Registered number: 05948858

PRINCIPAL REAL ESTATE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL REAL ESTATE LIMITED

CONTENTS

COMPANY INFORMATION

Directors	Andrew David Thornton Roger Lees (resigned 18 August 2021) Jonathan Ottley (resigned 31 March 2021)
Registered number	05948858
Registered office	65 Grosvenor Street Mayfair London W1K 3JH
Independent auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London United Kingdom E14 5EY

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 €4.76 billion of real estate assets and investments in the public and private markets in Europe and, as at 31 December 2021, 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 manager;
- 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 2021 are set out on pages 18 to 57. The Company's loss for the year after taxation was €191,877 (2020: €276,273 profit) and its net assets at the end of the year were €7,524,279 (2020: €3,766,156). The Company's income includes amounts earned throughout the year from transfer pricing in relation to activities performed on behalf of other corporate entities in the Group.

The prevalence of Covid-19 across Europe has continued to impact economic activity and has accelerated longer-term trends focussed on demographic shifts, technological innovation and environmental conservation. These trends have informed the investment activity of the Group, which advised and completed €445 million of acquisitions for its fund and separate account clients. The acquisition activity was centred on sectors with robust occupier demand and investment fundamentals that meet the different mandate requirements with equity being successfully deployed for the Group's Principal European Core Fund, Principal Eurozone Durable Income Fund, Principal European Office Fund and sector specific separate account mandates.

The Group has been successful in raising new equity across a range of its investment products, including; Principal European Core Fund, Principal Eurozone Durable Income Fund and the Principal European Office Fund. Additional equity has also been committed to continue the growth of segregated account mandates through continued transaction activity and the extension of asset management agreements.

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

The Group also continued to execute the liquidation strategies in place for a number of mandates and to reduce exposure to non-core assets, with the disposition of approximately €26 million of real estate assets in the year.

During the year, as a result of the significant impact of the Covid-19 global pandemic, the primary focus of the Board has been to ensure the wellbeing and safety of the Company's people and their families. The Company has also been liaising with its stakeholders, including clients, suppliers, debt providers and tenants, working actively to protect and preserve the business and the clients' funds and assets.

Future development

Since the year end, the Group has completed the first close of its Principal European Data Centre Fund and is on track for a second close later in the year. Going forward, 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 as well as looking to secure new separate account mandates, leveraging off Principal's global distribution capabilities and existing client network. In addition, the Group will continue to expand the Principal European Office Fund and to invest capital on behalf of its second Novapierre Allemagne fund and other separate account mandates.

Key performance indicators

The Company uses a number of key performance indicators to measure performance. 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 2021.

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.

	2021	2020
	€	€
Recurring revenue	1,462,795	1,189,172
Non-recurring revenue	3,208,419	9,925,404
	4,671,214	11,114,576

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.

	2021	2020
	€	€
Direct cost	2,197,980	5,277,156
Indirect cost	4,541,824	5,424,287
	6,739,804	10,701,443

Section 172(1) statement

In accordance with their duties under s172(1) 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 for the Company to maintain 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 it 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 Company engages with its stakeholders will vary depending on the stakeholder and the nature of the issue. The Company is able to engage both directly and indirectly with different stakeholders through the regular reporting to the Board, management meetings and active communication with employees, teams, clients and suppliers. During 2021, particularly in light of the Covid-19 pandemic, there was a significant focus on stakeholder engagement, especially with respect to the Company's employees and clients.

Suppliers

The Board monitors the relationships and engagement with the Company's key suppliers. All material contracts are subject to rigorous review with any key risks highlighted to the Board.

The Company is committed to maintaining high standards of business conduct in its dealings with its suppliers. It agrees appropriate payment terms with each supplier at the start of the contract and undertakes to pay creditors promptly, in accordance with the relevant contractual terms and other legal obligations. The Company adheres to the Principal Group's Anti-Slavery and Human Trafficking Policy and expects all its suppliers to adhere to the Principal Group's Supplier Code of Conduct, which sets out obligations in respect of, inter alia, legal and regulatory compliance, bribery and corruption, privacy and employment practices.

Customers

The Board views the interests of its clients as central to its operations. The Company's philosophy is to deliver investment performance by understanding client objectives and 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 light of clients' requirements. During 2021, there has been increased communication with clients to provide them with appropriate reassurance that the Company's business remained fully operational, despite the impact of the Covid-19 pandemic, and to keep them informed of the potential market uncertainty surrounding the valuation of real estate assets and portfolios.

At a Group level, there has also been a significant increase in the occurrence and frequency of webinars, which have had the benefit of maintaining contact with clients and allowing more clients to access relevant research, portfolio and relationship managers.

Employees

The Board 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 its 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. The Company has adopted the Principal Group Code of Conduct and 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 exercise 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.

During 2021, with staff mainly working remotely in light of the Covid-19 pandemic, there was a significant focus on employee engagement, with regular communications from Management to employees by email and by regular all employee video calls, in addition to communications such as, town halls and pulse surveys at a wider Group level to provide more of a business overview. These communications covered various topics and group-wide initiatives to maintain and enhance employee morale and engagement, particularly during such a challenging period. There was an increased focus on employee mental health and wellbeing, in relation to which online courses, information and support were also provided.

