Pearl Income Holdings UK Limited

Registered number 11065839

Annual report and consolidated financial statements for the year ended 31 December 2019

Pearl Income Holdings UK Limited
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Pearl Income Holdings UK Limited
Company Information

Directors

R N Hargreaves (appointed 20 May 2019)
B J Marks (appointed 20 May 19)
S N Slaughter (appointed 20 May 2019)
H C Klein (resigned 20 May 2019)

Registered office

50 New Bond Street
London
United Kingdom
W1S 1BJ

Principal place of business

50 New Bond Street
London
United Kingdom
W1S 1BJ

Bankers

Citibank UK
33 Canada Square
London
E14 5LB

Auditor

KPMG LLP
15 Canada Square
London
Canary Wharf
E14 5GL

Pearl Income Holdings UK Limited
Strategic Report

The directors present their Strategic report for the year ended 31 December 2019.

Principal activities and business review

The Group's principal activities are logistics property investment.

The company was incorporated on 15 November 2017. The Group owns a portfolio of real estate logistics warehouses comprising 68 assets with 1.6m SM leaseable area. The assets are located in Europe's foremost logistics markets; France (29%), Germany (43%), Netherlands (14%) and UK (14%) (weighted by buildable gross leaseable area).

During the year, the Group leased a total of 277,286 sqm (2018: 338,221 sqm), representing 17% of the total portfolio. This resulted in a leased ratio of 96% at 31 December 2019 (2018: 96%). As at 31 December 2019, the Group had 55,941 sqm (2018: 62,559 sqm) of vacancy. As at 31 December 2019, the weighted average lease expiry to first break for the portfolio was 7.3 years (2018: 6.8 years).

The Group completed construction of one development (Oswestfalen, Germany) during the year and started another development, which remained under construction at 31 December 2019, in Germany (an extension on a property in Jena). Additionally one asset was sold (Arnas, France) during the year ended 31 December 2019.

On 30 August 2019 the Company's shares were listed on the International Stock Exchange and the Company became a Real Estate Investment Trust ("REIT") on 1 October 2019. The shares are non-transferable and are held by GLP Europe Income Partners I SCSp.

Strategic priorities

The Group invests in logistics properties. It has also developed logistics properties, however the current focus is on investment. Where the opportunity arises, the Group may acquire, through corporate transactions, built single assets and portfolios. Considering current market conditions and forecasts, and where returns are optimised, the Group also considers the disposition of stabilised assets.

The Group's main strategic objectives are:
– to deliver attractive long-term returns;
– to uphold the group's reputation for quality, integrity and social responsibility; and
– to grow assets under management

All investment underwritings and proposed dispositions pass through a rigorous approval process at local country, Group and parent company level. An investment committee approves all major investments. Investments are undertaken where returns achieve certain minimum hurdle rates, particularly as they relate to levered internal rates of return and returns as a multiple of the capital invested.

Results

The profit before tax from continuing operations for the year was €117,084,000 (2018: €94,162,000)

The profit is largely due to unrealised fair value gains on the investment properties held throughout the year of €115,863,000

The Group's net asset position was €227,024,000 (2018: €149,181,000) at the year end.

Net cash outflows for the year were €79,960,000 (2018: cash outflows of €122,204,000)

Key Performance Indicators (KPIs)

The Group considers its KPIs to include:

- Occupancy - 96% as at 31 December 2019 (2018: 96%)
- Operating Profit from continuing operations for the year ended 31 December 2019 of €66,833,000 (2018: €45,847,000)
- Assets under management as at 31 December 2019 of €1,845,738,000 (2018: €1,641,831,000)

Performance against KPIs is measured in a variety of ways, including via quarterly internal business planning meetings and also through reporting to the Group's indirect investors.

Environmental initiatives

The Group is committed to maintaining high-quality buildings that are efficient to operate and maintain, that also meet and exceed the most stringent sustainable market standards.

The Group is committed to continuous improvement of its environmental performance. Sustainability is a priority for tenants, and as landlord the Group's goal is to exceed their expectations. Shrinking the environmental footprint in the Group's buildings, and cutting back on energy, water and waste will have a positive effect on the financial performance of the Group's assets.

Future Developments

The Group continues to focus on its strategic priorities, in particular maintaining stable income driven returns on it's logisitics property platform for the shareholder. The directors believe that the current core markets present a significant opportunity for the business in the near-term and are confident of executing the business plan.

As per section 172 of Companies Act 2006, the Directors consider that the Group’s success, as an investor of real estate logistics warehouses, is reliant on forming and maintaining long-term, collaborative partnerships with its investors, as well as with its customers, suppliers, contractors and other stakeholders. It is the Group’s customers which provide the revenue which drives its performance and so the strength of those relationships and the foundations of their tenancies are key to the long-term stability of the Group.

The Board of Directors meet on a quarterly basis to discuss all regulatory requirements of the Group, along with the Group’s performance and outlook which are taken into account when approving any quarterly dividends proposed. During the year, the Board approved the listing of the Company’s shares on the International Stock exchange and the conversion of the Company to a Real Estate Investment Trust (“REIT”). This is considered by the Directors to be the appropriate structure for the Group as a long-term holder of investment properties and reflects a strategy which had previously been agreed with the Group’s ultimate shareholders. There have been no changes to the fundamental operational strategy of the Group in the year, in terms of holding real estate logistics warehouses for their long-term income generation, and so consultations with shareholders have not required any other key decisions of this order.

Future developments (continued)

The Group has engaged GLP UK Management Limited to provide management services to the Group, which includes the establishment of new and the management of existing customer relationships, including providing recommendations in respect of new property lettings, from lease negotiation through to completion, including suitable pre-contract due diligence, and subsequent property management. With the desire for a long-term stable business, the Group seeks to maintain customer relationships with established businesses across it countries of operation, by providing high quality, well-managed properties in order to secure a steady income stream from customers who enjoy the benefits of these properties and the associated relationships.

This long-term outlook applies equally to contractors, in particular where properties have been developed, and suppliers who provide the continuing management services. GLP UK Management Limited is engaged to provide these services itself or by facilitating the Group's appointment of such contractors and suppliers, subject to appropriate tendering and due diligence in advance of appointment.

All of the above recognises the importance to the Group's reputation of delivering and maintaining high quality assets which will be occupied by its customers on multi-year lets and working closely with stakeholders (including local authorities and the local communities amongst others) in the proximity of the Group's assets to ensure that the buildings can live within the communities that they serve. This level of engagement is encouraged across all disciplines of the business.

Principal risks and uncertainties

The Group constantly reviews, assesses, manages and mitigates the risks to the business. The risks are categorised into key headings; financial, operational, commercial, and reputational.

Financial

- Financing
The risk to the business is that sources of financing are no longer available or that unfavourable credit market conditions result in either an unacceptable increase in credit margins or an inability to repay debt facilities on their due date. The business seeks to mitigate this risk by developing and expanding its sources of finance by leveraging the global relationships in the markets it is operating in. In addition, cash is recycled within and across the business as appropriate. The UK's future trading relationship with the European Union may have an impact on future financing opportunities, however at the date of approval of these consolidated financial statements, the extent of this potential impact is not clear.

