Principal Real Estate Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration No. 05948858 (England and Wales)

PRINCIPAL REAL ESTATE LIMITED

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PRINCIPAL REAL ESTATE LIMITED

SUMMARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

Name

Principal Real Estate Limited

Directors

J.O. Short
A.D. Thornton
R.A. Lees

Company Number

05948858

Registered Office

65 Grosvenor Street
Mayfair
London
W1K 3JH
United Kingdom

Business Address

65 Grosvenor Street
Mayfair
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Auditor

Ernst & Young LLP
1 More London Place
London
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United Kingdom

Principal activities

Principal Real Estate Limited (the "Company") is part of the Principal Real Estate Europe Group (the "Group"), which was acquired by the US listed Principal Financial Group ("Principal") on 16 April 2018 to become its European real estate investment management platform.

The Company is the Group's primary operating entity in the United Kingdom ("UK") and provides real estate investment management and advisory services to funds and separate account client mandates, as well as providing investment and other support services to its affiliates. This Strategic Report refers to the activities of the Group, since the activities have an impact on the revenue earned by the Company through the transfer pricing model adopted.

Principal manages €5.05 billion of real estate assets and investments in the public and private markets in Europe and, as at 31 December 2019, the Group employed over 100 real estate professionals operating out of offices in London, Frankfurt, Paris, Amsterdam, Madrid, Luxembourg, Lisbon and Milan.

Objectives

The Group's primary objective, as Principal's European real estate platform, is to be one of Europe's most highly-regarded, specialist investment managers, that delivers performance for its clients through investment in real estate assets. It has a strong, vertically-integrated and stable investment platform, which it aims to continue to develop, with people on the ground in relevant locations, who know where to invest and why, and who are respected in their markets.

In order to do this the Group intends to:

- Invest wisely across the risk spectrum for a diverse range of global institutional clients;
- Be an effective, value enhancing, hands-on fund managers;
- Focus on the major liquid property markets;
- Offer scalable, well-managed products across a range of sectors;
- Grow specialist funds with compelling strategies;
- Manage separate accounts and joint ventures for larger investors; and
- Focus more on larger mandates and core assets.

Business review and outlook

The Company's audited financial statements for the year ended 31 December 2019 are set out on pages 14 to 49. The Company's profit for the year after taxation was €9,527,634 (2018: €2,602,935) and its net assets at the end of the year were €18,987,956 (2018: €9,332,391). The Company's income includes amount earned throughout the year from transfer pricing in relation to activities performed on behalf of other corporate entities in the Group.

The Group has continued its acquisition activity, advising on and completing over €267 million of acquisitions for its fund and separate account clients. The acquisition activity is centred on sectors with robust occupier demand and investment fundamentals that meet the different mandate requirements.

The Group also continued to execute the liquidation strategies in place for a number of mandates and to reduce exposure to non-core assets, taking advantage of the strong European investment market for real estate with the disposition of approximately €505 million of real estate assets in the year.

The Company has, in particular, delivered an exceptional outcome for investors in its Hotel mandates, with the sale of assets in the Hotel Fund 1 and Saxon Doctors portfolios, which has resulted in crystallising performance returns well ahead of expectations. Investors have responded positively by increasing their equity commitments to Hotel Fund II.

During the year, work on the restructuring of the Principal European Core Fund was completed and additional equity has been successfully raised through Principal's global distribution network from investors in Europe, Asia and North America. A new open-ended fund, the Principal Eurozone Durable Income Fund, was also launched.. In addition, following the first Novapierre Allemagne fund becoming fully invested, a second fund was launched to which the Group was appointed as adviser. There has also been significant new equity contributions to the Principal European Office Fund.

These activities demonstrate the Group's key strengths, leveraging its European investment and asset management platform and multi-sector expertise, together with Principal's global distribution capabilities.

Since the year end, as a result of the significant impact the COVID-19 global pandemic, the primary focus of the directors has been to ensure the wellbeing and safety of the Company's people and their families. The directors have also been liaising with all stakeholders, particularly clients, suppliers, debt providers and tenants, working actively to protect and preserve the business and the clients' funds and assets.

Future development

Going forwards, the Group will continue its focus on raising and investing equity for the Principal European Core Fund, the Principal Eurozone Durable Income Fund and Principal Care Invest II and on looking to secure new separate account mandates, leveraging off Principal's global distribution capabilities and client network. In addition, the Group will continue to expand the Principal European Office Fund and to invest capital on behalf of its second European hotel fund, the second Novapierre Allemagne fund and other separate account mandates.

COVID-19 Uncertainty

The outbreak of the novel coronavirus (COVID-19) in Europe in early 2020 has created some uncertainty in the Group's operating environment and has had an adverse impact on the overall economic environment, real estate markets and the operations of a large number of businesses, which may have a consequential impact on the assets managed by the Group and the associated revenue streams and performance. The level of impact will depend on how the COVID-19 situation will evolve, its duration and the effectiveness of the control measures taken.

The Company has implemented appropriate contingency and risk management measures in response to the COVID-19 situation, which it will keep under review. Since the circumstances surrounding the outbreak are rapidly evolving, making an estimate of its financial impact on the Company at the current stage may not be appropriate as it ,may be subject to material change.

Key performance indicators

The Company uses a number of key performance indicators to measure performance and the tables below set out examples of such indicators and explain how they relate to the strategic priorities of the Company and how the business performed in 2019..

Fee Income analysis
The analysis of fee income between recurring and non-recurring fees is an indicator of the stability of the revenue of the Company and enhances its ability to plan the future cash flows and to assess the financial sustainability of the Company. In addition, the monitoring of the debtor positions on a regular basis enables efficient cash flow planning.

Key performance indicators (continued)

Fee Income analysis (continued)

	2019	2018
	€	€
Recurring income	1,706,384	2,825,729
Non-recurring income	33,995,593	11,095,971
Total revenue for the year	35,701,977	13,921,700

Portfolio Profitability

Mandate profitability is assessed to ensure viability by taking into account the analysis of the associated direct costs and the appropriate allocation of the operational overheads, including IT services, rent, legal and professional fees.

	2019	Restated* 2018
	€	€
Direct cost	17,615,340	5,658,665
Indirect cost	6,981,727	6,973,374
	24,597,067	12,632,039

** Restated to reflect adjustments for the reversal of costs, for which the Company was not liable. Further details are included in note 24.*

Section 172(1) statement

In accordance with their duties under s172 of the Companies Act 2006, the directors, have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to the:

- likely consequence of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

The Board understands that building strong relationships with its stakeholders will aid the Company in delivering its long term strategy. The key stakeholders for the Company are its employees, clients, occupiers, suppliers and the broader community and environment in which operates. During the year the directors considered the views of relevant stakeholders and the consequences of its decisions in the long term. In addition to its stakeholders, the directors also consider broader factors, such as the regulatory and environmental concerns; however, the directors acknowledge that this does not guarantee the desired outcome for all stakeholders.

Stakeholder engagement

The method by which the directors engage with its stakeholders will vary depending on the nature of the issue. The directors are able to engage both directly or indirectly with stakeholders through the regular reporting to the Board, management meetings and active regular communication with teams, clients and suppliers. In 2019 a Board Paper template and guidance note was created to enhance reporting and include greater focus on areas such as alignment with the Company strategy, risk framework and stakeholder considerations. These help to ensure the Board has sufficient oversight of relevant factors including stakeholder engagement during its decision making process to comply with its duties under section 172 of the Companies Act 2006.

Suppliers

The Board monitors the relationship and engagement with the Company's key suppliers. All material contracts are subject to rigorous review with any key risks being highlighted to the Board. In 2019, the directors undertook a review of the Company's suppliers, carrying out supplier risk assessments, and supplier managers were identified for each supplier. Going forward, the Company will expect all its suppliers to comply with the Principal Supplier Code of Conduct and the Board will monitor key supplier relationships on a regular basis. The Company also adheres to the Principal Anti-Slavery and Human Trafficking Policy.