Occupiers

The Company invests on behalf of its clients in real assets that derive their value from the utility they provide to the current and potential future occupiers. Ensuring the Company understands the needs of its occupiers, coupled with maintaining a strong relationship with them and providing a high-quality experience is fundamental to improving performance and to this end, a tenant survey was conducted in 2021.

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 its activities may have on the environment, as well as the communities and economies in which it operates. The Company is committed to making a positive contribution to the environmental, social and economic communities in which its stakeholders participate, and its sustainability policy is embedded within its procedures. The Board and the Group's Investment Committee consider sustainability as part of the 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 Company continued to be involved in the Group's Environmental, Social and Governance ("ESG") working group (the "ESG Council") which considers how best to reflect and integrate ESG considerations into the Group, the Company'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. The Board received regular updates on the ESG initiatives and longer term plans for alignment with the wider Principal Group. Since the year end the ESG Council has focussed on ensuring that the requirements of the Sustainable Finance Disclosure Regulation are satisfied.

Investment in IT Infrastructure

The investment in the enhanced remote working functionality in 2019 and 2020 has allowed employees to continue to carry out their roles effectively and productively without interruption, whilst working away from the office due to the Covid-19 pandemic, and to maintain close contact and engagement with senior management, line managers, colleagues, suppliers and clients, for the benefit of all stakeholders.

As part of the longer term strategy, a project has been initiated to further integrate the business into the wider Principal Group's IT infrastructure in order to facilitate better communication, collaboration and scalability across the Group and create greater consistency and alignment within the Group.

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.

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 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 wider Principal 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.
Fiduciary duties	Directors' liability in relation to errors and breaches.	An appropriate control environment is in place and regularly reviewed with sufficient levels of professional indemnity and directors' and officers' insurance cover in place.
Economic and market uncertainty	The impact of the Covid-19 pandemic and the broader geopolitical risk 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.

This report was approved by the board on 20 April 2022 and signed on its behalf.

Andrew David Thornton
Director

The director presents his report and the financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to €191,877 (2020 - profit €276,273).

Directors

The directors who served during the year were:

Andrew David Thornton
Roger Lees (resigned 18 August 2021)
Jonathan Ottley (resigned 31 March 2021)

Going concern basis

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for at least 12 months from the date of approval of these financial statements.

The business activities, outlook, future development, financial performance and financial position relating to the Company and the Group are set out in the Strategic Report on pages 2 to 9. The material financial and operational risks and uncertainties that may have an impact on the Company's performance and their mitigations are outlined on page 9. The director has also completed a cashflow sensitivity analysis to model the effects of possible downside scenarios on the company's ability to continue as a going concern.

At 31 December 2021, the Company had a cash balance of €6.5m with no external borrowings. The liability balance of €14.1m, consists mainly of intercompany borrowings of €8.55m, with no fixed repayments until December 2024.

Following the results of the cashflow sensitivity analysis and considering the Company's net current assets and cash balances of €7.8m and €6.5m respectively, the director has, at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

Futhermore, the Company has received a letter of financial support from Principal Global Financial Services (Europe) II Limited, the holding company of its immediate parent, 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 12 months from the date of approval of the Company's financial statements.

Covid-19 impact

The director believes that the future financial performance of the Group and the Company is dependent upon the wider economic environment in which they operate. During the year the economic environment has been adversely impacted by the Covid-19 pandemic which has created uncertainty and this has been reflected in the directors' assessment of risk. In the real estate market there has been an impact on occupational demand and tenant stability, but values have in general remained robust to date and, with the easing of lockdown restrictions, occupational activity is starting to return. However, the long term impact on the global economy and the real estate market remains uncertain.

The Company's financial forecasts reflect the outcome that the director considers most likely, based on the information available at the date of signing of these financial statements. This includes the implementation of revised safe-working practices and the impact on the economy and real estate market of the Covid-19 pandemic.

The Company has implemented appropriate contingency and risk management measures in response to the Covid-19 situation, which it will keep under review.

Capital structure

The share capital of the Company consists of 500,000 Ordinary shares of €1 each. During the year the Company received total shareholder contributions in the form of cash of €4,000,000 from its parent, Principal Real Estate Europe Limited.

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 auditors

The director at the time when this Director's Report is approved has confirmed that:

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

Re-appointment of auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Andrew David Thornton

Director

Date: 20 April 2022

DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards. 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 director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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 AUDITORS' REPORT TO THE MEMBERS OF PRINCIPAL REAL ESTATE LIMITED

Opinion

We have audited the financial statements of Principal Real Estate Limited (the "Company") for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 . 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINCIPAL REAL ESTATE LIMITED (CONTINUED)

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

We have nothing to report in this regard.

Opinion 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 the Director's 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 director's 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 13, 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.

Auditors' 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework, International Financial Reporting Standards ("IFRS"), the Companies Act 2006, and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with relevant Financial Conduct Authority's (FCA) rules and regulations relating to its operations..

