Registered number: 06434632

PRINCIPAL REAL ESTATE EUROPE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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COMPANY INFORMATION

Directors	J. Berg K. Bhatia (appointed 1 January 2021) T. E. Everett P. G. Halter J. D. Schaefer-Suren (resigned 20 August 2021) D. D. Strable-Soethout A. D. Thornton J.O. Short (resigned 31 March 2021)
Registered number	06434632
Registered office	65 Grosvenor Street London W1K 3JH
Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London United Kingdom E14 5EY

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021. The directors have taken advantage of the small companies' exemption under section 414B of the Companies Act 2006 in relation to the preparation of the Strategic Report.

Principal activity

Principal Real Estate Europe 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 Group 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.

Directors

The directors who served during the year were:

J. Berg
K. Bhatia (appointed 1 January 2021)
T. E. Everett
P. G. Halter
J. D. Schaefer-Suren (resigned 20 August 2021)
D. D. Strable-Soethout
A. D. Thornton
J.O. Short (resigned 31 March 2021)

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 Business Review on page 4. 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 5. The directors have also completed 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 net assets of €8m with no external borrowings. The liability balance of €14m, consists mainly of intercompany borrowings of €13.5m, with no fixed repayments until December 2024.

Following the results of the cashflow sensitivity analysis and considering the Company's net assets and cash balances of €8m and €1.1m respectively, the directors have, 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.

Covid Impact

The directors believe 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 a reduction in transaction activity and tenant stability but values have in general remained relatively stable to date and, with the gradual easing of lockdown restrictions, transaction 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 directors consider 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.

Business review

The Company's audited financial statements for the year ended 31 December 2021 are set out on pages 12 to 40. The Company's loss for the year after taxation was €221,632 (2020: €18,725,203 profit) and its net assets at the end of the year were €8,003,600 (2020: €2,725,232).

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.

Directors' liabilities

The Company has granted an indemnity to all 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.

Principal risks and uncertainties

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

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director 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.

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 on 15 September 2022 and signed on its behalf by:

A. D. Thornton
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Directors' report and the financial statements, in accordance with applicable law.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINCIPAL REAL ESTATE EUROPE LIMITED

Opinion

We have audited the financial statements of Principal Real Estate Europe Limited (or "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 19, 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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 7, 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.

- 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.

- 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.

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 might state to the Company's members those matters we are required to state to them in an auditors' 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 have formed.

DocuSigned by:

Mitul Shah

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Mitul Shah (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP
Statutory Auditor
London

Date: 21 September 2022

PRINCIPAL REAL ESTATE EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 €	2020 €
Revenue	5	597,566	1,236,325
Staff costs	7	(674,851)	(714,690)
Administrative expenses		(69,964)	(118,718)
Operating profit	6	(147,249)	402,917
Finance income	9	57,287	88,556
Finance costs	9	(142,160)	(118,964)
Foreign exchange losses		5,283	(6,249)
Impairment of investment in subsidiaries	13	-	(1,450,921)
Dividend income	16	-	19,871,073
(Loss)/profit before tax		(226,839)	18,786,412
Taxation	10	5,207	(61,209)
(Loss)/profit for the year		(221,632)	18,725,203
Total comprehensive income and loss		(221,632)	18,725,203

The profit for the year was derived from continuing operations.

The notes on pages 18 to 40 form part of these financial statements.

PRINCIPAL REAL ESTATE EUROPE LIMITED
REGISTERED NUMBER: 06434632

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 €	2020 €
Non-current assets			
Property and equipment	11	787	1,977
Intangible assets	12	3,821	5,905
Investments	13	12,091,460	7,616,960
Loan to associated company	18	8,550,000	8,550,000
		20,646,068	16,174,842
Current assets			
Trade and other receivables	14	235,804	434,094
Cash and cash equivalents		1,134,479	496,575
		1,370,283	930,669
Total assets		22,016,351	17,105,511
Non-current liabilities			
Loan from associated company	18	(13,500,000)	(13,500,000)
		(13,500,000)	(13,500,000)
Current liabilities			
Trade and other payables	15	(512,751)	(808,479)
Corporation tax payable		-	(71,800)
		(512,751)	(880,279)
Total liabilities		(14,012,751)	(14,380,279)
Net assets		8,003,600	2,725,232

PRINCIPAL REAL ESTATE EUROPE LIMITED
REGISTERED NUMBER: 06434632

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 €	2020 €
Issued capital and reserves			
Share capital	16	139	139
Capital contribution reserve		5,500,000	-
Retained earnings		2,926,021	3,147,653
Foreign exchange reserve		(422,560)	(422,560)
TOTAL EQUITY		8,003,600	2,725,232

The financial statements were approved and authorised for issue by the board on 15 September 2022 and were signed on its behalf by:

A. D. Thornton
Director

The notes on pages 18 to 40 form part of these financial statements.