- Foreign exchange
The Group invests in operations in Mainland Europe and the UK. As a result, assets and liabilities are denominated in currencies other than Euros, and therefore the value of the Group's reported assets and liabilities can be affected significantly by movements in the exchange rate. Debt facilities are drawn in the same currency as the asset basis, thereby creating a natural hedge, therefore no hedging instruments in respect of foreign exchange risk have been entered into at the balance sheet date. Foreign currency generated from stabilised assets will continue to be put to use in funding the ongoing requirements of foreign currency assets.

Operational

- Operational risk is defined as the risk of change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events, differ from the expected losses. This risk is mitigated by robust monitoring of key operational processes and KPI's on a monthly basis.

Additionally, the development of COVID-19 into a global health crisis presents a new uncertainty in 2020. The Group's primary focus is the health and wellbeing of its customers, partners and advisers, and the continued operational readiness of the business, such that it can continue to deliver on its objectives. Whilst the Directors anticipate some short-term volatility, they are confident that the Group's scale, quality, and strength of liquidity and balance sheet will allow it to meet any short-term challenges.

As at the date of signing these financial statements the Directors are closely monitoring the developing situation and stakeholder impacts. For the time being, operations and developments continue to progress without significant disruption. So far, we have not identified any significant issues in collecting income, making payments and/or undertaking construction. The situation is dynamic and changing by the day. Over time the full impact of COVID-19 will become clear, but at this stage there is insufficient certainty to make any meaningful forward-looking assessment.

Commercial

- The Group's commercial risk arises from a potential reduction in the general market rents and cap rates for the logistics properties. The Group manages this risk by being able to demonstrate itself as a market leader who can deliver an excellent product, on time, on budget and in good locations. In difficult trading conditions, there tends to be a drive towards quality and property "fundamentals" and this is why the Group has leveraged strong relationships with customers that results in repeat business. It is not yet clear what kind of impact (if any) COVID-19 will have on trading conditions going forward, however fluctuations in customer demand are mitigated by the development of strong customer relationships on both a global and regional level with the ability to deliver a flexible and competitive offer.

Information Technology

- The Group's operations are dependent on the effectiveness of IT systems, including an international communications network, property databases, accounting and reporting systems. Procedures are in place to protect the security and integrity of data, and the Group has detailed business continuity plans.

Financial risk management

Note 16 in the accompanying financial statements lays out the Group's policies for managing and mitigating financial risk and any impact on the Group.

On behalf of the board,

B J Marks
Director
29 April 2020

Pearl Income Holdings UK Limited
Director's Report

The directors present their report, together with the audited consolidated financial statements of the Pearl Income Holdings UK Limited group (the 'Group') and Pearl Income Holdings UK Limited (the 'Company'), for the year ended 31 December 2019.

Details of principal activities, future developments, results, key performance indicators, financial risk management and the statement in relation to section 172 of Companies Act 2006 are included in the Strategic Report.
With regards to Streamlined Energy and Carbon Reporting ("SECR"), the Company consumed 40,000 kWh of energy or less in the United Kingdom during the period in respect of which the directors' report is prepared, as such, the energy and carbon consumption of the Company is not disclosed.

Directors

The directors who served during the year, at the year end and at the date of this report are shown below:

R N Hargreaves (appointed 20 May 2019)
B J Marks (appointed 20 May 19)
S N Slaughter (appointed 20 May 2019)
H C Klein (resigned 20 May 2019)

Dividends

The Group declared and paid dividends of €27.0m in 2019 (2018: €26.3m).

Going concern

The Directors have prepared cash flow forecasts for the Group for a period of 12 months from the date of approval of these financial statements. These forecasts include the Directors' assessment of the impact of Covid-19 on the Group, and plausible downside scenarios.

The Group's property portfolio is let to a diverse range of tenants across over 90 properties in four European countries. The Group's largest tenant, a multinational AA-rated technology company and on-line retailer, represents 28% of contracted rent at 31 March 2020 and the top 5 tenants together represent 41%.

As at the date of approval of these financial statements, the Group has not experienced a significant increase in rent arrears compared to the equivalent period last year. However, as a result of Covid-19, a number of the Company's tenants have requested deferral or a re-profiling of rent payments. Such requests are considered on a case by case basis and based on the merits of such request as pertains to the particular circumstances of the tenant. The Directors have considered the risk that further tenants either request deferrals or become insolvent and hence no rent is paid, by categorising each tenant's credit risk based on external credit ratings, the Directors' experience and knowledge of the tenant and discussions to date on rent deferrals. In a downside scenario where all tenants with agreed deferrals or a credit rating assessed as worse than "low-medium risk", representing 53% of leases, do not pay any rent until 2021, the Directors forecast that the Group will continue to have sufficient cash resources to meet its liabilities as they fall due.

In making this assessment the Directors have considered the other unsecured borrowings of €669m due to GLP Europe Income Partners I SCSp, the parent entity of the Group and €24m due to Pearl Income Investments II UK Limited, a related party to the Group. These borrowings are repayable on demand. However, both counterparties have indicated their intention to not demand repayment of the borrowings if the Group does not have sufficient funds to do so. As with any reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the Directors have no reason to believe that it will not do so.

The Group has a third-party loan, secured on its investment property portfolio which does not require any repayment until 15 December 2022. The loan includes financial covenants for loan-to-value ('LTV') and Debt Yield ('DY'). These covenants have been complied with throughout the year and up to the date of approval of these financial statements.

The LTV covenant is measured annually based on a valuation at 30 September. Based on the most recent lender valuation of 30 September 2019, the Group retained headroom against the covenant limit of over 15%. This means that a fall in property values by some 18% or €295 million (based on the previous lender valuation) would be required to cause a breach. Based on the Group's own valuation at 31 December 2019 the headroom, compared to the latest lender valuation, is higher at in excess of 20%. Given the continuing demand for logistics property across Europe, the Directors forecast the covenant will continue to be complied with at the next measurement date of 30 September 2020.

The DY covenant is measured, subject to certain adjustments, by reference to accounting income and is hence unaffected by rent deferrals in the event that such deferrals may be agreed with tenants. The Directors have considered downside scenarios where a proportion of tenants become insolvent and hence projected net operating income is reduced. This assessment considers the nature of the tenant's business and credit rating assessment. The Directors have modelled a severe downside scenario in which, other than the Group's largest tenant and all tenants in the transport sector who pay their rent in full (subject to the insolvency exclusions below), all of the following occur: no leases are renewed and all breaks are exercised; a range of risk-rated tenants are assumed to become insolvent and hence their rent is excluded; after allowing for the above, up to 40% of rent in the retail and automotive sector is unpaid; and 20% of rent in all other sectors is unpaid. Based on these forecasts, and the strong outlook for the logistics sector more widely, the Directors consider the Group will remain compliant with the DY covenant for at least the next 12 months.

As a result of the above considerations the Directors have prepared these financial statements on a going concern basis.

Charitable and political donations

During the year the Group made no charitable or political donations.

Disclosure of information to the auditors

The directors at the date of approval of this report confirm that:

- there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Group's auditor is unaware;
- they have taken all the steps that he/she is obliged to take as a director in order to make himself /herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

Appointment of Auditor

KPMG LLP continued to be appointed as the Company's auditors during the year and in accordance with s487 of the Companies Act 2006 will be deemed to be reappointed.