- We understood how the Company is complying with those frameworks by making enquiries of management and corroborated our understanding by reviewing directors' meeting minutes, policy and procedures manuals and by seeking representation from those charged with governance. Where applicable, we also reviewed correspondence with relevant authorities.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating revenue recognition as a fraud risk. We performed journal entry testing by specific risk criteria, with a focus on journals indicating large or unusual transactions based on our understanding of the business. We recalculated the revenue based on the transfer pricing arrangement applied by management and tested a sample of inputs in the calculation back to source documentation. We also used our internal transfer pricing specialists to review the appropriateness of the transfer pricing arrangement. In addition, we have tested the revenue which was directly earned from funds managed by the Company by recalculating the amounts in the invoices and the agreed fee rate, and the managed fund's Net Asset Values ('NAV') to Investment Management Agreements and NAV statements or reports.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINCIPAL REAL ESTATE LIMITED (CONTINUED)

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiry with management, review of legal and professional expenses, review of breaches and complaints register and review of members' meeting minutes.
- The Company is a regulated investment manager under the supervision of the FCA. As such, the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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

Mitul Shah (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

21 April 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 €	2020 €
Revenue	4	4,671,214	11,114,576
Staff costs	7	(3,680,043)	(9,193,055)
Administrative expenses		(3,059,761)	(1,508,388)
Operating (loss)/profit	5	(2,068,590)	413,133
Dividend income	11	2,173,487	-
Other gains and losses	10	(210,671)	458,658
Finance income	12	31,216	37,684
Finance costs	12	(149,376)	(188,555)
Impairment of investment in subsidiaries	15	(445,234)	(530,905)
(Loss)/profit before tax		(669,168)	190,015
Taxation	13	477,291	86,258
(Loss)/profit for the year		(191,877)	276,273
Total comprehensive income		(191,877)	276,273

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

The notes on pages 22 to 57 form part of these financial statements.

PRINCIPAL REAL ESTATE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 €	2020 €
Non-current assets			
Property and equipment	14	360,843	362,185
Intangible assets	15	53,560	85,095
Investments	16	4,081,158	3,328,391
Right-of-use lease asset	21	1,898,352	2,374,676
Loans to associated companies	23	3,519,056	3,219,056
Total non-current assets		9,912,969	9,369,403
Current assets			
Trade and other receivables	17	5,284,233	3,200,985
Cash and cash equivalents		6,454,553	6,492,104
Total current assets		11,738,786	9,693,089
Total assets		21,651,755	19,062,492
Non-current liabilities			
Interest-bearing loans and liabilities		(10,126,492)	(10,501,641)
Current liabilities			
Trade and other payables	18	(3,441,853)	(4,333,546)
Interest-bearing loans and liabilities	22	(509,131)	(461,149)
Total liabilities		(14,077,476)	(15,296,336)
Net assets		**7,574,279**	**3,766,156**
Capital and reserves			
Called up share capital		500,000	500,000
Capital contribution reserve		8,373,000	4,373,000
(Accumulated losses)/retained earnings		(1,298,721)	(1,106,844)
Equity attributable to the shareholders of the Company		**7,574,279**	**3,766,156**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2022.

Andrew David Thornton
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Capital Contribution Reserve	(Accumulated losses)/Retained Earnings	Total
	€	€	€	€
At 1 January 2020	500,000	-	18,487,956	18,987,956
Profit for the year	-	-	276,273	276,273
Dividends	-	-	(19,871,073)	(19,871,073)
Capital contribution from shareholders (note 19)	-	4,373,000	-	4,373,000
At 1 January 2021	500,000	4,373,000	(1,106,844)	3,766,156
Loss for the year	-	-	(191,877)	(191,877)
Capital contribution from shareholders (note 19)	-	4,000,000	-	4,000,000
At 31 December 2021	500,000	8,373,000	(1,298,721)	7,574,279

The notes on pages 22 to 57 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 €	2020 €
Net cash generated from operating activities (note 20)	(4,025,222)	14,485,481
Cash flows from investing activities		
Purchase of tangible fixed assets (note 14)	(82,134)	(110,613)
Loans to associated companies (note 23)	(300,000)	(500,000)
Repayments of loans from associated companies (note 23)	-	1,200,000
Distribution from liquidation of subsidiary (note 16)	-	2,609
Purchase of investments (note 16)	(1,197,998)	-
Interest received (note 12)	9,537	-
Dividends received (note 11)	2,173,487	-
Net cash generated from/(used in) investing activities	602,892	591,996
Cash flows from financing activities		
Capital contribution from shareholders (note 19)	4,000,000	4,373,000
Repayment of loans to associated company (note 23)	-	(1,500,000)
Repayment of principal portion on lease liabilities (note 21)	(560,338)	(532,900)
Dividends paid (note 19)	-	(19,871,073)
Net cash generated from/(used in) financing activities	3,439,662	(17,530,973)
Net increase/(decrease) in cash and cash equivalents	17,332	(2,453,496)
Cash and cash equivalents at beginning of year	6,492,104	8,517,257
Foreign exchange gains (note 12)	(54,883)	428,343
Cash and cash equivalents at the end of year	6,454,553	6,492,104

The notes on pages 22 to 57 form part of these financial statements.