The Company's supplier payment policy is to pay invoices within 30 days of the invoice date unless otherwise agreed as part of its commitment to high standards of business conduct.

Customers

The Board views the interests of its clients and investors as central to its operations. The Company's philosophy is to deliver investment performance by understanding client and investor objectives and the potential market opportunities, thinking creatively to devise the most appropriate strategies, investing wisely, with speed and rigour and proactively managing the portfolios it creates.

Client mandates are reviewed by the Board on a quarterly basis and all transactions are considered in the light of client requirements.

Employees

The Company realises that the single most important element in determining the success or failure of the business is its people. It aims to attract, develop, retain and motivate high-performing individuals and to drive the most efficient utilisation of its people and teams across the business. The Company provides regular training to all staff and has implemented a pan European compliance manual which includes policies on Conflicts of Interest, Gifts and Entertaining, Anti-Bribery & Corruption and Insider Trading and has adopted the Principal group Code of Ethics as part of its commitment to maintaining high standards of business conduct.

The Company monitors remuneration per employee by benchmarking against industry standards via participation in a regular performance/reward survey conducted by a leading financial services consulting and benchmarking firm. This benchmarking helps to ensure that the most talented staff are retained and that they are rewarded in alignment with the long term aims of the business. Individual employee remuneration is reviewed by the directors on an annual basis, taking into account the performance of the individual against their agreed objectives.

The Company aims to create an environment which allows employees to flourish and achieve their full potential for the benefit of themselves and the organisation. The Company places considerable value on the involvement and engagement of its employees and has continued to keep them informed on the strategy of the Company, matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings such as town halls and email communications. An employee opinion survey is used to track employee views, the results of which help shape how the business is run.

Occupiers

The Group invests on behalf of its clients in real assets that derive their value from the utility they provide to their current and potential occupiers. Ensuring the Company understands the needs of its occupiers, maintains a strong relationship with them and provides a high-quality experience, is fundamental.

Equal opportunities

Applications for employment are always fully considered irrespective of nationality, ethnic origin, age, class, religion or gender, but taking into consideration the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Community, Environment and Sustainability

As an investor in, and manager of, real estate assets, the Company recognises the significant positive and negative impact, both direct and indirect, that our activities may have on the environment, as well as the communities and economies where we operate. The Company is committed to making a positive contribution to the environmental, social and economic communities in which our stakeholders participate, and its sustainability policy is embedded within its procedures. The Company's Investment Committee considers sustainability as part of its review of potential acquisitions and the Board considers sustainability issues across the business including energy efficiency, recycling within the office and the use of video conferencing facilities to minimise air travel for cross border meetings.

During the year the Group established an Environmental, Social and Governance ("ESG") working group to consider how best to reflect and integrate ESG considerations into the Group's business operations and long-term strategy and to satisfy the increasing demand from investors, regulators and society as a whole for improved ESG policies, practices and standards.

Investment in IT Infrastructure and office refurbishment
During the year the Board approved further investment in IT infrastructure and security, including replacing desktops with laptops, upgrading network security and improving telephone and video conferencing facilities, as well as undertaking the refurbishment of the London office. As part of the decision making process the Board took into account the financial and environmental impact, with input from various stakeholders including employees, associates, and the wider Principal group. The Board considered the investment to be for the benefit of the Company, its shareholders, employees and the environment and concluded that it would result in an improvement in the office experience for staff, allow for more agile working, encourage collaboration between offices, whilst minimising air travel for cross border meetings, and improve employee engagement and productivity. The Board also considered that synergies with the wider Principal group could be created which would allow for future system integration and the investment was aligned with its longer term strategy.

Implementation of the Senior Managers and Certification Regime ("SMCR")
In light of the Financial Conduct Authority's announcement of its decision to extend the SMCR which replaced the Approved Persons Regime, to include all authorised firms with effect from 9 December 2019, a working group was established in early 2019 which included representatives from the Board and relevant business areas. The working group provided updates to the Board and, following engagement with key stakeholders, presented a number of recommendations, including which employees were deemed to fall within the scope of the new requirements as Senior Managers, Certified Persons and Conduct Staff and proposed changes to employment contracts. The impacted employees were consulted on their specific responsibilities and addendums to their employment contracts. Conduct Staff and stakeholders within the wider Principal group, responsible for providing information to Senior Managers and Certified Persons to ensure they had sufficient oversight of their areas of responsibilities, received regular communications advising them of the requirements and their responsibilities and updates were made to the Staff Handbook. Training was provided to all staff, aligned with their roles and responsibilities under the new regime. The implementation was completed by the 9 December 2019 deadline, in compliance with the regulatory requirement and as part of the Boards commitment to achieving high standards of business conduct.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, exchange rate risk, credit risk and liquidity risk. The Company may consider the use of financial derivatives to manage risks in certain circumstances in accordance with the Company's policies, approved by the directors. The Company does not use derivative financial instruments for speculative purposes.

Cash flow and exchange rate risk
The Company's principal financial assets are bank balances, loans to associated companies, trade and other receivables, and investments.

The Company completes a weekly review of its cash position and closely monitors the receipt of transaction fees and management fees from its mandates and funds under management. A forecast of the Company's Euro requirements is also prepared and the forecast requirement will be retained in EUR with the remaining EUR balance sold against GBP when considered appropriate.

Financial risk management objectives and policies (continued)

Credit risk
The Company's credit risk is primarily attributable to its loans to associated companies, trade receivables and cash deposits. The trade receivable amounts presented in the balance sheet are net of expected credit losses for doubtful receivables. The Company recognises expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company analyses the concentration of its credit risk within trade receivables on an individual counterparty basis. A significant concentration is deemed to exist where an individual counterparty represents more than 10% of trade receivables.

The credit risk on cash deposits, liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk
The Company deals with liquidity risk in the following ways:

Short term: a cash flow analysis is prepared on a weekly basis, which provides a trend of actual performance. This also allows short term cash management across the Company and other Group companies by identifying companies that will have surplus cash and those that will have cash shortages which will require funding from elsewhere in the Group. As part of the reporting process, the liquidity position of the Company and other Group companies is reviewed and any necessary or appropriate action considered.

Long term: a forecast for the following 3 calendar years is prepared on an annual basis. This process identifies long term liquidity issues which will need to be managed and remedied. As part of the forecasting process stress testing is carried out. The parameters, methodology and outcomes, including the impact on liquidity, of the stress testing is reviewed by the Management Committee.

As part of liquidity management, the Company maintains sufficient cash and cash equivalents to meet outflows under expected and stressed conditions. Liquidity management also encompasses a contingency plan, which includes an overview of emergency measures, such as alternative financing in stressed situations.

Principal risks and uncertainties

Key Risk	Description	Mitigation
Liquidity/cash flow	Potential non-payment of asset management fees due to clients/funds being unable to meet liabilities or cash being used to amortise debt.	Ongoing monitoring of identified funds/mandates and early stage discussions with fund managers and clients.
Economic uncertainty	The United Kingdom's decision to leave the European Union ('Brexit') has created economic and market uncertainties.	The Group's focus on continental Europe means it is well placed to take advantage of market uncertainties compared to many competitors and reduces the negative impact of Brexit.
Fiduciary duties	Director's liability in relation to errors and breaches.	An appropriate control environment is in place and being regularly reviewed with sufficient levels of professional indemnity and directors' and officers' insurance cover is in place.
Economic and market uncertainty	The impact of the Covid-19 pandemic will be felt through economic uncertainty and slowing global economies which will have an impact on markets.	Ongoing monitoring of the markets and regular discussions with fund managers and clients in respect of existing and new funds/mandates to monitor existing assets and to re-assess transactions in the pipeline.