Events after balance sheet date

The directors note that no significant events have occurred after the balance sheet date other than risk posed by the COVID-19 health crisis referred to in the Strategic Report.

On behalf of the board,

B J Marks
Director
29 April 2020

Pearl Income Holdings UK Limited

Statement of Director's Responsibilities in respect of the Annual Report, the Director's Report and the Financial Statements

The directors are responsible for preparing the Annual Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Pearl Income Holdings UK Limited

Opinion

We have audited the financial statements of Pearl Income Holdings UK Limited ("the company") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

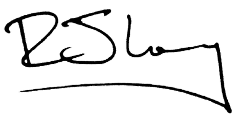
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Richard Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E15 5GL

Date: 29 April 2020

Pearl Income Holdings UK Limited
Consolidated Income Statement
for the year ended As at 31 December 2019

	Notes	Year ended 31 December 2019			Year ended 31 December 2018		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Revenue	3	95,476	-	95,476	78,773	68,974	147,747
Cost of sales		(23,601)	-	(23,601)	(26,740)	(58,295)	(85,035)
Gross profit		**71,875**	**-**	**71,875**	**52,033**	**10,679**	**62,712**
General and administrative expenses		(6,031)	-	(6,031)	(5,911)	-	(5,911)
Other income / (losses)		989	-	989	(275)	-	(275)
Operating profit	4	**66,833**	**-**	**66,833**	**45,847**	**10,679**	**56,526**
Gain on revaluation of investment properties	8	115,863	-	115,863	137,653	-	137,653
Depreciation, amortisation and impairment	9, 10	(39,837)	-	(39,837)	(66,196)	-	(66,196)
Finance costs	6	(25,775)	-	(25,775)	(23,142)	-	(23,142)
Profit before tax		**117,084**	**-**	**117,084**	**94,162**	**10,679**	**104,841**
Tax expense	7	(30,117)	-	(30,117)	(20,440)	-	(20,440)
Profit for the year		**86,967**	**-**	**86,967**	**73,722**	**10,679**	**84,401**
Attributable to:							
Equity holders of the parent		78,364	-	78,364	64,958	5,350	70,309
Non-controlling interest		8,603	-	8,603	8,763	5,329	14,092
Profit for the year		**86,967**	**-**	**86,967**	**73,722**	**10,679**	**84,401**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Consolidated Statement of Comprehensive Income
for the year ended As at 31 December 2019

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Profit for the year	86,967	-	86,967	73,722	10,679	84,401
Foreign exchange differences on translation of foreign operations	19,247	-	19,247	6,981	-	6,981
Gains / (Losses) on cash flow hedges	(1,371)		(1,371)	-	-	-
Total comprehensive income for the year	**104,843**	**-**	**104,843**	**80,703**	**10,679**	**91,382**
Attributable to:						
Owners of the Company	91,453	-	91,453	71,728	5,350	77,079
Non-controlling interest	13,390	-	13,390	8,974	5,329	14,303
Total comprehensive income for the year	**104,843**	**-**	**104,843**	**80,703**	**10,679**	**91,382**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited

Consolidated Balance Sheet

Registered number 11065839

at As at 31 December 2019

	Notes	As at 31 December 2019	As at 31 December 2018
		€ '000	**€ '000**
Non-current assets			
Investment properties - stabilised	8	1,841,926	1,551,766
Investment properties - under development	8	3,812	90,065
Goodwill	9	103,881	107,526
Other intangible assets	10	-	36,191
Property, plant and equipment		-	54
Trade & other receivables	12	416	1,290
Restricted cash	13	1,407	23,927
		1,951,442	**1,810,819**
Current assets			
Assets classified as held for sale	11	-	2,191
Trade and other receivables	12	109,035	97,635
Cash and cash equivalents	13	60,528	113,878
		169,563	**213,704**
Current liabilities			
Trade and other payables	14	(33,287)	(36,455)
Provisions	15	(8,979)	(10,047)
Borrowings	17	(659,744)	(711,049)
Income tax liabilities		(10,642)	(2,292)
		(712,652)	**(759,843)**
Net current liabilities		**(543,089)**	**(546,139)**
Non-current liabilities			
Borrowings	17	(1,054,054)	(1,009,976)
Deferred tax liabilities	7	(127,275)	(105,523)
		(1,181,329)	**(1,115,499)**
Net assets		**227,024**	**149,181**
Capital and reserves			
Share capital	18	-	-
Foreign currency translation reserve	19	11,274	(3,186)
Cash flow hedge reserve		(1,371)	-
Accumulated profits	19	83,796	32,432
Equity		**93,699**	**29,246**
Non-controlling interest	20	133,325	119,935
Total equity		**227,024**	**149,181**

The financial statements on pages 8 to 31 were approved by the Board of Directors and authorised for issue on 29 April 2020

Signed on behalf of the board

B J Marks
Director

Pearl Income Holdings UK Limited
Consolidated Statement of Changes in Equity
for the year ended As at 31 December 2019

	Notes	Share capital	Accumulated losses	Foreign currency translation reserve	Other reserve	Total shareholders' equity	Non-controlling Interest	Total equity
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance as at 31 December 2017		**-**	**(11,597)**	**(9,956)**	**-**	**(21,553)**	**199,110**	**177,557**
Total comprehensive income for the period								
Profit for the period		-	70,309	-		**70,309**	14,092	**84,401**
Foreign exchange differences arising on translation of foreign operations		-	-	6,770		**6,770**	211	**6,981**
		-	**58,712**	**(3,186)**	**-**	**55,526**	**213,413**	**268,939**
Transactions with owners								
Dividends relating to 2018	19	-	(26,280)	-		**(26,280)**	-	**(26,280)**
Distribution to non-controlling interest		-	-	-		**-**	(40,496)	**(40,496)**
Purchase of non-controlling interest		-	-	-	-	**-**	(46,074)	**(46,074)**
Disposal of subsidiary with non-controlling interest		-	-	-	-	**-**	(6,908)	**(6,908)**
Balance as at 31 December 2018		**-**	**32,432**	**(3,186)**	**-**	**29,246**	**119,935**	**149,181**

	Notes	Share capital	Accumulated profit	Foreign currency translation reserve	Other reserve	Total shareholders' equity	Non-controlling Interest	Total equity
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance as at 31 December 2018		-	32,432	(3,186)	-	**29,246**	119,935	**149,181**
Total comprehensive income for the year								
Profit for the year		-	78,364	-	-	**78,364**	8,603	**86,967**
Foreign exchange differences arising on translation of foreign operations		-	-	14,460	-	**14,460**	4,787	**19,247**
Effective change in fair value on interest rate cap flow hedge reserve			-	-	(1,371)	**(1,371)**	-	**(1,371)**
		-	**110,796**	**11,274**	**(1,371)**	**120,699**	**133,325**	**254,024**
Transactions with owners								
Dividends relating to 2018	19	-	(9,000)	-	-	**(9,000)**	-	**(9,000)**
Dividends relating to 2019	19	-	(18,000)	-	-	**(18,000)**	-	**(18,000)**
								-
Balance as at 31 December 2019		**-**	**83,796**	**11,274**	**(1,371)**	**93,699**	**133,325**	**227,024**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Consolidated Cash Flow Statement
for the year ended As at 31 December 2019