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

2.1 Adoption of new and revised standards

At the date of authorisation of these financial statement, the Company has elected to adopt the following new and revised International Financial Reporting Standards (IFRS's) that have become effective for financial years commencing on or after 1 January 2021:

- Amendments to IFRS 7 (Financial Instruments: Disclosure), IFRS 9 (Financial Instruments) and IFRS 16 (Leases). The amendments are related to the replacement issues in the context of the IBOR reform.
- Amendments to IFRS 16 (Leases). The amendment provide lessees with an exemption from assessing whether Covid-19 related rent concessions are a lease modification.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Compnay intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Management have accessed the impact of the above revisions to IFRS and have concluded that any adjustments would not have a material impact on the financial statements for the year ended 31 December 2021.

2.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are also in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 issued by the International Accounting Standards Board.

2. Accounting policies (continued)

2.3 Exemption from preparing 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 2021, the Company was a wholly-owned subsidiary of Principal Financial Group Inc (PFG). Electronic copies of the Consolidated Financial Statements of PFG, in which the Company is consolidated, are available at www.principal.com/investor.

2.4 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 acquisition 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 the recurring fees (from investment management services, accounting services, advisory services and project management), were generally recognised over time as the customer would simultaneously receive and benefit from the service provided. The following basis was used in respect of the recognition of fees 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 based on the progress achieved or relevant milestones reached as per the mandate.
- Non-recurring fee revenue (acquisition and disposal fees, performance fees, leasing fees) was generally recognised at the point in time when the customer received the benefit. The Company determined whether the conditions as per the mandate, had been met in the year and accrued for the fees 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 being recognised in the period.

2. Accounting policies (continued)

2.4 Revenue from contracts with customers (continued)

- *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 its 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; and
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 its 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. Based on previous experience, the Company has low concerns over recoverability. The Company has, therefore, determined that no financing component exists for any of its contracts held with customers.

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 into with third parties.

- *Determining the transaction price*

In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components and non-cash consideration. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. At the end of each reporting period, an update is considered to the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. Accounting policies (continued)

2.5 Property 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.

2.6 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).

Where 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.

2.7 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.

2.8 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.

2. Accounting policies (continued)

2.9 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.

2. Accounting policies (continued)

2.10 Leases

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 the 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 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 recognises 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.

2. Accounting policies (continued)

2.10 Leases (continued)

(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.

2.11 Retirement benefit costs

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

2.12 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 (3.4) 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.

2. Accounting policies (continued)

2.12 Financial instruments (continued)

This category generally applies to trade and other receivables. For more information on receivables, refer to note 16.

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).

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.

2. Accounting policies (continued)

2.12 Financial instruments (continued)

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.

(ii) Financial liabilities
Financial liabilities comprise of trade, other payables, loans and borrowings.

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.

2. Accounting policies (continued)

2.13 Dividend 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.

2.14 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for at least 12 months from the date of approval of these financial statements.

The business activities, outlook, future development, financial performance and financial position relating to the Company and the Group are set out in the Strategic Report on pages 2 to 9. The material financial and operational risks and uncertainties that may have an impact on the Company's performance and their mitigations are outlined on page 9. The director has also completed a cashflow sensitivity analysis to model the effects of possible downside scenarios on the company's ability to continue as a going concern.

At 31 December 2021, the Company had a cash balance of €6.5m with no external borrowings. The liability balance of €14.1m, consists mainly of intercompany borrowings of €8.55m, with no fixed repayments until December 2024.

Following the results of the cashflow sensitivity analysis and considering the Company's net current assets and cash balances of €7.8m and €6.5m respectively, the director has, at the time of approving this financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

Futhermore, the Company has received a letter of financial support from Principal Global Financial Services (Europe) II Limited, the holding company of its immediate parent, 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 12 months from the date of approval of the Company's financial statements.

2.15 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.

2.16 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. Judgements in applying accounting policies 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.

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.

b*) 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 2.8. Where there are uncertainties of the recoverable amount, management's estimation is used in determining whether an investment is impaired.

3. Judgements in applying accounting policies (continued)

c) 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.

d) 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.

4. Revenue from contracts with customers

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

	2021 €	2020 €
United Kingdom	457,069	436,710
Rest of Europe	4,214,145	10,677,866
Total revenue from contracts with customers	4,671,214	11,114,576

Information about a major client
Revenue includes €0.464m (2020: €1.2m) which was receivable from the Company's largest external client.

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

	2021 €	2020 €
Types of service		
Investment and project management fees	1,462,795	1,239,179
Performance fees	-	1,150,181
Acquisition fees	-	628,026
Disposal fees	-	137,000
Intra group revenue	3,208,419	7,960,190
	4,671,214	11,114,576
Timing of revenue recognition		
Services transferred at a point in time	-	1,965,213
Services transferred over time	4,671,214	914,936
	4,671,214	2,880,149
Revenue by source type		
Revenue from contracts with customers (recurring)	1,462,795	1,189,172
Revenue from contracts with customers (non-recurring)	-	1,965,214
Revenue from contracts with associated companies (recurring and non-recurring)	3,208,419	7,960,190
	4,671,214	11,114,576