Approved by the Board of Directors and signed on its behalf by:

Andrew Thornton (Apr 24, 2020)

A.D Thornton
Director
24 April 2020

The directors present their report and the audited financial statements of Principal Real Estate Limited (the "Company") for the year ended 31 December 2019. An indication of the likely future developments of the business alongside the financial risk management objectives and policies and the principal risks and uncertainties of the Company are included in the Strategic Report.

Directors

The directors who served throughout the year and to the date of this report were as follows:

J.O. Short
A.D. Thornton
R.A. Lees

Going concern basis

The directors have considered the risks and uncertainties relating to the business in the Principal Risks and Uncertainties section contained in the Strategic Report and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, the Company has received a letter of support from Principal Global Investors Holding Company LLC confirming that, to the extent that funds are not otherwise available, it will assist the Company in meeting any liabilities as and when they fall due for a period of at least 12 months from the date of approval of the Company's financial statements. The directors have satisfied themselves that they can rely on that letter. The Company therefore continues to adopt the going concern basis in preparing its annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2(n) to the financial statements.

Capital Structure

The share capital of the Company consists of 500,000 Ordinary shares of €1 each.

Dividends

The Company declared no dividends in the year ended 31 December 2019 (2018: €2,794,900).

Subsequent to the year end, on 28 January 2020, the Company declared a dividend of approximately €3.41 per share, amounting to €1,706,703 to its parent, Principal Real Estate Europe Limited. In approving this dividend, the directors considered the long term consequences of paying out from its distributable reserves, noted that the resulting regulatory capital position of the Company would remain within its capital management policy limits, and considered that that the payment was in the best interests of its stakeholders as a whole.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive came into force on 22 July 2014. The Company was registered as an Alternative Investment Fund Manager ("AIFM") on 14 July 2015.

Directors' Liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, which is within the scope of the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision was in force throughout the year and remains in force as at the date of approving the Directors' Report.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Directors' Meeting for the reappointment of Ernst & Young LLP as auditors of the Company.

Approved by the Board of Directors and signed on its behalf by:

Andrew Thornton (Apr 24, 2020)

A.D Thornton
Director
24 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PRINCIPAL REAL ESTATE LIMITED

Opinion

We have audited the financial statements of Principal Real Estate Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Notes 2 and 26 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Oxana Dorrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
24 April 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 €	Restated* 2018 €
Revenue	4	35,701,977	13,921,700
Cost of sales		-	(10,535)
Gross profit		35,701,977	13,911,165
Staff costs	7	(18,907,384)	(7,281,286)
Administrative expenses		(5,689,683)	(5,350,753)
Operating profit	5	11,104,910	1,279,126
Dividend income	10	-	1,394,900
Other gains and losses	11	21,454	(72,228)
Finance income	12	20,624	5,667
Finance costs	12	(113,200)	(4,530)
Impairment of investment in subsidiaries	16	(948,686)	-
Profit before tax		10,085,102	2,602,935
Taxation	13	(557,468)	-
Profit for the year		9,527,634	2,602,935
Total comprehensive income		9,527,634	2,602,935

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

The profit for the year was derived from continuing operations. Other than the profit for the year, there was no other comprehensive income during the year.

The notes on pages 18 to 49 form part of these financial statements.

BALANCE SHEET
AT 31 DECEMBER 2019

	Notes	2019 €	Restated* 2018 €
Non-current assets			
Property, plant and equipment	14	449,364	15,281
Intangible assets	15	64,098	86,620
Investments	16	3,528,035	2,230,221
Right-of-use lease asset	21	2,865,477	-
Loans to associated companies	23	3,919,056	-
Total non-current assets		10,826,030	2,332,122
Current assets			
Trade and other receivables	17	35,081,070	9,140,849
Cash and cash equivalents		8,517,257	4,004,794
Total current assets		43,598,327	13,145,643
Total assets		54,424,357	15,477,765
Non-current liabilities			
Interest-bearing loans and liabilities	22	(12,598,877)	-
Current liabilities			
Trade and other payables	18	(21,809,242)	(6,145,373)
Corporate tax payable	13	(557,468)	-
Interest-bearing loans and liabilities	22	(470,814)	-
Total liabilities		(35,436,401)	(6,145,373)
Net assets		**18,987,956**	**9,332,392**
Equity			
Ordinary share capital	19	500,000	500,000
Retained earnings		18,487,956	8,832,392
Equity attributable to the shareholders of the Company		**18,987,956**	**9,332,392**

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

The notes on pages 18 to 49 form part of these financial statements. The financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Andrew Thornton (Apr 24, 2020)

A.D. Thornton
Director
24 April 2020

PRINCIPAL REAL ESTATE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital €	Retained Earnings €	Total €
Balance at 1 January 2018	500,000	9,024,357	9,524,357
Profit for the year	-	929,883	929,883
Adjustment*	-	1,673,052	1,673,052
Profit for the year (restated)	-	2,602,935	2,602,935
Dividends declared	-	(2,794,900)	(2,794,900)
Balance at 31 December 2018 (restated)	500,000	8,832,392	9,332,392
Effect of adoption of IFRS 16 (Note 2 (b))	-	127,930	127,930
Profit for the year	-	9,527,634	9,527,634
Balance at 31 December 2019	500,000	18,487,956	18,987,956

**Adjustments for the restatement for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 €	Restated* 2018 €
Net cash generated from/ (used in) operating activities	20	1,086,175	(14,100)
Investing activities			
Purchase of property, plant and equipment	14	(349,328)	-
Purchase of intangible assets	15	(49,401)	-
Additions to investments in subsidiaries	16	(1,874,551)	(15,000)
Loan to associated companies	23	(3,919,056)	-
Interest received		13,654	5,667
Dividend income received	10	-	1,300,000
Net cash (used in) / generated from investing activities		(6,178,682)	1,290,667
Financing activities			
Dividends paid	19	(44,900)	(2,750,000)
Proceeds from borrowings	23	10,050,000	-
Payment of principal portion of lease liabilities	21	(421,584)	-
Net cash from/ (used in) financing activities		9,583,516	(2,750,000)
Net increase/ (decrease) in cash and cash equivalents		4,491,009	(1,473,433)
Effects of foreign exchange rate change	11	21,454	(72,228)
Cash and cash equivalents at beginning of year		4,004,794	5,550,455
Cash and cash equivalents at end of year		8,517,257	4,004,794

**Adjustments for the restatement for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

1. General information
Principal Real Estate Limited (the "Company") is a private limited company as defined by the Companies Act 2006, incorporated and domiciled in England and Wales. The address of the Company's registered office and the Company's registered number is given on page 1. The Company's principal activities are set out in the Strategic Report on page 2.

2. Accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the current and preceding year.

a) Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

These financial statements are presented in Euros because that is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

The financial statements have been prepared on the historical cost basis, except where balances are required to be stated at fair value in accordance with IFRS as adopted by the EU.

b) Adoption of new and revised standards

The following new standards and amendments became effective as of 1 January 2019

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process (2015-2017 cycle):
  - IFRS 3 Business Combinations - Previously held Interests in a joint operation
  - IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
  - IAS 12 Income Taxes - Income tax consequences of payments on financial
  - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

Early adoption of standards and interpretations
The Company has not early adopted any new international financial reporting standards or interpretations. The Company plans to adopt them when they become effective. Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below:
- IFRS 17 Insurance contracts (effective from 1 January 2021)
- Amendments to IFRS3: Definition of a Business
- Amendments to IAS1 and IAS8: Definition of Material

New and amended standards and interpretations
The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of the adoption of the standard is described below.