PRINCIPAL REAL ESTATE EUROPE LIMITED

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

	Share capital	Foreign exchange reserve	Other reserves	Retained earnings	Total equity
	€	€	€	€	€
At 1 January 2020	139	(422,560)	-	4,293,523	3,871,102
Profit for the year	-	-	-	18,725,203	18,725,203
Total comprehensive income for the year	-	-	-	18,725,203	18,725,203
Dividends	-	-	-	(19,871,073)	(19,871,073)
Total contributions by and distributions to owners	-	-	-	(19,871,073)	(19,871,073)
At 31 December 2020	139	(422,560)	-	3,147,653	2,725,232
At 1 January 2021	139	(422,560)	-	3,147,653	2,725,232
Loss for the year	-	-	-	(221,632)	(221,632)
Total comprehensive income for the year	-	-	-	(221,632)	(221,632)
Capital contribution from shareholders	-	-	5,500,000	-	5,500,000
Total contributions from owners	-	-	5,500,000	-	5,500,000
At 31 December 2021	139	(422,560)	5,500,000	2,926,021	8,003,600

The notes on 18 to 40 form part of these financial statements.

PRINCIPAL REAL ESTATE EUROPE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 €	2020 €
Cash flows from operating activities		
(Loss)/profit for the year	(221,632)	18,725,203
Adjustments for		
Depreciation of property and equipment (note 11)	1,190	1,190
Amortisation of intangible assets (note 12)	2,085	1,062
Impairment of investment in subsidiaries (note 13)	-	1,450,921
Finance income (note 9)	(57,287)	(88,556)
Finance costs (note 9)	142,160	118,964
Dividend income (note 18)	-	(19,871,073)
Net foreign exchange (gain)/loss	(5,283)	6,249
Income tax expense (note 10)	(5,207)	61,209
	(143,974)	405,169
Movements in working capital:		
Decrease in trade and other receivables	198,291	517,112
Decrease in trade and other payables	(295,728)	(388,474)
Cash (used in)/generated from operations	(241,411)	533,807
Income taxes paid	(81,096)	(147,863)
Interest paid	(142,162)	(1,940)
Net cash (used in)/from operating activities	(464,669)	384,004
Cash flows from investing activities		
Investment in subsidiary (note 13)	(4,474,500)	(4,373,000)
Purchase of intangibles (note 12)	-	(4,465)
Repayment of loan due from associated company (note 18)	-	1,500,000
Interest received (note 9)	57,287	88,556
Dividends received from an associated company (note 16)	-	19,871,073
Net cash (used in)/from investing activities	(4,417,213)	17,082,164
Cash flows from financing activities		
Capital injection from shareholders	5,500,000	-
Loan from an associated company	-	2,800,000
Dividends paid (note 16)	-	(19,871,073)
Net cash from/(used in) financing activities	5,500,000	(17,071,073)
Net increase in cash and cash equivalents	618,118	395,095

PRINCIPAL REAL ESTATE EUROPE LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 €	2020 €
Cash and cash equivalents at the beginning of year	496,575	107,729
Exchange gains/(loss) on cash and cash equivalents	19,786	(6,249)
Cash and cash equivalents at the end of the year	1,134,479	496,575

1. General Information

Principal Real Estate Europe Limited is a private limited company as defined by the Companies Act 2006, incorporated and domiciled in England and Wales. The address of the registered office is given on page 1. The nature of the Company's principal activity is set out in the Director's Report on page 3.

2. 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 3 to 6. 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 5. The directors have also completed 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 net assets of €8m with no external borrowings. The liability balance of €14m, consists mainly of intercompany borrowings of €13.5m, with no fixed repayments until December 2024.

Following the results of the cashflow sensitivity analysis and considering the Company's net assets and cash balances of €8m and €1.1m respectively, the directors have, 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.

3. Accounting policies

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

3.1 Basis of preparation

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.

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 International accounting standards in conformity with the requirements of the Companies Act 2006.

3. Accounting policies (continued)

3.2 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 Company 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.

3.3 Revenue

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's revenue is mainly comprised of revenue received from other companies within the Group, as a result of the transfer pricing model adopted by the Company and the Group. This allows revenue to be allocated in accordance with the activities being performed, such that the Company receives income from other companies located in different jurisdictions in relation to the role performed by two employees of the Company (Executive Chairman and Chief Executive Officer) in respect of the different funds managed by the Group.