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

		2021	2020
		€	€
Depreciation of tangible fixed assets	14	83,476	87,179
Amortisation of intangible assets	15	31,535	39,282
Impairment of other investments		445,231	-
Expected credit loss recognised on trade receivables		693,164	-
Expected credit loss reversed on trade receivables		(14,909)	-
Expected credit losses written off		-	(300,916)
Operating lease expenses	20	-	11,510
Gain on disposal of subsidiary	15	-	2,607

6. Auditors' remuneration

	2021	2020
	€	€
Fee payable to the Company's auditor for the audit of the Company's annual accounts:		
Audit fees	98,175	127,420

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	€	€
Wages and salaries	3,036,786	8,692,930
Social security costs	405,976	328,193
Defined contribution pension scheme costs	237,281	171,932
	3,680,043	9,193,055

The average monthly number of employees during the year, including directors and staff consultants was 26 (2020: 29).

8. Defined contribution pension scheme

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

The total cost charged to the Statement of Comprehensive Income of €237,281 (2020: €171,932) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As at 31 December 2021, contributions of €21,622 (2020: €20,121) in respect of the current reporting period were due but had not been paid over to the scheme.

9. Directors' remuneration

	2021 €	2020 €
Directors' remuneration	309,567	265,163

There were no retirement benefits recognised in respect of the directors in the year ended 31 December 2021 (2020: €nil). The highest paid director received remuneration of €309,567 (2020: €265,163).

10. Other gains and losses

Other gains and losses comprise:

	2021 €	2020 €
Net foreign exchange (losses)/gains	(210,671)	428,343
Other income	-	30,315

11. Dividend income

	2021 €	2020 €
Dividends received from subsidiaries	2,173,487	-
	2,173,487	-

12. Finance income and finance costs

	2021 €	2020 €
Finance income comprises:		
Interest on loans to associated companies	21,679	28,627
Interest on security deposit	9,537	9,057
	31,216	37,684

	2021 €	2020 €
Finance costs comprise:		
Bank charges	14,627	4,200
Other interest payable	76	4,234
Interest on loan from associated company	57,287	88,556
Interest expense on lease liabilities	77,386	91,565
	149,376	188,555

13. Taxation

	2021 €	2020 €
Corporation tax		
Current tax on profits for the year	(484,644)	-
Over provision in respect of previous period	7,353	(86,258)
Total current tax	(477,291)	(86,258)

13. Taxation (continued)

Factors affecting tax charge for the year

Corporation tax is calculated at 19% (2020 - 19%) The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2021 €	2020 €
(Loss)/profit on ordinary activities before tax	(669,168)	190,015
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%).	(127,142)	36,103
Effects of:		
Expenses not deductible for tax purposes	84,816	235,221
Deferred tax asset not recognised	1,873,853	(271,324)
Dividend income	(398,174)	-
Fixed asset differences	(1,063)	-
Losses carried back	461,466	-
Remeasurement of deferred tax for changes in tax rates	(1,893,756)	-
Adjustments to tax charge in respect of prior period	(477,087)	(86,258)
Current tax (prior period) exchange	(204)	-
Total tax (credit)/charge for the year	(477,291)	(86,258)

Factors that may affect future tax charges

The Company is carrying forward tax losses of approximately €31,416,666 (2020 €31,416,666) 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 €7,890,664 (2020: €5,941,446).

The legislation in Finance bill 2020 set out that the corporate tax rate will remain at 19% for the financial years beginning 1 April 2020 and 1 April 2021. The legislation in Finance bill 2021 has since amended this by setting out that the corporate tax rate will remain at 19% until April 2023 when they will increase to 25% on profits of £250,000. The effects of these changes have been reflected in the deferred tax balances at 31 December 2021.

14. Property and equipment

	Leasehold improvements €	Fixtures and fittings €	Office equipment €	Total €
Cost				
At 1 January 2021	376,644	276,618	365,409	1,018,671
Additions	-	-	82,134	82,134
At 31 December 2021	376,644	276,618	447,543	1,100,805
Depreciation				
At 1 January 2021	90,237	238,933	327,316	656,486
Charged during the year (note 5)	57,282	4,225	21,969	83,476
At 31 December 2021	147,519	243,158	349,285	739,962
Net book value				
At 31 December 2021	229,125	33,460	98,258	360,843
At 31 December 2020	286,407	37,685	38,093	362,185

15. Intangible assets

	Software €
Cost	
At 1 January 2021	350,830
At 31 December 2021	350,830
Amortisation	
At 1 January 2021	265,735
Charged during the year (note 5)	31,535
At 31 December 2021	297,270
Net book value	
At 31 December 2021	53,560
At 31 December 2020	85,095

Software includes expenditure incurred on an IT infrastructure service improvements programme. This is recognised and accounted for under IAS 38 Intangible Assets. As of 31 December 2021, the remaining amortisation period of software was between 11 and 23 months.

