

Key Developments

- **Solid Continued Performance in Property Portfolio Value:**
- Property portfolio increased in value by just over 1.3% during the first quarter, building further on the strong underlying growth from preceding quarters of 4%, 3.7%, 0.91%, 0.56% and 4.15%.
- Despite recent significant events in the Ukraine, Polish residential real estate and residential development markets have so far remained largely unscathed. An influx of approximately 2.5m refugees from the Ukraine resulted in heavy demand for rental properties in Warsaw and Eastern border towns.
- Despite initial volatility, the PLN has remained quite stable in Q1, weakening a further 1.1% against GBP over the quarter.
- In keeping with the Directors stated strategy of reducing the Redemption Queue, the Directors are pleased to announce that redemption requests totaling approximately 2.2 million shares were recently revoked from the redemption queue, with further large scale revocations expected thereafter

SPV Consolidation

- **Consolidation of Polish Operating Companies (SPVs) - Operating Costs Reduction**
- Due to legacy structuring requirements, various bank financing arrangements, property development projects and Polish Fizan concentration limit requirements (no more than 20% of Fund assets may be held in any one SPV), there were 16 operating companies (including the Polish Fizan) in the Group in Poland, each with its own operating expenses such as accounting, administration, banking, office space costs etc.
- As part of the previously stated cost reduction strategy announced by the Directors, the number of SPVs has now been reduced to 11 after 5 SPVs were merged together as the first step in the consolidation process. It is estimated that this should result in annual operating cost savings of approximately PLN 0.5m.
- Thereafter, once the RBI loan has been repaid in June, further consolidation should eliminate another two to three SPVs.
- The consolidation will not only reduce total operating costs, but also eliminate much administration time and the constant use of bills of exchange to move money between the various SPVs.
- The Directors are also examining the eventual removal of the Polish Fizan (covered in more detail below) as a third step, which if undertaken, would enable the Fund to further reduce the number of SPVs to one or two trading companies with rental income and then additional SPVs for each new development pending completion. Such a restructuring is estimated to reduce operating costs by an additional PLN 2m.

Polish Fizan NAV and PLN/GBP Foreign Exchange Rate

- **PLN Performance and PLN/GBP Exchange Rate Movements**
- The performance of the real estate portfolio is solid in PLN terms as the first graph below shows, reflecting the NAV per share of the Polish Fizan each quarter from March 2021 having increased by 16%.
- However, the PLN has significantly weakened against GBP, moving from 4.85 in mid December 2020 to 5.52 at the end of the quarter, a move of approximately 14% against the Fund. No actual foreign exchange takes place, but the closing price of the PLN/GBP cross at quarter end date is used to calculate the GBP NAV per share.



Building Scale

• Assets Under Management:

- As previously reported, the Fund must increase its assets under management and resultant rental income in order to build shareholder value and avoid asset sales being used to fund operating cost deficits. These are the key targets the Directors are seeking to address prior to a potential dual listing being sought with secondary market trading in the Fund's shares to provide shareholders with ongoing liquidity.
- Developer margin value is retained from the new developments undertaken by the Fund in the form of adding new units to the rental portfolio - in a similar manner to the Rejtana development process.
- Three new UK originated loans have been drawn down and used mostly to acquire a land plot in Warsaw, to repay the Getin Bank loan in full as well as making scheduled partial capital repayments on the RBI loan.
- Negotiations continue to raise further investment capital for additional land plots on the development pipeline and BOS Bank have confirmed their interest in providing the necessary construction finance for such developments, subject to the usual due diligence and obtaining the building permits.
- Skarbiec's real estate team will continue to manage the construction developments with the Fund acting as the developer, in more or less the same manner under which Rejtana operated.

Development Pipeline



Architectural drawings of the completed buildings.

• Development Pipeline

- **Warsaw Plot - Completed Development Value: PLN 11,548,000 (first photo)**
- The new land plot of approximately 800sqm is located in an attractive part of Warsaw, expected to be developed into a four story apartment block comprising approximately 12 apartments and parking.
- An application for the building permit has just been submitted with a decision expected around May.
- Construction is estimated to be completed in 2023 with some units intended to be retained for rentals.
- **Spiska Plot – Completed Development Value: PLN 14,226,000 (second photo)**
- Spiska, located in an excellent position in central Warsaw, The Directors have concluded that developing this asset into 10 residential apartments would be the most attractive financial option for the Fund, bearing in mind the strong residential market.
- The plot has a zoning permit and the Fund Manager is now in the process of obtaining the Building Permit in order to commence construction with construction finance expected to be provided by BOS.
- **Land Plots**
- The Fund Manager is reviewing several more land plots in order to select others for development.

Rental Income



• Rental Income

- Total gross rental income to the Fund is approximately PLN 4.6m and with improvements to rental income from the new rentals management team at Jesionowa, plus the addition of new developments, it is targeted to reach approximately PLN 7.6m per annum from the current portfolio of assets.
- **Rejtana, Poznan Fit-Out and Rental:**
- The 9 retained rental units are being fitted out at a gross cost of PLN 723,000 which are expected to generate gross rental income of approximately PLN 216,000 per annum. RedNet will act as the rentals manager.
- **Grodzisk, Warsaw, Final Unit Rented**
- The final 142 square metre space in the Grodzisk commercial unit has been rented out to a grocery store at a gross rate of PLN 67,000 per annum on a 5 year term.
- **Jesionowa, Katowice, Fully Rented**
- This building has long been the Fund's most difficult rental asset to manage, accounting for just under PLN1m of the rental income gap. After the buildings manager and rental agent were changed, for the first time, all units are now expected to be rented out after Nestle is intending to take all remaining units under a lease agreement, generating an additional gross rental income of PLN 0.4m per annum.