The Company has adopted IFRS 16 Leases with effect from 1 January 2019. Under the new standard, the lease contract for the office is recognised in the financial statements by way of a right-of-use asset and a corresponding lease liability. On adoption of IFRS 16, the Company has recognised lease liability in relation to the lease which had previously been classified as 'non-cancellable operating leases' under the principles of IAS 17 Leases.

The Company has applied the modified retrospective transition method, and consequently comparative information is not restated. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

2. Accounting policies (continued)

b) Adoption of new and revised standards (continued)

New and amended standards and interpretations (continued)

The weighted average lessee's incremental borrowing rate applied to the lease liability on 1 January 2019 was 3.36%. In applying IFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard:

- no reassessment was performed of contracts that were previously identified as leases and contracts that were not previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.
- leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 have been treated as short-term leases.
- The Company has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact on transition

On transition to IFRS 16, the Company recognised additional right of use assets and lease liabilities. The effect of the adoption of IFRS 16 as at 1 January 2019 is as follows:

	2019 €
Assets	
Right-of-use assets	3,346,988
Security deposit	(67,811)
Prepayments	(17,733)
Total assets	**3,261,444**
Liabilities	
Interest-bearing loans and borrowings	3,279,177
Trade and other payables	(145,663)
Total liabilities	**3,133,514**
Total adjustment on equity	**127,930**

The adjustment is a result of the release of the prepayment and the accrued rent balance following the transition to IFRS16.

Before the adoption of IFRS 16, the Company classified each of its leases at the inception date as either a finance lease or an operating lease. Refer to note 2 (j) for the accounting policy prior to 1 January 2019.

c) Exemption from presenting consolidated financial statements

The financial statements reflect the results and financial position of the Company as an individual undertaking. The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. For the year ended 31 December 2019, the Company was a wholly-owned subsidiary of Principal Financial Group Inc., which prepares consolidated financial statements which are publicly available.

2. Accounting policies (continued)

d) Revenue from contracts with customers

The Company has applied the following judgments that can significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying the performance obligation in supply of services to the customers*

The Company offers a wide spectrum of real estate investment solutions, developing strategic investment and management solutions for institutional investors in all property asset classes across Europe. Examples of such services which the Company provides to customers are generally investment management services, accounting and corporate services, advisory services, project management services and disposal services.

The Company reviewed each type of service provided to customers and determined that each service type offered is capable of being distinct. The fact that the Company could provide any of its services on a stand-alone basis indicates that the customer can benefit from any such services on their own.

- *Determining the timing of satisfaction of the performance obligation*

For the different types of revenue recognised in the period, the Company has assessed the timing of satisfaction on an individual basis to determine whether the service was being provided over time or at a point in time.

The Company concluded that for the recurring fees (from investment management services, accounting services, advisory services and project management), these were generally recognised over time as the customer would simultaneously receive and benefit from the service provided. The following measurement unit was determined in respect of the fees recognised in the period:

Fees in respect of investment management, accounting, leasing and advisory services were accrued in respect of the days in the year for which the service was provided.

Fees in respect of project management services which needed to be billed over time were accrued for in respect of the progress achieved or relevant milestones reached as per the mandate. For the non-recurring revenue (disposal fees, performance fees, leasing fees), the Company determined whether the conditions as per the mandate, had been met in the year and accrued accordingly. In the case where the conditions had not been met in the year, the company assessed the likelihood and magnitude of such happening in future. This resulted in no further revenue recognised in the period.

- *Principal versus agent considerations*

The Company has determined that as part of the contracts it entered into with customers, it remains the Company's ultimate responsibility to fulfil the contract agreed with the customer. The services provided to the customers are within the control of the Company and price negotiation remains within the discretion of the Company when the customer contracts are being negotiated and transaction prices assigned to the services.

Considering the above, the Company has determined that they act as principal for the contracts entered into.

- *Consideration of significant financing component in a contract*

The Company noted that for some revenue streams the receipt of consideration does not match the timing of the transfer of services to the customers, and this may be indicative of the contract containing a financing component.

The Company assessed our revenue streams on a case by case basis and evaluated the following;

a) The difference between the promised consideration and the cash selling price of the promised service
b) The combined effect of both (i) the expected length of time between the transfer of the services to the customers and the receipt of consideration and (ii) the prevailing interest rates of the period

The Company has considered all the relevant facts and circumstances in our assessment of whether contracts contain a significant financing component and concluded that the delay between the transfer of services to the customer and the consideration payment received is not considered as significant. The standard payment terms with customers are 30 days and based on previous experience, the Company low concerns over recoverability. The Company has there determined that no financing component exists for any of its contracts held with customers.

2. Accounting policies (continued)

d) Revenue from contracts with customers (continued)

- *Consideration of significant financing component in a contract (continued)*

Contract balances
Contract assets - A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Company designates contract assets as accrued income within the financial statements.

Trade receivables - A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Group Trading *Arrangements*
Income and costs are allocated between Group entities by reference to their respective contributions to services provided under the investment management agreements and contracts entered with third parties.

e) Property, plant and equipment
Fixtures and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and fittings	20% straight line
Computer equipment	33.33% straight line
Computer software	33.33% straight line

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income. The depreciation and amortisation expenses are booked to the administrative expenses in the statement of comprehensive income.

f) Impairment of tangible and intangible assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Were an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Foreign currencies
In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

2. Accounting policies (continued)

h) Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment. On an annual basis, the Company assesses if there are any indicators of impairment by comparing the net asset value of each subsidiary to its carrying amount. If the net asset value is lower than the carrying amount, the Company assesses if the investment is impaired. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. The losses arising from impairment are recognised in the administrative expenses. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

i) Tax

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

j) Leases

Leases (IAS 17) applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Accounting policies (continued)

j) Leases (continued)

Leases (IFRS 16) applicable from 1 January 2019
The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This accounting policy is applied to contracts entered into, on or after 1 January 2019.

Company as a lessee
The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets
The Company recognised right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, which is as follows:

Office accommodation	7 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (include in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the dilapidation provision estimated to be paid at the end of the lease term. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a changed in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
The Company's lease liabilities are included in interest-bearing loans and borrowings.

(iii) Short-term leases and leases of low value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognises as expenses on a straight-line basis.

2. Accounting policies (continued)

k) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

l) Financial instruments

(i) Financial assets

The financial assets of the Company comprise of trade and other receivables, loans to associated companies and cash bank balances.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (e) Revenue from contracts with customers.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

The Company does not hold any financial assets classified as FVTPL.

Loans to associated companies and receivables

Loans to associated companies and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from the expected credit losses are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 17.

Expected credit losses of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. Accounting policies (continued)

l) Financial instruments (continued)

(i) Financial assets (continued)

Expected credit losses of financial assets (continued)
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

For all other financial assets, objective evidence of impairment could include:
- Significant financial difficulty of the issuer or counterparty; or
- Default of delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for expected credit losses on a collective basis. Objective evidence of expected credit losses for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicated that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the entity

For financial assets carried at amortised cost, the amount of the expected credit losses is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

For the financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2. Accounting policies (continued)

l) Financial instruments (continued)

(ii) Financial liabilities

Financial liabilities comprise of trade and other payables.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company does not have any financial liabilities at fair value through profit or loss, or derivatives designated as hedging instruments in an effective hedge.

Interest-bearing loans and borrowings and other payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

m) Dividends receivable

Dividends receivable from investments are recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

n) Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have reviewed the budget and cash flow forecast for the business for the forthcoming year and have assessed that the Company has adequate financial resources to meet its operational needs as they fall due.