16. Investments

Investments in subsidiaries

Details of the Company's investments in subsidiaries at 31 December 2021 and 2020 are as follows:

	Place of Incorporation and operation	Proportion of ownership interest		Proportion of voting power held	
		2021	2020	2021	2020
INTERNOS Real Estate Limited	United Kingdom	-	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%
PEDCF1 (GP) S.à r.l.	Luxembourg	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%	100%	100%
PEDCF I Feeder 1 S.C.A. SICAV-RAIF	Luxembourg	100%	-	100%	-
PEDCF I Feeder 2 S.C.A. SICAV-RAIF	Luxembourg	100%	-	100%	-

16. Investments (continued)

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

	2021 €
Cost	
At 1 January 2020	5,617,138
Additions:	
INTERNOS Real Estate Limited: Increase in capital contribution	11,262
Principal Real Estate S.à r.l.: Increase in share premium	320,000
At 31 December 2020	5,948,400
Additions:	
Principal Real Estate GmbH: Increase in share premium	325,000
Principal Real Estate S.à r.l.: Increase in share premium	100,000
Principal Real Estate B.V.: Increase in share premium	200,000
Principal Real Estate S.L: Increase in share premium	500,000
PEDCF1 (GP) S.à r.l.	12,000
PEDCF I Feeder 1 S.C.A. SICAV-RAIF	29,999
PEDCF I Feeder 2 S.C.A. SICAV-RAIF	29,999
Disposals:	
INTERNOS Real Estate Limited	(11,262)
At 31 December 2021	7,134,136
Provision for impairment	
At 1 January 2020	(2,089,771)
Provision for impairment:	
Principal Real Estate S.à r.l.	(235,671)
Principal Real Estate S.L.	(167,629)
Principal Real Estate B.V.	(116,343)
INTERNOS Real Estate Limited	(11,262)
At 31 December 2020	(2,620,676)
Provision for impairment:	
Disposals:	
INTERNOS Real Estate Limited	11,262
Additions:	
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	(444,231)
At 31 December 2021	(3,053,645)

16. Investments (continued)

	2020 €
Net book value	
At 31 December 2020	3,327,724
At 31 December 2021	4,080,491

At 31 December 2021, the total additions in the year of €183,345 has been settled by offsetting that amount against existing receivable balances from the associated companies.

	2021 €
Other investments	
Principal Hotel Immobilienfonds II Participations LP (10% holding)	667
At 31 December 2021	667
Net book value	
As at 31 December 2020	
Investment in subsidiaries	3,327,724
Other investments	667
	3,328,391
As at 31 December 2021	
Investment in subsidiaries	4,080,491
Other investments	667
	4,081,158

16. Investments (continued)

Available for sale financial assets

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 2021.

17. Trade and other receivables

	2021 €	2020 €
Due after more than one year		
Loans to associated companies	3,519,056	3,219,056
	3,519,056	3,219,056
Due within one year		
Trade debtors	227,248	1,234,409
Amounts owed by associated companies (note 22)	3,197,003	1,143,885
Other debtors	431,490	335,416
Prepayments and accrued income	522,934	373,969
Tax recoverable	905,558	113,306
	5,284,233	3,200,985

The average credit period for trade receivables is 56 days (2020: 50 days).

Trade receivables disclosed above include amounts which are past due at the reporting date, after impairment for credit losses. 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 22.

17. Trade and other receivables (continued)

	2021 €	2020 €
Ageing of trade receivables before provision for expected credit loss		
Less than 60 days	227,165	1,249,318
60-90 days	32	-
90-120 days	-	-
120+ days	693,215	-
Total	920,412	1,249,318

	2021 €	2020 €
Reconciliation of expected credit losses		
Balance at the beginning of the year	(14,909)	(315,825)
Expected credit losses recognised	(693,164)	-
Expected credit losses reversed	14,909	300,916
Total	(693,164)	(14,909)

	2021 €	2020 €
Ageing of expected credit losses		
Less than 60 days	-	(14,909)
60-90 days	-	-
90-120 days	-	-
120+ days	(693,164)	-
Total	(693,164)	(14,909)

18. Trade and other payables

	2021 €	2020 €
Trade creditors	200,659	133,187
Amounts owed to associated companies (note 22)	2,092,963	1,498,551
Other taxation and social security	40,951	40,454
Other creditors	338,894	558,820
Accruals	768,386	2,102,534
	3,441,853	4,333,546

The average credit period taken for trade purchases was 24 days (2020: 17 days).

Accruals include the Company's employee bonus pool and associated social security costs.

19. Share capital & reserves

	2021 €	2020 €
Authorised, allotted, called up and fully paid		
500,000 (2020 - 500,000) Ordinary shares of €1.00 each	500,000	500,000

In the year, the Company made no dividend declarations (2020: €19,871,073).

Capital contribution reserve

On 21 December 2021 the Company's shareholder contributed €4,000,000 of capital to the Company (2020: €4,373,000).