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
		€ '000	€ '000
Cash flows generated in operating activities			
Profit for the year		86,967	84,401
Tax expense		30,117	20,440
Finance costs		25,775	23,142
Gain on revaluation of investment properties		(115,863)	(137,653)
Depreciation, amortisation and impairment		39,837	66,196
Adjustments for:			
Increase in trade and other receivables		(11,127)	(48,183)
(Decrease) / increase in trade and other payables		(7,286)	19,555
Total Cash generated from operating activities		**48,420**	**27,898**
Taxes paid		(697)	(15,106)
Net cash generated from operating activites		**47,723**	**12,792**
Cash flows used in investing activities			
Disposal of investment property and assets held for sale	8 , 11	4,722	4,616
Disposal of subsidiaries, net of cash		-	7,571
Capital expenditure on investment properties	8	(56,325)	(113,367)
Net cash used in investing activities		**(51,603)**	**(101,180)**
Cash flows generated from financing activities			
Repayment of external borrowings		(9,115)	(4,616)
Repayment of related party borrowings		(19,843)	-
Payment of dividends		(27,000)	(26,280)
Distribution to non-controlling interest		-	(2,920)
Payment of interest		(20,122)	-
Net cash used in financing activities		**(76,080)**	**(33,816)**
Net decrease in cash and cash equivalents		**(79,960)**	**(122,204)**
Effects of exchange rate changes on cash and cash equivalents		4,090	(2,903)
Cash and cash equivalents at the beginning of the year		137,805	262,912
Cash and cash equivalents at the end of the year	**13**	**61,935**	**137,805**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended As at 31 December 2019

1 General information

Pearl Income Holdings UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on page 2. These consolidated financial statements are presented in Euros because that is the functional currency of the Group, being the primary economic environment in which the Group operates.

2 Summary of significant accounting policies

Authorisation of the consolidated financial statements and statement of compliance with IFRS

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for investment properties, certain financial assets and derivative financial instruments that have been measured at fair value through profit or loss. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the consolidated financial statements of the Group for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006.

Going concern

The Directors have prepared cash flow forecasts for the Group for a period of 12 months from the date of approval of these financial statements. These forecasts include the Directors' assessment of the impact of Covid-19 on the Group, and plausible downside scenarios.

The Group's property portfolio is let to a diverse range of tenants across over 90 properties in four European countries. The Group's largest tenant, a multinational AA-rated technology company and on-line retailer, represents 28% of contracted rent at 31 March 2020 and the top 5 tenants together represent 41%.

As at the date of approval of these financial statements, the Group has not experienced a significant increase in rent arrears compared to the equivalent period last year. However, as a result of Covid-19, a number of the Company's tenants have requested deferral or a re-profiling of rent payments. Such requests are considered on a case by case basis and based on the merits of such request as pertains to the particular circumstances of the tenant. The Directors have considered the risk that further tenants either request deferrals or become insolvent and hence no rent is paid, by categorising each tenant's credit risk based on external credit ratings, the Directors' experience and knowledge of the tenant and discussions to date on rent deferrals. In a downside scenario where all tenants with agreed deferrals or a credit rating assessed as worse than "low-medium risk", representing 53% of leases, do not pay any rent until 2021, the Directors forecast that the Group will continue to have sufficient cash resources to meet its liabilities as they fall due.

In making this assessment the Directors have considered the other unsecured borrowings of €669m due to GLP Europe Income Partners I SCSp, the parent entity of the Group and €24m due to Pearl Income Investments II UK Limited, a related party to the Group. These borrowings are repayable on demand. However, both counterparties have indicated their intention to not demand repayment of the borrowings if the Group does not have sufficient funds to do so. As with any reliance on other entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the Directors have no reason to believe that it will not do so.

The Group has a third-party loan, secured on its investment property portfolio which does not require any repayment until 15 December 2022. The loan includes financial covenants for loan-to-value ('LTV') and Debt Yield ('DY'). These covenants have been complied with throughout the year and up to the date of approval of these financial statements.

The LTV covenant is measured annually based on a valuation at 30 September. Based on the most recent lender valuation of 30 September 2019, the Group retained headroom against the covenant limit of over 15%. This means that a fall in property values by some 18% or €295 million (based on the previous lender valuation) would be required to cause a breach. Based on the Group's own valuation at 31 December 2019 the headroom, compared to the latest lender valuation, is higher at in excess of 20%. Given the continuing demand for logistics property across Europe, the Directors forecast the covenant will continue to be complied with at the next measurement date of 30 September 2020.

The DY covenant is measured, subject to certain adjustments, by reference to accounting income and is hence unaffected by rent deferrals in the event that such deferrals may be agreed with tenants. The Directors have considered downside scenarios where a proportion of tenants become insolvent and hence projected net operating income is reduced. This assessment considers the nature of the tenant's business and credit rating assessment. The Directors have modelled a severe downside scenario in which, other than the Group's largest tenant and all tenants in the transport sector who pay their rent in full (subject to the insolvency exclusions below), all of the following occur: no leases are renewed and all breaks are exercised; a range of risk-rated tenants are assumed to become insolvent and hence their rent is excluded; after allowing for the above, up to 40% of rent in the retail and automotive sector is unpaid; and 20% of rent in all other sectors is unpaid. Based on these forecasts, and the strong outlook for the logistics sector more widely, the Directors consider the Group will remain compliant with the DY covenant for at least the next 12 months.

As a result of the above considerations the Directors have prepared these financial statements on a going concern basis.

Basis of consolidation

The Group financial statements consolidate the financial statements of Pearl Income Holdings UK Limited and its subsidiaries drawn up to 31 December 2019. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the year ended 31 December 2019. The subsidiary financial statements are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

Non-controlling interests in subsidiaries are identified separately from the Group's net assets therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Entities which the Group has significant influence over, but not control, are accounted for as investments in associates under the equity method of accounting. In the Consolidated Statement of Financial Position the investment in associates is initially carried at cost and subsequently adjusted for the Group's share of profits or losses or other comprehensive income made by the associate.

1 Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Although these estimates are based on the best available knowledge, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly. One area that requires critical accounting judgement is that of construction contracts. In 2018 the Group was engaged in a construction contract and therefore careful consideration of IFRS 15 had to be taken in order to ensure revenue was being recognised correctly. This included identifying the contract, the performance obligations, transaction price, allocating the transaction price to the performance obligations and ensuring that revenue was recognised appropriately. This contract was sold during the year ended 31 December 2018 and didn't have any impact on the current year financial results.

The following are considered critical accounting estimates as they involve significant estimation uncertainty and the results of the application of the policy may be material to the results of the Group.

2 Accounting policies (continued)

a) Investment properties

The critical assumptions and estimates used when determining the fair value of the Group's income producing commercial properties are:

- the timing of rental income from future leases reflecting current market conditions, less assumptions of future cash outflows in respect of current and future leases;
- maintenance and other capital expenditures;
- discount rates;
- terminal capitalisation rates; and
- terminal valuation dates

The Group engages an external valuer to determine the valuation of its investment properties. For further details see Note 8.

b) Taxes

The company makes judgements when determining the future tax rates applicable to subsidiaries and identifying the temporary difference that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates. The company measures deferred income taxes associated with its investment properties at the end of the reporting period based on the tax consequences following from the disposition of the property. Where a company has a specific intention with regards to a depreciable investment property to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale the company measures deferred taxes on this property on the basis the carrying value of the investment property will be recovered substantially through use. Judgement is required in determining the manner in which the carrying amount of each investment property will be recovered.

c) Goodwill and intangible assets

Goodwill and intangible assets are subject to impairment reviews annually, or more frequently if events or changes in circumstances indicate a potential impairment, in accordance with IAS 36. The carrying value of the goodwill or intangible asset is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Critical accounting estimates are made in performing impairment reviews. For value in use calculations these include future cash flow amounts and timings, as well as discount rates. For fair value less costs of disposal calculations the critical estimates include fair values of significant assets (e.g. investment properties), assumptions around costs of disposal including structuring considerations and portfolio premium assumptions.

