker	Barclays Private Clients International Limited 13 Library Place St. Helier Jersey JE4 8NE
UK Legal Advisor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Jersey Legal Advisor	Mourant Ozannes 22 Grenville Street St. Helier Jersey JE4 8PX
German Legal Advisor as to property law	Mittelstein Rechtsanwälte Alsterarkaden 20 20354 Hamburg Germany
German Legal Advisor as to general matters	Mittelstein Rechtsanwälte Alsterarkaden 20354 Hamburg Germany
German Legal Advisor as to German partnership law	Taylor Wessing Partnerschaftsgesellschaft mbB Thurn-und-Taxis-Platz 6 60313 Frankfurt a.M. Germany
Sponsor and Broker	Numis Securities Limited 45 Gresham Street London EC2V 7BF
Independent Property Valuer	Jones Lang LaSalle GmbH Rahel-Hirsch-Strasse 10 10557 Berlin Germany
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

Notes

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