20. Notes to the cash flow statement

		2021 €	2020 €
Operating profit for the year		(2,068,594)	413,133
Adjustments for:			
Expected credit losses on trade receivables	17	693,164	-
Reversal of expected credit losses on trade receivables	17	(14,909)	(300,916)
Depreciation of property plant and equipment and right-of-use-asset	14	559,800	577,980
Amortisation of intangibles	15	31,535	39,282
Gain on disposal of subsidiary	16	-	(2,607)
Operating cash flows before movements in working capital		(799,004)	726,872
Decrease/(increase) in receivables		(2,255,170)	31,843,735
(Decrease)/increase in payables		(948,992)	(17,605,482)
Cash flow from operations		(4,003,166)	14,965,125
Interest paid		(14,703)	(8,434)
Tax paid		(7,353)	(471,210)
Net cash from operating activities		(4,025,222)	14,485,481

21. Leases

The Company leases office space for its office accommodation. The lease runs for a period of 7 years until 2 January 2026 with an option to break on 13 September 2023. 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 €
Cost	
At 1 January 2021	3,346,988
At 31 December 2021	3,346,988
Depreciation	
At 1 January 2021	972,312
Charge for the year	476,324
At 31 December 2021	1,448,636
Net book value	
At 31 December 2021	1,898,352
At 31 December 2020	2,374,676

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:

	2021 €
As at 1 January 2021	2,412,790
Effects of changes in foreign exchange rates	155,786
Accretion of interest	77,386
Payments	(560,339)
As at 31 December 2020	2,085,623

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. Lease (continued)

	2021	2020
	€	€
Maturity analysis - contractual undiscounted cash flows		
Less than one year	570,385	535,021
One to five years	1,658,751	1,979,212
More than five year	-	111,719
Total undiscounted cash flows	2,229,136	2,625,952

	2021	2020
	€	€
Current		
Lease liabilities	509,131	461,149
Non-current		
Lease liabilities (note 20)	1,576,492	1,951,641
Total lease liabilities	2,085,623	2,412,790

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

	2021	2020
	€	€
Depreciation expense of right-of-use asset	476,324	490,801
Interest expense on lease liabilities	77,386	91,565
Expenses related to leases of low value items (included in administrative expenses)	-	11,510
Total amounts recognised in profit for the year	553,710	593,876

During the year, the Company had total cash outflows for leases of €560,339 (2020: €544,267). There are no future cash outflows relating to leases that have not yet commenced. The Company has lease contracts that include extension and termination options. These options are negotiated by Management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

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 in relation to non-Pillar 1 risk is required by reference to the key material risks assessed for the business. The directors were satisfied that the Company was compliant with its minimum capital requirements at the year end.

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
	€	€	€
2021	+5%	143,146	143,146
	-5%	(143,146)	(143,146)
2020	+5%	211,577	211,577
	-5%	(211,577)	(211,577)

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.

22. Financial instruments (continued)

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 expected credit losses. 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.

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. At 31 December 2021, the Group had 2 customers (2020: 1) that owed it more than 10%% each and accounted for approximately 84% (2020: 71%) of all the receivables and contract assets outstanding. 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2021

	Current	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Expected credit loss rate	0%	0%	0%	0%	100%	
Carrying amount at default	147,454	79,712	-	32	693,215	920,412
Expected credit loss	-	-	-	-	693,164	693,164

31 December 2020

	Current	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Expected credit loss rate	1.2%	8.5%	18%	41.4%	100%	
Carrying amount at default	1,249,318	-	-	-	-	1,249,318
Expected credit loss	14,909	-	-	-	-	14,909

22. Financial instruments (continued)

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.

	2021	2020
	€	**€**
Current financial assets		
Cash and bank balances	6,454,553	6,492,104
Trade and other receivables	5,284,233	3,200,985
Non-current financial assets		
Loans to associated companies	3,519,056	3,219,056

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 have been recognised at fair value.

Capital management
The capital structure of the Company consists of equity attributable to the shareholder, 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.

	2021	2020
	€	**€**
Current financial liabilities		
Trade and other payables	3,441,853	4,333,546
Corporate tax payable	-	-
Interest-bearing loans and borrowings	509,131	461,149
Non-current financial liabilities		
Interest-bearing loans and borrowings	10,126,492	10,501,641

Liabilities payable 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.

22. Financial instruments (continued)

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

	Less than 1 year €	1 to 2 years €	2 to 5 years €	>5 years €	Total €
Year ended 31 December 2021					
Interest-bearing loans and liabilities (excluding items below)	-	-	8,814,087	-	8,814,087
Lease Liabilities (note 21)	570,385	527,410	1,131,341	-	2,229,136
Trade and other payables (note 17)	3,441,853	-	-	-	3,441,853
Corporate tax payable (note 13)	-	-	-	-	-
	4,012,238	527,410	9,945,428	-	14,485,076

	Less than 1 year €	1 to 2 years €	2 to 5 years €	> 5 years €	Total €
Year ended 31 December 2020					
Interest-bearing loans and liabilities(excluding items below)	-	-	8,871,539	-	8,871,539
Lease Liabilities (note 21)	535,021	535,021	1,444,191	111,719	2,625,952
Trade and other payables (note 17)	4,333,546	-	-	-	4,333,546
Corporate tax payable (note 13)	-	-	-	-	-
	4,868,567	535,021	10,315,730	111,719	15,831,037

Management considers the carrying value of the company's liabilities to be a fair approximation of the fair value.