Significant accounting policies

a) Revenue recognition

Revenue, which is stated net of value added tax, consists of rent receivable, project management fees and revenue from property development and relates to the continuing principal activity of property ownership and development. Rent receivable is recognised on a straight-line basis over the lease term, allowing for any incentives. Increases in rent as a result of rent reviews are recognised when the revised rent is agreed with the tenant. Project management fees are recognised in the period in which the service is performed. Revenue from property development services is recognised on a stage of completion basis (in line with project costs incurred, as confirmed with third-party cost monitors) in accordance with IFRS 15 Revenue from Contracts with Customers. Service charge income is recognised when the associated services are provided to tenants.

b) Investment property

The company uses the fair value method to account for real estate classified as an investment property. A property is determined to be an investment property when it is principally held to earn either rental income or capital appreciation, or both. Investment properties also include properties that are under development or redevelopment for future use as investment property. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in the income statement during the period in which they arise. Fair values are primarily determined by discounting the expected future cash flows of each property, generally over a term of 10 years, using discount and terminal capitalization rates reflective of the characteristics, location and market of each property. The future cash flows of each property are based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Disposals of investment properties are recognised in the financial statements on the date of unconditional exchange or, where an exchange is conditional, on the date that conditions have been satisfied. Profits or losses arising on disposal are calculated by reference to the carrying value of the asset at the last revaluation, adjusted for subsequent capital expenditure, less selling costs. Additions to investment property include costs that are capital in nature. The Group has elected not to capitalise finance costs in relation to investment property under development.

2 Accounting policies (continued)

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, other intangibles are stated at cost less any accumulated impairment losses and accumulated amortisation, which is calculated to write off their cost, less any estimated residual value, on a straight-line basis over their expected useful lives. Impairments are recognised where the recoverable amount of the asset is less than its carrying amount. Expected useful lives are reviewed annually. Where the expected useful life is infinite or indefinite, the asset is tested annually for impairment either individually or at the cash generating unit level.

Customer relationships pertaining to contracts on certain development assets are amortised over the development life of those assets in accordance with development progress. These intangible assets were fully amortised during the year ended 31 December 2019, hence have nil value as at 31 December 2019.

d) Fixed Assets

Fixed Assets are recognised initially at cost. Each class of fixed assets are depreciated on a straight line basis over their useful life. The useful lives of each class of asset are as follows:

	Expected useful life (years)
Computer Equipment	3
Software	3
Fixtures and Fittings	5

e) Cash and cash equivalents and restricted cash

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash is classified as restricted when it is designated for a specific purpose and is not available for general and immediate use. When material, restricted cash is shown separately from other cash and cash equivalents on the balance sheet. Restricted cash is classed as current when it is expected to be used within one year, and non-current when it is expected to be used after more than one year from the balance sheet date.

f) Foreign currencies

Transactions in foreign currencies are recorded at the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of transaction. All differences are taken to the consolidated income statement.

In preparing the financial statements of certain subsidiaries where their functional currency is not Euro, profits and losses of these foreign operations are translated at average rates of exchange during the period and their assets and liabilities translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation of these foreign operations where the differences on monetary items for which settlement is neither planned nor likely, and which form part of the net investment in a foreign operation, are recognised in other comprehensive income and held in the foreign currency translation reserve until disposal of that foreign operation. At that disposal the difference is recognised in the consolidated income statement.

g) Financial assets

IFRS 9 Financial Instruments contains three principal classification categories for financial assets: 'measured at amortised cost,' 'at fair value through other comprehensive income' and 'at fair value through profit and loss.' The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Trade receivables are subject to IFRS 9's expected credit loss model, however the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables.

h) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss ("FVTPL")' (of which the Group has none) or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

2 Accounting policies (continued)

i) Assets held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's other accounting policies. Once classified as held-for-sale or held-for-distribution, intangible assets and property, plant & equipment are no longer amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

j) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill and intangibles or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets represent amounts recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forwards. Deferred tax assets are recognised to the extent that it is probable that there will be suitable taxable profits from which they can be deducted.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

During the year ended 31 December 2019, the Company became a Real Estate Investment Trust. See note 7 (h) for the impact of this conversion on the the tax charge during the year.

k) Leases

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

- Partnership as lessor
  Assets leased out under operating leases are included within investment properties. For the Group's revenue recognition policy refer to note 2(d).

2 Accounting policies (continued)

l) New standards effective in the current year or in the future

i. Standards effective from 1 January 2019

IFRS 16 was adopted by the Group from 1 January 2019. However, as the Group did not hold any assets on qualifying leases as lessee in either the current or prior period, this standard has not had a material impact on the Group's consolidated financial position.

IFRIC 23, Uncertainty over Income Tax Treatments. IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It is not expected that there will be any significant impact on the consolidated financial statements given the way the Group currently approaches its tax treatment.

Amendments to IFRS 9: Prepayment features with Negative Compensation. The amendments to this standard have not had a material impact on the Group's consolidated financial position.

Amendments to IAS 28: Long term Interests in Associates and Joint Ventures. As the Group has held no investments in associates or joint venture during the period , the amendments to this standard have not had a material impact on the Group's consolidated financial position.

ii. New Standards, amendments and interpretations issued but not yet effective
- IFRS 17 Insurance Contacts
- Amendments to IFRS 3 Business Combinations
- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of material (Amendments to IAS 1 and IAS 8)

None of these standards are expected to have a material impact on the Group.

m) Hedging instruments

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is reclassified to the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

3 Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December 2019			**Year ended 31 December 2018**		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
			€ '000			**€ '000**
Rental income	82,294	-	82,294	66,201	-	66,201
Service charge income	11,927	-	11,927	11,384	-	11,384
Other income	1,255	-	1,255	1,188	-	1,188
Construction contract revenue	-	-	-	-	68,974	68,974
	95,476	**-**	**95,476**	**78,773**	**68,974**	**147,747**

The contract relating to construction revenue was acquired in 2017 with a view to subsequent resale, and in December 2018 was transferred to a separate investment fund alongisde the assets held for sale as at December 2017, therefore there is no construction contract revenue for the year ended 31 December 2019.