The directors have also assessed the additional uncertainties brought about by the novel-coronavirus (COVID-19) outbreak in Europe since early 2020, which has created some uncertainty in the Group's operating environment and has had an adverse impact on the overall economic environment, real estate markets and the operations of a large number of businesses, which may have a consequential impact on the assets managed by the Group and the associated revenue streams and performance. The level of impact will depend on how the COVID-19 situation will evolve, its duration and the effectiveness of the control measures taken.

The Company has implemented appropriate contingency and risk management measures in response to the COVID-19 situation, which it will keep under review. Since the circumstances surrounding the outbreak are rapidly evolving, making an estimate of its financial impact on the Company at the current stage may not be appropriate as it ,may be subject to material change.

2. Accounting policies (continued)

n) Going Concern (continued)

The Company has also received a letter of financial support from Principal Global Investors Holding Company LLC, confirming that, to the extent that funds are not otherwise available, it will assist the Company in meeting any liabilities as and when they fall due for a period of at least 12 months from the date of approval of the Company's financial statements. The directors have satisfied themselves that they can rely on that letter. Therefore, the financial statements have been prepared on a going concern basis.

o) Cash and cash equivalents

Assets are classified as cash equivalents if they are readily convertible to cash and are not subject to significant changes in value. The Company has classified short-term bank deposits as cash and cash equivalents.

p) Intangible assets

Intangible assets comprise of software licences and IT development expenditure. These intangible assets are amortised on a straight-line basis over three years.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Expected credit loss ("ECL")provision

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. As a result, additional provisions or reversals of doubtful debts may be required based on the management judgement of the above. Refer to note 17.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Judgements

a) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer to note 13.

b) Accrued income

Income is accrued when it is earned from providing a service but has yet to be received. Significant management judgement is required to determine the discount rate used to recognise the income at its present value and the best estimate of the time when the amount would be received. Refer to note 17.

c) Investment impairment

The Company conducts impairment reviews of investments in subsidiaries whenever events or changes in circumstances indicate that their carrying value may not be recoverable, or annually in accordance with IFRS and the Company's policy as stated in note 2(h). Where there are uncertainties of the recoverable amount, management's estimation is used in determining whether an investment is impaired. Refer to note 16.

d) Determining the lease term of contracts with renewal and termination option

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included the renewal period as part of the lease term for leases of office accommodation. Refer to note 21.

e) Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain estimates specific to the Company. Refer to Note 21.

4. Revenue

A geographical analysis of the source of revenue (i.e. location of clients) is as follows:

	2019	2018
	€	€
United Kingdom	871,436	1,530,824
Rest of European Union	34,830,541	12,390,876
	35,701,977	13,921,700

Information about a major client
Revenue includes approximately €1.0m (2018: €0.7m) which was receivable from the Company's largest external client.

An analysis of the revenue by source type is as follows:

	2019	2018
	€	€
Revenue from contracts with external customers (recurring)	1,706,384	2,825,729
Revenue from contracts with external customers (non-recurring)	1,248,073	1,143,026
Revenue from other entities within the Group (recurring and non-recurring)	32,747,520	9,952,945
	35,701,977	13,921,700

The revenue recognised from performance obligations satisfied in previous periods amounts to €nil (2018: €nil).

5. Operating profit

Operating profit for the year has been arrived at after charging/(crediting):

	2019 €	2018 €
Depreciation of property, plant and equipment (note 14)	25,858	13,748
Amortisation of intangible assets (note 15)	71,923	73,531
Expected credit losses recognised on trade receivables (note 17)	362,595	4,782
Expected credit losses written off on trade receivables (note 17)	(28,562)	(69,162)
Operating lease expenses (note 21)*	15,730	490,859

*Following the adoption of IFRS 16 in the year, the office lease is no longer accounted for as an operating lease, instead it is treated as a finance lease. As such, rental expenses were not recognised, instead it was recognised as a depreciation expense of the right-of-use-asset of €481,511. Correspondingly, interest expense on the lease liability of €105,959 was also recognised. Operating lease expenses of €15,730 in the table above represents expenses related to leases of low value items. See note 2(j) and 21 for further details.

6. Auditor's remuneration

	2019 €	2018 €
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
Audit fees	115,400	102,550

7. Staff costs

	2019 €	Restated* 2018 €
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	18,373,570	6,779,961
Social security costs	355,129	365,184
Defined contribution pension scheme costs	178,685	136,141
	18,907,384	7,281,286

The average monthly number of employees during the year, including the directors and staff consultants, was 32 (2018: 36).

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

8. Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the Statement of Comprehensive Income of €178,685 (2018: €136,141) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As at 31 December 2019, contributions of €21,749 (2018: €15,175) in respect of the current reporting period were due but had not been paid over to the scheme.

9. Directors' remuneration

	2019	2018
	€	€
Emoluments	289,332	195,686

There were no retirement benefits accrued in respect of the money purchase schemes amounted in the year (2018: €2,901).

10. Dividend income

No dividends were declared by the Company's subsidiaries in the year (2018: €1,394,900).

11. Other gains and losses

Other gains and losses comprise:

	2019	2018
	€	€
Net foreign exchange gains/ (losses)	21,454	(72,228)

12. Finance income and finance costs

	2019	2018
	€	€
Finance income comprises:		
Interest on loan to associated companies	8,951	5,667
Other interest income	233	-
Unwinding of discount on security deposit	11,440	-
	20,624	5,667
Finance costs comprise:		
Bank charges	(3,565)	(4,530)
Interest on loan from associated company	(3,676)	-
Interest expense on lease liabilities	(105,959)	-
	(113,200)	(4,530)

13. Taxation

	2019 €	2018 €
Corporation tax:		
Current tax	557,468	-
Deferred tax	-	-
Current tax charge for the year	557,468	-

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2019 €	Restated* 2018 €
Profit on ordinary activities before tax	10,085,102	2,602,935
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,916,169	494,558
Effects of:		
Non-taxable income	-	(265,031)
Expenses not deductible for tax purposes	319,938	4,680
Deferred tax asset not recognised	(1,678,639)	(234,207)
Total tax charge for the year	557,468	-

**Adjustments for restatements for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

The Company is carrying forward tax losses of approximately €31,528,600 (2018: €41,571,337) that are available for offsetting against future taxable profits of the Company.

A deferred tax asset has not been recognised for unused tax losses carried forward as it is not sufficiently probable, based on current projections, that there will be sufficient taxable profits against which the losses can be utilised. The estimated amount of the unrecognised deferred tax asset is €5,990,434 (2018: €7,898,554), after utilisation of €1,678,639 in the current year.

The Finance (No. 2) Act 2015, substantively enacted on 26 October 2015, reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016, substantively enacted on 6 September 2016, included further reduction of the rate of 18% to 17% from 1 April 2020. The legislation in Finance bill 2020 has since amended this by setting out that the corporate tax rate will remain at 19% for the financial year beginning 1 April 2020 and 1 April 2021. The effects of these changes have been reflected in the deferred tax balances at 31 December 2019.

14. Property, plant and equipment

	Leasehold Improvements €	Furniture and Fixtures €	Office Equipment €	Total €
Cost or valuation				
At 1 January 2018	28,184	234,353	719,740	982,277
Additions	-	-	-	-
As 31 December 2018	**28,184**	**234,353**	**719,740**	**982,277**
Additions	348,460	42,265	69,216	459,941
Disposals	-	-	(423,547)	(423,547)
As 31 December 2019	**376,644**	**276,618**	**365,409**	**1,018,671**
Depreciation				
At 1 January 2018	28,184	205,831	719,233	953,248
Charged during the year (note 5)	-	13,241	507	13,748
At 31 December 2018	28,184	219,072	719,740	966,996
Charged during the year (note 5)	4,774	11,930	9,154	25,858
Disposals	-	-	(423,547)	(423,547)
At 31 December 2019	**32,958**	**231,002**	**305,347**	**569,307**
Net book value				
At 31 December 2018	-	15,281	-	15,281
At 31 December 2019	**343,686**	**45,616**	**60,062**	**449,364**

At 31 December 2019, of the total additions in the year, €349,328 has been settled in cash, whilst the balance remained outstanding.