Determining the timing of satisfaction of the performance obligation
In determining the timing of satisfaction of the performance obligation, the Company recognised revenue in accordance with the transfer pricing model. As such, revenue was recognised over time as other companies within the Group received and benefited from the services provided over the course of the period.

3. Accounting policies (continued)

3.3 Revenue (continued)

Principal versus agent considerations
The Company has determined that as part of the transfer pricing model, it remains the Company's ultimate responsibility to fulfil the agreements between the parties. The services provided to the Group companies are within the control of the Company. As a result, the Company has determined that they act as a principal under these agreements.

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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue or income is accrued when it is earned by providing a service but has yet to be billed. The recognition of such income is based on an entitlement to the income for services already performed but has yet to be billed and discounting the entitled income to the present value based on an appropriate discount rate at a given period and the best estimate of the time when the revenue is to be billed.

Management fees
Management fees earned from subsidiaries are recognised on an accrual basis in accordance with service level agreement signed by both parties.

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).

Income or cost from recharges under the 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.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

3.4 Exemption from presenting consolidated financial statements

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Principal Financial Group Inc, a company incorporated in the USA. Therefore, the financial statements present information about the company as an individual undertaking and not about its group.

Electronic copies of the Consolidated Financial Statements of PFG, in which the Company is consolidated, are available at www.principal.com/investor.

3. Accounting policies (continued)

3.5 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. On an annual basis, the directors assess if there are any indicators of impairment by comparing the net asset values of each subsidiary to their carrying amount. If the net asset value is lower than the carrying amount, the directors 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 the Statement of Comprehensive Income.

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.

3.6 Taxation

The tax currently payable 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 never 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 group 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 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 income statement, 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.

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 Group intends to settle its current tax assets and liabilities on a net basis.

3. Accounting policies (continued)

3.7 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:

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.

3.8 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.

3.9 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).

When 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.

3.10 Dividend income

Dividend income from investments is recognised when shareholders' rights to receive payment have been established.

3.11 Cash and cash equivalents

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

3. Accounting policies (continued)

3.12 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 (3.3) Revenue.

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 and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

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

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

This category generally applies to trade and other receivables. For more information on receivables, refer to note 14.

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.

3. Accounting policies (continued)

3.12 Financial instruments (continued)

(i) Financial assets (continued)

Expected credit losses of financial assets (continued)
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.

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.

3. Accounting policies (continued)

3.12 Financial instruments (continued)

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 and other payables.

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

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

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

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

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

3. Accounting policies (continued)

3.13 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Dividends on preference shares, which are classified as a financial liability, are treated as finance costs and are recognised on an accruals basis when an obligation exists at the reporting date.

4. Accounting estimates and judgments

In the application of the Company's accounting policies, which are described in note 3, 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. 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.

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

5. Revenue

Revenue represents compensation in relation to the provision of intra-group services via the transfer pricing model adopted by the Company and the Group.

6. Operating profit

	2021 €	2020 €
Operating profit is arrived at after charging:		
Fee payable to the auditor for the audit of the Company's annual accounts	17,270	14,600
Depreciation of property plant and equipment (note 11)	1,190	1,190
Amortisation of intangible assets (note 12)	2,084	1,062

7. Staff costs

	2021 €	2020 €
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	573,811	620,528
Social security costs	57,564	82,677
Defined contribution pension cost	43,476	11,485
	674,851	714,690

The monthly average number of persons, including the directors, employed by the Company during the year was 1 (2020: 2).

8. Directors' emoluments

	2021 €	2020 €
Emoluments	565,310	652,093
	565,310	652,093

During the year, retirement benefits accrued for two directors amounting to €11,500 (2020: €11,485) is in respect of money purchase schemes. The highest paid director, out of the two serving directors, in the year was paid a remuneration amount of €484,940 (2020: €327,640).

9. Finance income and expense

	2021 €	2020 €
Finance income comprises:		
Interest on loan to an associated company	57,287	88,556
Total finance income	57,287	88,556
Finance cost comprise:		
Bank charges	1,760	344
Interest on loan from an associated company	140,400	117,023
Other interest payable	-	1,597
Total finance expense	142,160	118,964

10. Tax expense

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021 €	2020 €
Profit for the year	(221,632)	18,725,203
Income tax expense	5,207	61,209
Profit before income taxes	(216,425)	18,786,412
Tax using the Company's domestic tax rate of 19% (2020: 19%)	(43,099)	3,569,418
Expenses not deductible for tax purposes	(14)	277,886
Dividends from UK companies	-	(3,775,504)
Remeasurement of deferred tax for changes in tax rates	(13,141)	-
Current tax (prior period) exchange difference arising on movement between opening and closing spot rates	1,540	-
Adjustment to tax charge in respect of prior period	(6,747)	(10,591)
Movement in deferred tax not recognised	56,254	-
	(5,207)	61,209

Factors affecting the future tax charges

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.