An analysis of the Group's rental and service charge income by geographic location is as follows:

	Year ended As at 31 December 2019			**Period to As at 31 December 2018**		
	Rental income	**Service charge income**	**Total**	**Rental income**	**Service charge income**	**Total**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**	**€ '000**
United Kingdom	19,098	167	19,265	5,552	2	5,554
France	20,890	7,943	28,833	20,675	7,271	27,946
Germany	32,654	3,611	36,265	29,888	3,838	33,726
Netherlands	9,652	206	9,858	10,086	273	10,359
	82,294	**11,927**	**94,221**	**66,201**	**11,384**	**77,585**

4 Operating profit

Auditor's remuneration

During the year the Group obtained the following services from the Company's auditor and it's associates:

	Year ended 31 December 2019 € '000	Year ended 31 December 2018 € '000
Audit of the Group financial statements	167	155
Audit of the annual financial statements of subsidiaries	101	78
Total audit fee	**268**	**233**
Fees relating to other non-audit services	-	19
Total remuneration for services provided by the Company's auditor and its associates	268	252

5 Employment costs

The average number of employees employed by the Group during the year was:

	Year ended 31 December 2019	Year ended 31 December 2018
Senior Management Team	-	2
Property acquisition/development team	-	5
Support and administration	-	7
	-	**14**

Employment costs for the Group in the year were:

	Year ended 31 December 2019 € '000	Year ended 31 December 2018 € '000
Wages and salaries	-	-
Social security costs	-	-
Other pension costs - defined contribution schemes	-	-
	-	-

The group had no employees during the year ended 31 December 2019. During the year ended 31 December 2018, all employees were transferred to a separate entity outside the Pearl Income Holdings UK Limited group. Costs associated with their employment were reimbursed in the year ended 31 December 2018.

The directors of the Company are employees of GLP UK Management Limited, a company which provides management services to the parent of the Group. GLP UK Management Limited receives a fee for these services. No director receives any remuneration for services to the Group (2018: £nil).

6 Finance costs

	Year ended 31 December 2019 € '000	Year ended 31 December 2018 € '000
Interest payable on bank borrowings (see note 17)	25,410	22,580
Other interest	364	562
	25,775	**23,142**

7 Tax charge

(a) Tax charged in the income statement

	Year ended 31 December 2019 € '000	Year ended 31 December 2018 € '000
Current income tax:		
Current tax charge - UK corporation tax	7,282	-
Current tax charge - overseas corporation tax	1,626	8,401
Prior year adjustment - UK tax	639	(516)
Prior year adjustment - overseas corporation tax	(2,422)	(395)
Withholding tax	1,240	3,364
Total current tax charge	**8,365**	**10,854**
Deferred tax:		
Relating to origination and reversal of temporary differences	21,752	9,586
Total tax charge (including discontinued operations)	**30,117**	**20,440**

7 Tax charge (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19%.

The total charge for the period can be reconciled to the accounting profit as follows:

	Year ended 31 December 2019 € '000	Year ended 31 December 2018 € '000
Profit / (loss) before tax (including discontinued operations)	117,084	104,841
Accounting profit / (loss) subject to taxation	**117,084**	**104,841**
Expected tax charge/(credit) based on corporation tax rate of 19% (2017: 19.25%)	22,246	19,920
Non-deductible expenses	(3,633)	5,386
Release of deferred tax provision on obtaining REIT status	(25,150)	-
Deferred tax increase on OPCI tax rate change	29,683	-
Difference between UK tax rate and overseas tax rates	8,788	(2,096)
Movements in unrecognised deferred tax	(36)	(1,859)
Prior year adjustment	(1,782)	(911)
Total tax charge (including discontinued operations)	**30,117**	**20,440**

UK tax is calculated at 19% (2018: 19%) of taxable profits. Overseas tax is calculated at the tax rates prevailing in the relevant countries.

(c) Unrecognised tax losses

In addition, the Group has tax losses of €70.9m (2018: €112m) that are available for offset against future taxable profits of the subsidiaries in which the losses arose. Losses occurring in Luxembourg can be carried forward for 17 years while other losses can be carried forward indefinitely. The Group has losses in Luxembourg of €9.4m and €61.5m in other jurisdictions (Belgium, France, Germany, Italy, Netherlands, UK). Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries where at the balance sheet date there was insufficient evidence that they would be recoverable in the foreseeable future.

(d) Deferred tax balances

The deferred tax included in the Consolidated Balance Sheet is as follows:

Deferred tax (liability) / asset	Other short term timing differences € '000	Assets held for sale € '000	Unremitted earnings € '000	Losses € '000	Valuation of investment properties € '000	Total € '000
As at 31 December 2017	**(12,223)**	**(3,530)**	**(3,764)**	**960**	**(77,380)**	**(95,937)**
Prior year movement recognised in profit and loss	6,519	3,530	3,364	715	(23,714)	(9,586)
As at 31 December 2018	**(5,704)**	**-**	**(400)**	**1,675**	**(101,094)**	**(105,523)**
Current year movement recognised in profit and loss	5,468	-	400	(177)	(27,443)	**(21,752)**
As at 31 December 2019	**(236)**	**-**	**-**	**1,498**	**(128,537)**	**(127,275)**

(e) Other unrecognised deferred tax assets

The group has no unrecognised deferred tax assets.

(f) Contingent tax liabilities

The group has potential tax liabilities totalling €12.1m (2018: €10.3m) which are not expected to crystalise. However, In common with other similar businesses in its sector, operating in multiple jurisdictions, the group manages tax issues where matters of judgement are required. This includes matters related to transfer pricing and valuation, or where the group has been advised that there is uncertainty of interpretation, of local tax law. Otherwise, liabilites for current and future taxation have been appropriately recognised in the financial statements.
Current and future taxation have been appropriately recognised in the financial statements.

h) Real Estate Investment Trust regime (REIT regime)

The Company converted to UK REIT status on 1 October 2019. As a member of the UK REIT regime, profits from its share of the UK property rental business are tax exempt, although the profits attributable to the 10% minority interest holder continue to be taxed as before conversion. The profits of the non-UK subsidiaries also continue to be taxed as before conversion. The UK REIT regime only applies to certain property-related profits and has several criteria which have to be met. The main criteria are:

– the assets of the property rental business must be at least 75% of the Group's assets;
– the profit from the tax-exempt property rental business must exceed 75% of the Group's total profit; and
– at least 90% of the Group's profit from the UK property rental business must be paid as dividends.

The Company continues to meet these conditions and the Directors expect it should continue as a REIT for the foreseeable future.

In light of this conversion, the deferred tax liability of €3.3m recognised at 31 December 2019 in respect of UK investment properties reflects the reduction in the expected tax liability (2018: €25m).

8 Investment properties

	Stabilised	Under development
Fair value	**€ '000**	**€ '000**
Balance as at 31 December 2017	**1,238,527**	**165,178**
Disposals	(4,616)	(6,434)
Capital expenditure	147	113,220
Movement in lease incentives	5,506	-
Gain on revaluation of investment properties	53,315	84,338
Reclassification to assets classified as held for sale	-	(2,191)
Reclassification between Stabilised and Under Development	263,878	(263,878)
Exchange movements	(4,991)	(168)
Balance as at 31 December 2018	**1,551,766**	**90,065**
Disposals	(2,531)	-
Capital expenditure	20,925	35,400
Movement in lease incentives	7,824	-
Gain on revaluation of investment properties	58,516	57,347
Reclassification between Stabilised and Under Development	179,000	(179,000)
Exchange movements	26,426	-
Balance as at 31 December 2019	**1,841,926**	**3,812**

Investment properties were valued at 31 December 2019 on the basis of market value in accordance with generally accepted international valuation standards. Independent external valuers were used to assist in performing the valuation. Lease incentives of €13.3m (2018: €5.5m) are included in the carrying value of investment properties.