22. Financial instruments (continued)

Finance liabilities

	2021 €	2020 €
Current		
Interest-bearing loans and liabilities (excluding items below)	-	-
Lease liabilities	509,131	461,149
Trade and other payables	3,441,853	4,333,546
Corporate tax payable	-	-
Total current liabilities	3,950,984	4,794,695
Non-current		
Interest-bearing loans and liabilities (excluding items below)	8,550,000	8,550,000
Lease liabilities (note 21)	1,576,492	1,951,641
Total non-current liabilities	10,126,492	10,501,641
Total liabilities	14,077,476	15,296,336

Changes in liabilities arising from financing activities

	Interest-bearing loans and borrowings €	Financial lease liability €	Total €
As at 1 January 2021	8,645,908	2,412,790	11,058,698
Additions	-	-	-
Repayments	-	-	-
Effects of changes in foreign exchange rates	-	155,786	155,786
Accretion of interest	57,287	77,386	134,673
Payment	-	(560,339)	(560,339)
	8,703,195	2,085,623	10,788,818

23. Related party transactions

	2021 €	2020 €
Due from related parties		
Principal Real Estate Spezialfondsgesellschaft mbH	2,289,959	994,644
Principal Real Estate S.A.S	160,173	-
Principal Real Estate GmbH	451,180	149,241
Principal Real Estate S.L.	137,011	-
Principal Real Estate B.V.	38,742	-
Principal Real Estate Europe Limited	16,524	-
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	5,931	-
Principal Real Estate S.à r.l.	49,442	-
Principal Global Investors (Europe) Limited	48,041	-
Total due from related parties (note 16)	3,197,003	1,143,885

	2021 €	2020 €
Due to related parties		
Principal Real Estate S.L.	(53,511)	(44,921)
Principal Real Estate B.V.	(45,726)	(83,954)
Principal Real Estate S.A.S.	-	(273,366)
Principal Real Estate Europe Limited	(199,048)	(415,455)
Principal Real Estate GmbH	(325,000)	-
Principal Real Estate S.à r.l.	(118,657)	(80,885)
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	(534,340)	(595,244)
Principal Real Estate Investors LLC	(67,562)	-
Principal Global Investors (Europe) Limited	(113,588)	(4,726)
Principal Real Estate Spezialfondsgesellschaft mbH	(635,531)	-
Amount due to related parties (note 17)	(2,092,963)	(1,498,551)

Amounts due to and from related parties include income allocation and cost recharges in accordance with Group profit sharing agreements. The balance due to Principal Global Investors (Europe) Limited is in relation to recharges for tax advisory services.

23. Related party transactions (continued)

The intercompany loan agreements which the Company has with other associated companies within the Group are as follows:

	2021 €	2020 €
Loan from associated company		
Principal Real Estate Europe Limited	8,550,000	8,550,000
Total amount due to related party	8,550,000	8,550,000

The loan from an associated company has a maturity date of 31 December 2024. Interest is charged at the rate of 0.67% per annum and is subject to an annual review. In the year ended 31 December 2021 interest expense of €57,287 has been recognised in the Statement of Comprehensive Income.

	2021 €	2020 €
Loans to associated companies		
Principal Real Estate S.A.S	2,650,000	2,350,000
Principal Real Estate GmbH	869,056	869,056
Total amount due from related parties	3,519,056	3,219,056

The loan to associated companies have maturity dates of 31 December 2024. Interest is charged at the rate of 0.67% per annum and is subject to an annual review. In the year ended 31 December 2021 interest income of €21,679 has been recognised in the Statement of Comprehensive Income.

	2021 €	2020 €
Income received from related parties		
Principal Real Estate Europe Limited	-	-
Principal Real Estate Spezialfondsgesellschaft mbH	2,846,708	2,021,023
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	-	8,210,652
Principal Real Estate GmbH	791,286	52,209
Principal Real Estate S.A.S.	877,206	2,516
Total income received from related parties	4,515,200	10,286,400

23. Related party transactions (continued)

	2021 €	2020 €
Expenses charged by related parties		
Principal Real Estate S.L.	(204,004)	(192,318)
Principal Real Estate B.V.	(173,912)	(200,684)
Principal Real Estate S.A.S.	-	(641,057)
Principal Real Estate S.à r.l.	(398,768)	(342,435)
Principal Real Estate Spezialfondsgesellschaft mbH	-	(106,245)
Principal Real Estate GmbH	-	(165,396)
Principal Real Estate Europe Limited	(125,795)	(519,957)
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	(404,303)	(160,723)
Total expenses charged by related parties	(1,306,782)	(2,328,815)

A further €1,492,411 (2020: €842,274) was charged to the Company by PGIE and Principal Global Investors (EU) Limited for legal services, compliance support, human resources, operations and staff secondment services provided to the Company and its associates. The Company subsequently recharged a portion of these costs to its associates.

Dividends of €2,173,487 were received from Principal Real Estate Kapitalverwaltungsgesellschaft mbH in 2021 (2020: €nil).

24. Post balance sheet events

The imposition of multiple tranches of global sanctions on Russia and Belarus together with growing turmoil from fluctuations in commodity prices and foreign exchange rates have driven a sharp increase in volatility across markets. The Board of Directors regards these events for the Company as non-adjusting events after the reporting year.

Although neither the Company's performance and going concern nor operations, at the date of the approval of the annual accounts, have been significantly impacted by the above, the Board of Directors continues to monitor the evolving situation and its impact on the financial position and operations of the Company.

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.