Disposals of office equipment in the year relates to the cost of obsolete office equipment which has been replaced as a result of the office refurbishment.

15. Intangible assets

	Software €
Cost	
At 1 January 2018	661,128
Additions	-
At 31 December 2018	661,128
Additions	49,401
Disposals	(419,978)
At 31 December 2019	**290,551**
Amortisation	
At 1 January 2018	500,977
Charged during the year (note 5)	73,531
At 31 December 2018	**574,508**
Disposals	(419,978)
Charged during the year (note 5)	71,923
At 31 December 2019	**226,453**
Net book value	
At 31 December 2018	86,620
At 31 December 2019	**64,098**

Disposals of software in the year relates to the write off of software which has been replaced as a result of the IT upgrade undertaken.

Software includes expenditure incurred on a project to implement a cloud based IT infrastructure solution. This is recognised and accounted for under IAS 38 Intangible Assets. As of 31 December 2019, the remaining amortisation period of the software is 31 months.

16. Investments

Investments in subsidiaries

Details of the Company's subsidiaries at 31 December 2018 and 2019 are as follows:

	Place of incorporation (or registration) and operation	Proportion of ownership interest		Proportion of voting power held	
		2019	2018	2019	2018
INTERNOS Real Estate Limited	United Kingdom	100%	100%	100%	100%
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	Germany	94.9%	94.9%	94.9%	94.9%
Principal Real Estate GmbH	Germany	100%	100%	100%	100%
Principal Real Estate S.à r.l.	Luxembourg	100%	100%	100%	100%
Principal Hotel Immobilienfonds II General Partner S.à r.l	Luxembourg	100%	100%	100%	100%
Principal Real Estate S.A.S.	France	100%	100%	100%	100%
Benelux Industrial Partnership General Partner B.V.*	Netherlands	100%	100%	100%	100%
Principal Real Estate B.V.	Netherlands	100%	100%	100%	100%
Principal Real Estate S.L.	Spain	100%	100%	100%	100%
PECF (GP) S.à r.l.	Luxembourg	100%	100%	100%	100%
PEDIF (GP) S.à r.l.	Luxembourg	100%	-	100%	-

*Subsequent to the year end, on 26 February 2020, Benelux Industrial Partnership General Partner B.V. has been liquidated with a net return of investment to the Company of €2,607, recorded in the Statement of Comprehensive Income. The cost of investment was €2.

16. Investments (continued)

The investments are all stated at cost, less any provisions for impairment.

Subsidiaries

	€
Cost	
At 1 January 2018	3,075,638
Additions	
Principal Real Estate S.L.: Increase in share premium	280,000
PECF GP S.à r.l.: New investment	15,000
	295,000
At 31 December 2018	3,370,638
Additions	
PEDIF (GP) S.à r.l.: New investment	12,000
Principal Real Estate GmbH: Increase in share premium	300,000
Principal Real Estate Kapitalverwaltungsgesellschaft mbH: Increase in share premium	474,500
Principal Real Estate B.V.: Increase in share premium	280,000
Principal Real Estate S.à r.l.: Increase in share premium	400,000
Principal Real Estate S.L: Increase in share premium	280,000
Principal Real Estate S.A.S.: Increase in share premium	500,000
	2,246,500
At 31 December 2019	**5,617,138**
Provision for impairment	
At 1 January 2018 and 31 December 2018	1,141,085
Provision for impairment	
Principal Real Estate S.à r.l.:	499,201
Principal Real Estate S.L.	363,815
Principal Real Estate B.V.	85,670
	948,686
At 31 December 2019	**2,089,771**
Net book value	
At 31 December 2018	2,229,553
At 31 December 2019	**3,527,367**

At 31 December 2019, of the total additions in the year, €1,594,551 has been settled in cash, €177,448 has been settled by offsetting that amount against an existing receivable with the remaining balance left outstanding. In addition, €280,000 was paid in cash during the year in relation to the increase in share premium in Principal Real Estate S.L. in 2018.

16. Investments (continued)

Other Investments

	€
Benelux Industrial Partnership General Partner B.V. (5.1% holding)	1
Principal Hotel Immobilienfonds II Participations (10% holding)	667
At 31 December 2018 and 2019	**668**

Net book value	€
As at 31 December 2018	
Investment in subsidiaries	2,229,553
Other investments	668
	2,230,221
As at 31 December 2019	
Investment in subsidiaries	3,527,367
Other investments	668
	3,528,035

Available for sale financial assets

The Company holds a 0.02% indirect interest in Benelux Industrial Partnership Fund C.V, the Dutch holding entity for various special purpose companies set-up to hold real estate assets. The underlying real estate assets have all been disposed of and the special purpose companies have been liquidated.

The Company holds a 10% interest in the shares Principal Hotel Immobilienfonds II Participations LP, which has been established to receive the carried interest in respect of Principal Hotel Immobilienfonds II LP, at cost of €667;

The directors believe that the above investments are stated at fair value as at 31 December 2019.

17. Trade and other receivables

	2019 €	2018 €
Trade receivables	1,368,007	1,292,831
Amount owed by related parties (note 23)	32,619,532	6,693,708
Other receivables	513,593	516,941
Prepayments	198,754	248,519
Accrued Income	193,323	343,175
Other taxes and social security	187,861	45,673
	35,081,070	9,140,849

The average credit period for trade receivables is 166 days (2018: 78 days). The increase in the credit period in 2019 is due to the time taken to agree the final fee on one mandate, following its termination early in the year. The fee was agreed and settled subsequent to the year end.

Trade receivables disclosed above include amounts which are past due at the reporting date, after impairment for doubtful receivables. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

For terms and conditions relating to amounts owed by related parties, refer to note 23.

	2019 €	2018 €
Ageing of trade receivables		
Less than 60 days	1,678,512	1,234,695
60 – 90 days	-	-
90 – 120 days	-	35,663
120+ days	5,320	22,473
Total	1,683,832	1,292,831
Movement in allowance for doubtful debts		
Balance at the beginning of the year	-	(64,380)
Expected credit losses recognised	(362,595)	(4,782)
Expected credit losses written off	28,562	69,162
Effect of foreign exchange gain	18,208	-
Total	(315,825)	-
Ageing of impaired trade receivables and accrued income		
Less than 60 days	(310,505)	-
60 – 90 days	-	-
90 – 120 days	-	-
120+ days	(5,320)	-
Total	(315,825)	-

18. Trade and other payables

	2019 €	Restated* 2018 €
Trade payables	388,521	242,100
Amount owed to related parties (note 23)	2,404,999	873,294
Social security and other taxes	44,325	142,539
Other payables	778,079	772,218
Accruals and deferred income	18,193,318	4,115,222
	21,809,242	6,145,373

Trade and other payables principally comprise of accruals in respect of the performance related payments, payable after the year end. The average credit period taken for trade purchases was 17 days (2018: 26 days).

Supplier payment policy
Unless otherwise agreed, supplier invoices are usually paid within 30 days of the invoice date. If there is a dispute in relation to the invoice, the Company will notify the supplier before the expiry of the payment period.

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

19. Ordinary share capital

	2019 €	2018 €
Allotted, Called Up and Fully Paid:		
500,000 (2018: 500,000) Ordinary shares of €1 (2018: €1) each	500,000	500,000

No dividends were declared in the year. In the prior year, the Company declared a dividend of approximately €5.59 per share, amounting in total to €2,794,900 of which €44,900 remained outstanding at the 2018 year end and was subsequently paid in 2019.