The Group determines the fair value of some properties based on, amongst other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future cash outflows in respect of such leases. Where available, the group determines the fair value of investment properties based on recent sales of similar properties in the same location and condition and subject to a similar leasing profile. Where comparable current sales in an active market do not exist, the Group considers information from a variety of sources including: i) discounted cash flows based on reliable estimates of future cash flows, supported by the terms of existing lease and other contracts, and evidence such as current market rents for similar properties in the same location and condition, using discount rates to reflect uncertainty in the amount and timing of the cash flows; ii) recent prices of similar properties in less active markets, with adjustments to reflect any change in economic conditions since the date of the observed transactions that occurred at those prices, including market rents and discount or capitalization rates; and iii) current prices in an active market for properties of a different nature, condition or location, including differences in leasing and other contracts.

The following table shows an analysis of the fair values of investment property recognised in the balance sheet by class of asset:

Class of property	Fair value hierarchy	Valuation technique	Valuation inputs	Average property 2019
Industrial logistics warehouses	3	Income Capitalisation Approach	Weighted average capitalisation rate	4.5%
			Weighted average ERV (€/m)	78.4

Fair value hierarchy:

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.
Level 2: fair values derived from observable inputs other than quoted prices.
Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

There were no transfers between levels during the year.

Sensitivity to significant changes in unobservable inputs:

Rents have a direct relationship to valuation, while yield has an inverse relationship. Estimated costs of a development project will inversely affect the valuation of properties under development. There are interrelationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in directions which have an opposite impact on value e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation.

Industrial logistics warehouses: a 1% change in ERV results in a less than 1% change in value; and a 25 basis point change in the cap rate results in an approximate 5.5% change in value.

9 Goodwill

Cost	**€ '000**
At 31 December 2017	**132,762**
Impairment of goodwill	(25,236)
At 31 December 2018	**107,526**
Impairment of goodwill	(3,645)
As at 31 December 2019	**103,881**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Goodwill relates to just one cash generating unit; the investment property portfolio. As shown in Note 10, an intangible asset relating to customer

In determining the recoverable amount of the goodwill the Group has used the fair value less costs of disposal basis. The fair value of investment properties used in the fair value less costs of disposal calculation was based on the independent external valuation of the Group's investment properties, adjusted for the expected corporate acquisition method by which a market participant would acquire the Group's portfolio. As a result, certain deferred tax liabilities are not assumed to be realised and transaction costs (including taxes) are reduced. A 13.85% decrease in the fair value of investment properties would reduce the recoverable amount to be equal to the carrying amount.

Aside from the fair value of investment properties, the key assumptions and estimates in calculating the fair value less costs of disposal are the portfolio premium applied and the estimated costs of disposal.

The portfolio premium reflects the fact that a prospective purchaser would pay more than the sum of the parts for the business based on the additional value that a stabilised group of assets brings, versus a collection of individual asset acquisitions. Removing the portfolio premium completely would still result in the revoverable amount of the goodwill exceeding the carrying amount.

Costs of disposal have been assumed at 75 basis points of the fair value of investment properties plus the portfolio premium. Costs would have to increase by 654 basis points to reduce the recoverable amount so that it is equal to the carrying amount.

During 2019 no evidence has arisen suggesting the future business and profitability of the Group is different from that assumed at acquisition date. Post-acquisition quarterly management accounts do not indicate any business issues and all primary statements are in line with management expectations. Operating cash flow is in line with regular forecasts with no adverse differences between budget and actual construction costs are evident for assets under development. Tenants are paying rent in line with their leases. Cash flow and operating income forecasts report positive trends. Furthermore, the logistics real estate sector is still seeing record levels of investment with cap rate compression across Europe, coupled with rental growth.

10 Other intangible assets

	Customer relationships **€ '000**
As at 31 December 2017	**77,151**
Amortisation of intangible assets	(40,960)
As at 31 December 2018	**36,191**
Amortisation of intangible assets	(36,191)
As at 31 December 2019	**-**

As part of an acquisition in the period ended 31 December 2017, the value of customer relationships was calculated at €77.2m. The asset specifically pertained to those properties under development where future tenants were already secured at the date of acquisiton. Amortisation has been recognised in line with the development profits recognised during the period to 31 December 2019 on the investment properties under development. Amortisation recognised during the year ended 31 December 2019 was €36.2m (2018: €41.0m). All properties under development at the time of the acquisition of the Gazeley Group have been completed, thus no intangible asset remains as at 31 December 2019.

11 Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

At 31 December 2018, the Group was due to sell a land asset to a related party. The sale completed in January 2019.

12 Trade and other receivables

	As at 31 December 2019 € '000	As at 31 December 2018 € '000
Trade receivables	4,195	9,383
Prepayments	4,023	362
VAT receivable	180	5,699
Retentions receivable	416	914
Amounts due from related parties (note 21)	86,391	76,427
Other receivables	14,246	6,140
	109,451	**98,925**
Of which current	109,035	97,635
Of which non-current	416	1,290

The carrying value of trade and other receivables approximates their fair value.
Amounts due from related parties are repayable on demand, interest free and unsecured.

Trade receivables

Trade receivables are monitored and allowances are created when there is evidence that amounts due, according to the terms of the receivable, may not be collected.

With respect to trade receivables that are neither past due nor impaired, there are no indications at the reporting date that the payment obligations will not be met. Therefore any expected lifetime credit loss under IFRS 9 is considered immaterial.

Ageing of trade receivables

		As at 31 December 2019 € '000	As at 31 December 2018 € '000
<30	days	1,478	3,828
30-60	days	252	4,826
60-90	days	1,997	459
90-120	days	174	132
>120	days	294	138
		4,195	**9,383**

13 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash held at banks as at 31 December 2019.

The fair value of cash and cash equivalents equals the carrying value. The Group deposits cash surpluses with major banks of high quality credit standing. All cash is immediately available without restriction.

The Group holds €1.4m (2018: €23.9m) of restricted cash which is primarily a tenant deposit held in an escrow account. The prior period included cash held in escrow accounts, under the terms of the Group's debt facility, until certain properties' leasing / construction conditions were met.

	As at 31 December 2019 € '000	As at 31 December 2018 € '000
Cash and bank balances	60,528	113,878
Restricted cash	1,407	23,927
	61,935	**137,805**

14 Trade and other payables

	As at 31 December 2019 € '000	As at 31 December 2018 € '000
Trade payables	14,477	13,290
Deferred income	4,513	1,737
Accruals	2,565	651
Other payables	11,732	20,777
	33,287	**36,455**
Amounts due within 1 year	33,287	36,455
	33,287	**36,455**

15 Provisions

As part of an acquisition in 2017, when carrying out the usual procedures prescribed by IFRS 3, Business Combinations, it was concluded that Pearl Income Holdings UK Limited had contingent liabilities pertaining to potential obligations under historic construction and development agreements, which were recognised as liabilities in accordance with the standard. These total €9.0m at 31 December 2019 (2018: €10.0m). Both the timing and likelihood of these potential obligations coming to fruition is uncertain.

16 Financial instruments

The Group is exposed to financial risks which include fluctuations in exchange rates and, to a lesser extent, interest rates. Financial risk management aims to recognise these risks and to mitigate them wherever possible using agreed policies and procedures.