The Company has tax losses that arose in the United Kingdom of €226,906 (2021: nil) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised as it is not certain when the losses can be offset against the profit of the Company or Group. If the Company was to recognise all unrecognised deferred tax assets, the profit would increase by €56,254 (2021: nil).

11. Property, plant and equipment

	Office equipment €
Cost or valuation	
At 1 January 2020	3,663
At 31 December 2020	3,663
At 31 December 2021	3,663

	Office equipment €
Depreciation	
At 1 January 2020	496
Charge during the year	1,190
At 31 December 2020	1,686
Charge during the year	1,190
At 31 December 2021	2,876
Net book value	
At 1 January 2020	3,167
At 31 December 2020	1,977
At 31 December 2021	787

12. Intangible assets

	Computer software €
Cost	
At 1 January 2020	2,906
Additions - external	4,465
At 31 December 2020	7,371
At 31 December 2021	7,371

	Computer software €
Accumulated amortisation and impairment	
At 1 January 2020	404
Charge for the year - owned	1,062
At 31 December 2020	1,466
Charge for the year - owned	2,084
At 31 December 2021	3,550
Net book value	
At 1 January 2020	2,502
At 31 December 2020	5,905
At 31 December 2021	3,821

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 2020, the remaining amortisation period of software was between 7 and 35 months.

13. Investments

Details of the Company's direct and indirect subsidiaries at 31 December 2020 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest
Direct		
Real Estate Limited	United Kingdom	100%
Principal Real Estate Spezialfondsgesellschaft mbH	Germany	94.6%
Principal Opportunity Fund LP	United Kingdom	-
Principal European Core Feeder Fund P1 S.C.A	Luxembourg	97.7%
Indirect		
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	Germany	94.9%
Principal Real Estate GmbH	Germany	100%
Principal Real Estate S.A.S	France	100%
Principal Real Estate S.L.	Spain	100%
Principal Real Estate B.V.	Netherlands	100%
Principal Real Estate S.à r.l.	Luxembourg	100%
INTERNOS Real Estate Limited	United Kingdom	-
Principal Hotel Immobilienfonds II General Partner S.à r.l.	Luxembourg	100%
PECF (GP) S.à r.l.	Luxembourg	100%
PEDIF (GP) S.à r.l.	Luxembourg	100%
PEDCF I Feeder 1 S.C.A. SICAV-RAIF	Luxembourg	100%
PEDCF I Feeder 2 S.C.A. SICAV-RAIF	Luxembourg	100%
PEDCF1 (GP) S.à r.l.	Luxembourg	100%

13. Investments (continued)

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

Cost	
At 1 January 2020	
Principal Real Estate Limited	500,000
Principal Real Estate Spezialfondsgesellschaft mbH	5,264,440
Principal European Core Feeder Fund P1 S.C.A: Share capital	29,000
	5,793,440
Additions	
Principal Real Estate Limited: Shareholders contribution	4,373,000
	4,373,000
At 31 December 2020	10,166,440
Additions	
Principal Real Estate Limited: Shareholders contribution	4,000,000
Principal Real Estate Spezialfondsgesellschaft mbH: Share premium	474,500
	4,474,500
Cost at 31 December 2020	14,640,940
Provision for impairment	
At 1 January 2020	1,098,560
Principal Real Estate Spezialfondsgesellschaft mbH	344,077
Principal Real Estate Limited	1,106,844
At 31 December 2020 & 31 December 2021	2,549,481
At 31 December 2020	2,549,481
Net book value	
As at 31 December 2020	7,616,959
As at 31 December 2021	12,091,459

13. Investments (continued)

	2021
	€
Other investments	
Principal European Core Fund Aggregator SCSp	1
	1

The Company holds a 0.00007% interest in the shares Principal European Core Fund Aggregator SCSp.

	2021
	€
Net book values	
As at 31 December 2020	
Investment in subsidiaries	7,616,959
Other investments	1
	7,616,960
As at 31 December 2021	
Investment in subsidiaries	12,091,459
Other investments	1
	12,091,460

14. Trade and other receivables

	2021	2020
	€	€
Other receivables	35,929	6,007
Amounts owed by group companies (note 18)	199,875	428,087
	235,804	434,094

15. Trade and other payables

	2021 €	2020 €
Accruals	233,169	65,236
Amounts owed to associated companies (note 18)	279,582	743,243
	512,751	808,479

16. Share capital

	2021 €	2020 €
Authorised, Allotted Called up and Fully Paid		
100 (2019: 100) Ordinary shares of £1 (equivalent to €1.39) each	139	139
	139	139

Dividend

The Company declared no dividends in the year ended 31 December 2021 (2020: 19,871,073).