20. Notes to cash flow statement

	Notes	2019 €	Restated* 2018 €
Operating profit for the year		11,104,910	1,279,126
Adjustment for:			
Expected credit losses on trade receivables	17	362,595	4,782
Expected credit losses written off on trade receivables	17	(28,562)	(69,162)
Depreciation of property, plant and equipment and right-of-use asset	14	507,369	13,748
Amortisation of intangibles	15	71,923	73,531
Operating cash flows before movements in working capital		12,018,235	1,302,025
Increase in receivables		(26,771,191)	(2,842,472)
Increase in payables		15,842,696	1,530,877
Cash flow from/ (used in) operations		1,089,740	(9,570)
Interest paid		(3,565)	(4,530)
Net cash from/ (used in) operating activities		1,086,175	(14,100)

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

21. Leases

The Company leases office space for its office accommodation. The lease runs for a period of 7 years until 2 January 2026. The Company also has certain non-material leases of office equipment. The Company applies the 'lease of low-value assets' recognition exemption for these leases.

Right-of-use asset
Set out below are the carrying amounts of the right-of-use asset and the movements during the year:

	Office accommodation
	€
Cost	
At 1 January 2019	3,346,988
Additions	-
At 31 December 2019	3,346,988
Depreciation	**€**
At 1 January 2019	-
Charged during the year	481,511
At 31 December 2019	481,511
Net book value	
At 1 January 2019	3,346,988
At 31 December 2019	**2,865,477**

Lease liability
Set out below are the carrying amounts of lease liabilities (included within interest-bearing loans and borrowings) and the movements during the period:

	€
As at 1 January 2019	3,279,177
Effects of changes in foreign exchange rates	56,139
Accretion of interest	105,959
Payments	(421,584)
As at 31 December 2019	**3,019,691**

The Company has applied a weighted average of 3.36% incremental borrowing rate to the lease liability recognised in the balance sheet as at 1 January 2019.

21. Leases (continued)

Lease liability (continued)

Maturity analysis – contractual undiscounted cash flows

	2019
	€
Less than one year	565,198
One to five years	2,218,208
More than five year	555,855
Total undiscounted cash flows	**3,339,261**

	2019
	€
Current	
Lease liabilities	470,814
Non-current	
Lease liabilities	2,548,877
Total lease liabilities	**3,019,691**

The following are the amounts recognised in the profit for the year:

	2019
	€
Depreciation expense of right-of-use asset	481,511
Interest expense on lease liabilities	105,959
Expenses related to leases of low value items (included in administrative expenses)	15,730
Total amounts recognised in profit for the year	**603,200**

During the year, the Company had total cash outflows for leases of €437,314 (2018: €500,329).

22. Financial instruments

Capital risk management
The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). In order to meet its regulatory obligations, the Company has decided to approach the Internal Capital Adequacy Assessment Process (ICAAP) by adopting the Pillar 1 minimum capital requirement and then assessing whether any extra capital proportionate to non-Pillar 1 risk is required by reference to the key material risks assessed for the business. The directors considered that no additional capital was required to meet any non-Pillar 1 risks and that the Company was compliant with its minimum capital with requirements throughout the year.

Financial risk management objectives
The Company's activities expose it to a number of financial risks including market risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Key financial risks are considered as follows:

Market (foreign exchange) risk
The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company seeks, wherever possible, to provide funding in the same currency as the denomination of the entity being funded and may use foreign exchange forward contracts to hedge these exposures.

The following table demonstrates the sensitivity to a reasonably possible change in GBP exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
		€	€
2019	+5%	318,310	318,310
	-5%	(318,310)	(318,310)
2018	+5%	244,000	244,000
	-5%	(244,000)	(244,000)

Cash flow risk
The Company completes a weekly review of its cash position and monitors closely the receipt of the regular management fees from its clients and funds under management. A forecast of the Company's Euro requirements is also prepared including the forecast receipt of the following quarter's management fees. The forecast requirement will be retained in Euro and the remaining Euro balance sold against GBP when considered appropriate.

Hedging requirements for subsidiaries of the Company are assessed on a case by case basis, with the underlying assumption being that no hedging will be required.

Credit risk
The Company's credit risk is primarily attributable to its trade receivables; loans to associated companies and cash deposits. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

22. Financial instruments (continued)

Credit risk (continued)
The Company analyses the concentration of its credit risk within trade receivables on an individual counterparty basis. A significant concentration is deemed to exist where an individual counterparty represents more than 10% of trade receivables. The credit risk on cash deposits, liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity and interest risk
The Company's contractual maturity for its non-derivative financial assets and liabilities with agreed payment periods are all due within one month, except for accrued income which is due over a period greater than one month.

Categories of financial instruments
Set out below is a comparison, by class, of the Company's financial instruments.

	2019	2018
	€	€
Current financial assets		
Cash and bank balances	8,517,257	4,004,794
Trade and other receivables	34,882,316	9,140,848
Non-current financial assets		
Loans to associated companies	3,919,056	-

Management has assessed that cash and bank balances, trade receivables and trade payables, approximate their carrying amounts largely due to the short-term maturities of these instruments.

Accrued income receivable over periods greater than one year are carried at their present value. Management considers the carrying value to be a fair approximation of the fair value.

The loans provided to associated companies are arm's length transactions and have been recognised at fair value.

Capital management
The capital structure of the Company consists of equity attributable to the shareholders, comprising issued capital and retained earnings. The Company manages its capital to ensure that the business will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged since the previous year.

	2019	Restated* 2018
Current financial liabilities	€	€
Trade and other payables (note 18)	21,809,242	6,145,373
Corporate tax payable (note 13)	557,468	-
Interest-bearing loans and borrowings	470,814	-
Non-current financial liabilities		
Interest-bearing loans and borrowings	12,598,877	-

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

22. Financial instruments (continued)

The table below summarises the maturity profile of the Company's financial liabilities:

Year ended 31 December 2019	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**	**€**
Interest-bearing loans and liabilities (excluding items below)	-	-	10,050,000	-	10,050,000
Lease liabilities (Note 21)	470,814	487,159	1,516,846	544,872	3,019,691
Trade and other payables (Note 18)	21,809,242	-	-	-	21,809,242
Corporate tax payable (Note 13)	557,468	-	-	-	557,468
	22,837,524	487,159	11,566,846	544,872	35,436,401

Year ended 31 December 2018 restated*	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**	**€**
Interest-bearing loans and liabilities (excluding items below)	-	-	-	-	-
Lease liabilities (note 21)	-	-	-	-	-
Trade and other payables (Note 18)	6,145,373	-	-	-	6,145,373
Corporate tax payable (Note 13)	-	-	-	-	-
	6,145,373	-	-	-	6,145,373

Finance liabilities

	2019	**Restated* 2018**
	€	**€**
Current		
Interest-bearing loans and liabilities (excluding items below)	-	-
Lease liabilities	470,814	-
Trade and other payables	21,809,242	6,145,373
Corporate tax payable	557,468	
Total current liabilities	**22,837,524**	**6,145,373**
Non-current		
Interest-bearing loans and liabilities (excluding items below)	10,050,000	-
Lease liabilities	2,548,877	-
Trade and other payables	-	-
Total non-current liabilities	**12,598,877**	-
Total liabilities	**35,436,401**	**6,145,373**

**Restated for the reversal of costs for which the Company was not liable. Further details are included in note 24.*

22. Financial instruments (continued)

Changes in liabilities arising from financing activities

	Interest-bearing loans and borrowing €	Financial lease liability €	Total €
As at 1 January 2019	-	3,279,177	3,279,177
Additions	10,050,000	-	10,050,000
Effects of changes in foreign exchange rates	-	56,139	56,139
Accretion of interest	3,676	105,959	109,635
Payments	-	(421,584)	(421,584)
As at 31 December 2019	**10,053,676**	**3,019,691**	**13,073,367**

There were no changes in liabilities arising from financing activities for the year ended 31 December 2018.