31 March 2022

Liquidity Strategy Update:

- As previously reported, the Fund is being prepared for a potential dual listing with its shares being admitted to secondary market trading in order to provide shareholders with ongoing liquidity. As such, the Funds needs to improve its operating finances so as to become more attractive to new investors by undertaking the following key objectives:
- **Reduce Operating/Structure Costs and Increase Rental Income:**
- Jesionowa – both the building and rentals managers were changed and the building is now fully rented out resulting in an additional annual gross rental income of approximately PLN1m as compared to the situation under the previous managers. The costs of running the building have also been reduced as well as the heavy running costs for vacant units.
- 5 Polish SPVs have been merged to further reduce operating costs by an estimated PLN 0.5m per annum, with further consolidations to be undertaken from July.
- Removal of the Polish Fizan layer of the structure such that the Polish SPVs are owned directly by the Luxembourg company is another significant cost savings project that will be commence in June, paving the way for further consolidation of the SPVs in Poland.
- The Polish banks appear to be 'open' to new lending again so it is the intention of the fund manager to refinance the Santander loan which is due for repayment at year end with local Polish debt such that surplus cash may be used to reduce the GBP debt to lower interests costs for the fund. Borrowing rates have increased in Poland with 3 month WIBOR now trading at 5.4% after several interest rate rises.
- There have also been cost reductions over the quarter, totaling over £40,000 per annum at the Guernsey level.
- **Continued Reduction of the Redemption Queue:**
- 2.2 million shares were revoked from the redemption queue in April with additional revocations of scale expected thereafter which should significantly reduce the size of the queue and the perceived stock overhang.
- The Directors will then seek to address the remaining redemption queue by a combination of off-market transactions and liquidity offers from institutions – both of which are dependent on cash resources and current negotiations to that effect.

Platinum Towers
(top row);
Rejtana (bottom
left) and Arkada
(bottom right)



Real Estate Portfolio

Developed Portfolio	Valuation (PLN) 30/09/2020	Valuation (PLN) 31/12/2020	Valuation (PLN) 31/3/2021	Valuation (PLN) 30/06/2021	Valuation (PLN) 30/09/2021	Valuation (PLN) 31/12/2021	Valuation (PLN) 31/3/2022
Platinum Towers	46,504,000	46,521,500	46,670,400	46,670,600	49,529,300	50,310,600	51,298,300
Jesionowa	23,426,000	23,341,000	23,479,000	22,163,000	22,831,000	23,540,200	23,648,600
Arkada Park	8,264,800	8,548,200	8,700,500	8,850,300	9,060,000	9,367,500	9,362,000
Atelier Residence	5,127,000	4,277,000	3,385,000	-	(sold to repay bank finance)	-	-
Grodzisk	4,930,000	5,883,500	6,279,600	6,504,690	6,631,380	6,687,310	6,875,000
Wilanow	5,678,840	5,551,000	5,490,000	4,090,200	4,170,000	4,136,000	4,176,000
Zawiszy Apartments	3,557,000	3,557,000	2,199,077	-	(sold to repay bank finance)	-	-
Rejtana	15,490,960	15,705,651	15,705,651	16,670,036	3,655,000 (post new development sales)	4,281,000	4,281,000
Plaskow-ickiej	75,000	75,000	75,000	25,000	25,000	25,000	25,000
Wlochy	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total : Developed Portfolio	113,103,600	113,509,851	112,034,228	105,023,826	95,951,680	98,397,610	99,715,900
Under Construction or Land Plot							
Spiska	10,568,996	10,568,996	10,568,996	13,649,000	13,952,000	14,025,000	14,226,000
Szaserow Warsaw	-	-	-	-	11,673,803	11,294,000	11,548,000
Total: Under Construction/ Plot	10,568,996	10,568,996	10,568,996	13,649,000	25,625,803	25,319,000	25,774,000
Total Portfolio	123,672,596	124,078,847	122,603,224	118,672,826	121,577,483	123,716,610	125,489,900

Key Fund Facts

NAV 31 /03/2022

37.98p

Fund NAV

£14,670,650

Fund GAV

£23,212,571

Redemptions
(shares)

20,699,638

Total Shares in
Issue

38,625,507

Launch Date and
Launch Price

31st May 2006 at 100.00p

Dealing Dates

Quarterly

Minimum
Subscription

£20,000

Loss since
inception

62%

Listing

The International Stock Exchange ('TISE')

Price published

Reuters and TISE

SEDOL

B125N44

ISIN

GB00B125N441

Bloomberg Ticker

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- This Investor Report should be read in conjunction with, and in the context of, the Information Memorandum of the City Living PCC Limited: Poland Geared Growth Cell (the 'Scheme') which has been prepared to comply with the terms of Rule 2.12 of the Authorised Collective Investment Schemes (Class B) Rules 2021 (the 'Class B Rules') as issued by the Guernsey Financial Services Commission (the 'Commission') pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (the 'Law'), Expressions of opinion herein are subject to change without notice.
- City Living PCC Limited is an open-ended investment company incorporated in Guernsey with registration number 43271 on 13th June 2005. It is established as a protected cell company and is governed by the provisions of The Companies (Guernsey) Law 2008, as amended (the 'Companies Law'). It has been authorised by the Commission as a Class B Scheme under the Law.