17. Financial instruments

Capital risk

The Company's debt is unsecured. The capital structure of the Company consists of cash and cash equivalents, and equity attributable to the shareholders comprising issued share capital and retained earnings. The Company manages its capital to ensure that it 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.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables and loans to associated companies. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for expected credit loss 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 Company had 0 customers (2020: 0) that owed 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 manages liquidity risk by regularly and rigorously reviewing cash flow forecasts and available funding options.

Financial assets in the company comprise trade and other receivables, cash and cash equivalents and loans to associated companies. Financial liabilities comprise trade and other payables, corporation tax and loans from associated companies. Level 3 unobservable inputs in the fair value hierarchy are used to determine fair value.

17. Financial instruments (continued)

	2021 €	2020 €
Current financial assets		
Trade and other receivables (Note 14)	235,804	434,094
Bank and cash balances	1,134,479	496,575
Non-current financial assets		
Loan to associated company	8,550,000	8,550,000
Current financial liabilities		
Amounts owed to group companies	279,582	743,243
Accruals	233,169	65,236
Corporation tax payable	-	71,800
Non-current financial liabilities		
Loans from associated companies	13,500,000	13,500,000

The carrying values of these financial assets and liabilities approximate their fair values. The fair value of the financial assets and liabilities is an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All current financial assets and liabilities are expected to be settled with 12 months from the balance sheet date.

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

Year ended 31 December 2021	Less than 1 year €	1 to 2 years €	2 to 5 years €	Total €
Interest-bearing loans and liabilities	-	-	14,183,260	14,183,260
Trade and other payables (note 15)	512,751	-	-	512,751
Corporate tax payable (note 10)	-	-	-	-
	512,751	-	14,183,260	14,696,011

17. Financial instruments (continued)

Year ended 31 December 2020	Less than 1 year €	1 to 2 years €	2 to 5 years €	Total €
Interest-bearing loans and liabilities	-	-	14,042,860	14,042,860
Trade and other payables (note 15)	808,479	-	-	808,479
Corporate tax payable (note 10)	71,800	-	-	71,800
	880,279	-	14,042,860	14,923,139

Changes in liabilities arising from financing activities

	Interest-bearing loans and borrowing €
As at 1 January 2020	10,704,637
Additions	2,800,000
Accretion of interest	117,023
Payments	-
As at 31 December 2020	13,621,660
Additions	-
Accretion of interest	140,400
Payments	-
As at 31 December 2021	13,762,060

18. Related party transactions

	2021 €	2020 €
Due from related parties		
Principal Real Estate Limited	199,048	428,087
Principal Real Estate B.V.	32	-
Principal Real Estate Spezialfondsgesellschaft mbH	795	-

	2021 €	2020 €
Due to related parties		
Principal Real Estate Spezialfondsgesellschaft mbH	-	606,941
Principal Financial Services V Limited	262,060	121,660
Principal Real Estate Limited	17,522	14,642
	279,582	743,243

During the year, the Company was party to loan agreements with other associated companies as follows:

	2021 €	2020 €
Loan from associated company		
Principal Financial Services V Limited	13,500,000	13,500,000

The loan facility from an associated company has a maturity date of 31 December 2024. Interest is charged at the rate of 1.04% per annum.

	2021 €	2020 €
Loan to associated company		
Principal Real Estate Limited	8,550,000	8,550,000

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

18. Related party transactions (continued)

	2021 €	2020 €
Revenue received from related parties		
Principal Real Estate Limited	125,795	519,957
Principal Real Estate Kapitalverwaltungsgesellschaft mbH	-	302,851
Principal Real Estate GmbH	127,810	104,304
Principal Real Estate S.A.S	107,478	37,550
Principal Real Estate S.L.	6,602	6,894
Principal Real Estate Spezialfondsgesellschaft mbH	229,882	264,769
Total revenue received from related parties	597,567	1,236,325

	2021 €	2020 €
Expenses charged by related parties		
Principal Financial Services V Limited	140,400	117,023
Total expenses charged by related parties	140,400	117,023

19. Ultimate Parent Entity and Controlling Party

The Company's immediate parent undertaking is Principal Global Financial Services (Europe) II Limited, a company incorporated in the United Kingdom.

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