23. Related party transactions

	2019 €	2018 €
Due from related parties		
Benelux Industrial Partnership General Partner B.V.	-	12,582
Principal Real Estate GmbH	-	96,203
INTERNOS Real Estate Limited	-	1,805
Principal Real Estate Spezialfondsgesellschaft mbH	266,362	1,312,873
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	32,353,170	5,227,038
Principal Real Estate S.à r.l.	-	43,207
Total due from related parties (note 17)	**32,619,532**	**6,693,708**
Due to related parties		
Principal Real Estate S.L.	(254,184)	(64,152)
Principal Real Estate B.V.	(179,986)	(16,811)
Principal Real Estate S.A.S.	(550,718)	(83,735)
Principal Real Estate Europe Limited	(916,630)	(708,596)
Principal Real Estate GmbH	(406,164)	-
Principal Real Estate S.à r.l.	(67,164)	-
Principal Real Estate Investors LLC	(30,153)	-
Total due to related parties (note 18)	**(2,404,999)**	**(873,294)**

The Company recognised an expected credit loss for €7,806 from INTERNOS Real Estate Limited in the year.

Amounts due from related parties include income allocation and costs recharges that were transfer priced based on profit sharing agreements and the balance from Principal Real Estate Investors LLC is in relation to recharges for the use of the accounting software.

23. Related party transactions (continued)

During the year, the Company entered into intercompany loan agreements with other associated companies within the Group as follows:

	2019 €	2018 €
Loan from associated company		
Principal Real Estate Europe Limited	10,050,000	-
Total amount due to related party	**10,050,000**	-

The loan facility from an associated company has a maturity date of 31 December 2024. Interest is charged at the rate of 0.89% per annum and is subject to an annual review.

	2019 €	2018 €
Loans to associated companies		
Principal Real Estate S.A.S	2,950,000	-
Principal Real Estate GmbH	969,056	-
Total amount due from related parties	**3,919,056**	-

The loan facilities to associated companies have maturity dates of 31 December 2024. Interest is charged at the rate of 0.89% per annum and is subject to an annual review.

	2019 €	2018 €
Income received from related parties		
Principal Real Estate Europe Limited	238,552	-
Principal Real Estate Spezialfondsgesellschaft mbH	2,162,719	2,136,606
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	33,345,074	7,136,861
Principal Real Estate GmbH	44,849	-
Principal Real Estate S.A.S.	7,266	-
Total income received from related parties	**35,798,460**	**9,273,467**
Expenses charged by related parties		
Principal Real Estate S.L.	(173,000)	(105,205)
Principal Real Estate B.V.	(169,200)	(85,362)
Principal Real Estate S.A.S.	(541,100)	(26,348)
Principal Real Estate S.à r.l.	(353,600)	(394,654)
Principal Real Estate Spezialfondsgesellschaft mbH	(771,300)	(209,553)
Principal Real Estate GmbH	(787,600)	(329,528)
Principal Real Estate Europe Limited	(249,676)	(140,832)
Total expenses charged by related parties	**(3,045,476)**	**(1,291,482)**

23. Related party transactions (continued)

Principal Global Investors (Europe) Limited (PGIE) charged staff secondment and benefit costs totalling €70,013 (2018: €77,062) to the Company in the year. A further cost of €882,430 (2018: €137,472) was charged to the Company for legal services, compliance support and human resources services provided by PGIE and Principal Global Investors (EU) Limited to the Company and its associates. The Company subsequently recharged a portion of these costs to the other companies within the Group.

No dividends were received in 2019. In 2018, the Company received a dividend of €94,900, from Principal Real Estate Kapitalverwaltungsgesellschaft mbH, €200,000 from Principal Real Estate B.V. and €1,100,000 from Principal Real Estate GmbH.

The Company has not declared a dividend in 2019. In 2018, the Company declared dividends of €2,794,900 of which €44,900 remained outstanding at the year end.

During the year the Company issued fee invoices to the following entities that were owned, in part, by parties related to the Company:

	2019		2018	
	Fee	Balance at 31 December	Fee	Balance at 31 December
	€	€	€	€
Entities				
Torre dos Oceanus S.A	-	-	37,090	5,091
QDF, S.A	-	-	130,731	34,799
OCM Luxembourg QDF S.à r.l	-	-	1,500	1,500
OCM Torre Zen S.à r.l	-	-	51,484	-
Heylo Housing Limited	-	-	655,075	-

A director of the Company held an interest of less than 1% in OCM Luxembourg QDF S.a.r.l., Torre dos Oceanus S.A. and QDF, S.A. in 2018. At the year end, these investments had been either fully repaid or disposed of.

24. Prior year adjustment

Under Schedule 21 of the Share Purchase Agreement entered into between, inter alia, Sentrino LLP (the former owner of the Group of which the Company is a part) and Principal Global Financial Services (Europe) II Ltd (the 'Purchaser') which completed on 16 April 2018, a payment amounting to €1,673,052 was required to be made to Sentrino LLP.

This payment was previously recognised as a liability on the balance sheet of the Company as at 31 December 2018 and as an expense in its statement of comprehensive income for the year ended 31 December 2018. Following the receipt of legal and tax advice, it has been agreed that the payment should have been recognised at the level of the Purchaser and not at the level of the Company. As a result, the Company's profit for the year ended 31 December 2018 and the net assets at 31 December 2018 were understated by this amount.

24. Prior year adjustment (continued)

The transaction has been reversed and the affected financial statement line items for the prior year were restated as follows:

Impact on Statement of Comprehensive Income:	Previously disclosed €	Adjustments €	2018 Restated €
Cost of sales	(3,389,661)	3,379,125	(10,536)
Staff costs	(5,575,213)	(1,706,073)	(7,281,286)
Impact on Balance sheet:			
Trade and other payables	(7,818,425)	1,673,052	(6,145,373)
Impact on Statement of Changes in Equity:			
Retained Earnings			
Profit for the year	929,883	1,673,052	2,602,935

25. Ultimate parent entity and controlling party

The Company's immediate parent undertaking is Principal Real Estate Europe Limited, a company incorporated in the United Kingdom.

The Company's ultimate parent company and controlling party is Principal Financial Group Inc. ("PFG"), a company incorporated in the United States of America. Electronic copies of the Consolidated Financial Statements of PFG, in which the Company is consolidated, are available at www.principal.com/investor.

26. Subsequent events

On 28 January 2020, the Company declared a dividend of approximately €3.41 per share, amounting in total to €1,706,703 to its parent, Principal Real Estate Europe Limited. In approving this dividend, the directors considered the long term consequences of paying up from its distributable reserves, noted that the resulting regulatory capital position of the Company would remain within its capital management policy limits, and considered that that the payment was in the best interests of its stakeholders as a whole.

The outbreak of the novel coronavirus (COVID-19) in Europe in early 2020 has created some uncertainty in the Group's operating environment and has had an adverse impact on the overall economic environment, real estate markets and the operations of a large number of businesses, which may have a consequential impact on the assets managed by the Group and the associated revenue streams and performance. The level of impact will depend on how the COVID-19 situation will evolve, its duration and the effectiveness of the control measures taken.

The Company has implemented appropriate contingency and risk management measures in response to the COVID-19 situation, which it will keep under review. Since the circumstances surrounding the outbreak are rapidly evolving, making an estimate of its financial impact on the Company at the current stage may not be appropriate as it ,may be subject to material change.