Foreign currency risk
The principal exposure to currency exchange rates arises from fluctuations in the rate of the Sterling, which could impact both operating and investing activities.

Translational foreign exchange risk also arises on the translations of profits earned in domestic currencies to Euro and the translation of net assets denominated in domestic currencies into Euro. Given the Group's key territories spanning both Sterling and Euro countries it is difficult to fully mitigate this risk, however, the risk is partly mitigated by the borrowings associated with the foreign operations being in the local currency.

There is also risk associated with entities holding financial assets and liabilities in a currency other than their own functional currency. However, this is largely mitigated by limiting these instances wherever possible.

The exposure of the Group's financial assets and liabilities (principally being those denominated in GBP) to foreign currency risk is:

	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
	£'000	£'000	€ '000	€ '000
Cash	6,745	19,564	7,894	21,603
Restricted cash	1,037	14,434	1,214	15,938
Borrowings	(244,351)	(244,351)	(285,945)	(269,817)
Net exposure	**(236,569)**	**(210,353)**	**(276,837)**	**(232,276)**

The group also has currency exposure on non-financial assets and liabilities, the most significant of which are investment properties. At 31 December 2019 the Group held £404.8m (€473.7m) of GBP investment property (2018: £379.2m (€418.7m)).

A 1% movement in the Euro-GBP exchange rate would increase or decrease net assets by €0.5m with a corresponding change in equity.

Interest rate risk
The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact floating-rate borrowings by changing their future cashflows. The Group invests in hedging instruments on floating rate debt (specifically interest rate caps) to help mitigate this risk, with all floating rate debt fully hedged. At 31 December 2019, the Group has two caps on its Euro and Pound Sterling floating rate debt. The caps' remaining term is three years from the balance sheet date and their strike rates are 1.5% and 2.4% respectively. The group recognised a loss of €1.4m in the cash flow hedge reserve in relation to these caps during the year ended 31 December 2019 (2018: €nil).

The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

As at 31 December 2018	Floating rate	Fixed rate	Non-interest bearing	Total
	€'000	€'000	€'000	€'000
Trade and other receivables	-	-	92,864	92,864
Cash and cash equivalents	113,878	-	-	113,878
Trade and other payables	-	-	(34,718)	(34,718)
Borrowings	(367,421)	(642,555)	(711,049)	(1,721,025)
	(253,543)	**(642,555)**	**(652,903)**	**(1,549,001)**

As at 31 December 2019	Floating rate	Fixed rate	Non-interest bearing	Total
	€'000	€'000	€'000	€'000
Trade and other receivables	-	-	105,248	105,248
Cash and cash equivalents	60,528	-	-	60,528
Trade and other payables	-	-	(28,774)	(28,774)
Borrowings	(390,610)	(667,717)	(631,461)	(1,689,788)
	(330,082)	**(667,717)**	**(554,987)**	**(1,552,786)**

Liquidity risk
The Group aims to mitigate liquidity risk by managing cash generated by its operations, and applying cash collection targets throughout the Group. Investment is carefully controlled, with authorisation limits operating up to Group board level and cash payback periods applied as part of the investment appraisal process.

The tables overleaf summarise the maturity profile of the Group’s financial assets and liabilities at 31 December 2019 based on contractual undiscounted payments.

16 Financial instruments (continued)

As at 31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Trade and other receivables	2,117	89,005	452	1,290	-	92,864
Cash and cash equivalents	113,878	-	-	-	-	113,878
Trade and other payables	-	(22,909)	(11,809)	-	-	(34,718)
Borrowings	(711,049)	(4,581)	(13,742)	(73,292)	(1,028,299)	(1,830,963)
	(595,054)	**61,515**	**(25,099)**	**(72,002)**	**(1,028,299)**	**(1,658,939)**

As at 31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Trade and other receivables	-	95,832	9,000	416	-	105,248
Cash and cash equivalents	60,528	-	-	-	-	60,528
Trade and other payables	-	(28,774)	-	-	-	(28,774)
Borrowings	(659,744)	(5,130)	(15,390)	(1,127,985)	-	(1,808,249)
	(599,216)	**61,928**	**(6,390)**	**(1,127,569)**	**-**	**(1,671,247)**

Secured bank loans within Borrowings in the maturity profile above include future interest payments which have been calculated at the 31 December 2018/2019 spot interest rate.

Credit risk

The Group ensures that rigourous credit checks are carried out on all tenants and customers before entering into contracts with them. These checks are refreshed regularly for the Group's top tenants, and more infrequently for smaller tenants. Given the relatively wide customer base the group does not consider the concentration of credit risk to be high. The Group also only deals with financial institutions with strong credit ratings. In certain cases, the Group will require collateral to support these lease obligations. This usually takes the form of a rent deposit.

Fair value of financial assets and liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities by valuation technique:

- Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.
- Level 2: fair values derived from observable inputs other than quoted prices.
- Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

At the balance sheet date, all of the Group's financial instruments were classified as Level 3 financial instruments.

The fair value of Level 3 financial instruments is measured using the best available data, discounting future cash flows where appropriate or material.

All financial instruments' carrying values are materially equal to their fair value at the balance sheet date.

Capital management

The Group policy when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to the stakeholders and to sustain future development of the business. The Group manages its capital structure, and makes adjustment to it in light of changes in the economic conditions and the needs of the Group, using cash flow return on investment. Distributions are made whenever there is sufficient distributable cash and reserves in the Group.

The Directors consider that shareholders' equity constitutes capital.

Changes in liabilities from financing activities

	Loans and borrowings
	€'000
Balance at 31 December 2017	**2,269,034**
Changes from financing cash flows	
Repayment of borrowings	(4,616)
Total changes from financing cash flows	**(4,616)**
Changes arising from losing control of subsidiaries	(574,728)
Dividends paid to non-controlling interest not settled in cash	35,384
Interest expense	4,774
Effect of changes in foreign exchange rates	(6,134)
Other changes	(2,689)
Balance at 31 December 2018	**1,721,025**
Changes from financing cash flows	
Repayment of borrowings	(28,957)
Total changes from financing cash flows	**(28,957)**
Amortisation of Loan Arrangement Fees	5,600
Effect of changes in foreign exchange rates	16,131
Balance at 31 December 2019	**1,713,798**

17 Borrowings

	As at 31 December 2019	As at 31 December 2018
	€ '000	€ '000
Secured bank loans (non-current)	1,030,044	1,009,976
Other unsecured borrowings (non-current) (see note 21)	24,010	-
Non current borrowings	**1,054,054**	**1,009,976**
Other unsecured borrowings (current) (see note 21)	659,744	711,049
Current Borrowings	**659,744**	**711,049**
Total Borrowings	**1,713,798**	**1,721,025**

Secured bank loans

These loans are denominated in Euros and Sterling and have a fixed and floating interest component. The floating component of the debt has an expiry date 15 December 2022 (with an option to extend for two additional years) and the fixed component of the debt has an expiry date of 15 December 2024. They are secured by a charge over the investment properties of the group. The loans are fully drawn. Under the terms of the debt facility the Group complies with loan-to-value and debt yield covenants.

Other unsecured borrowings

Other unsecured borrowings include amounts owed to other group companies, are repayable on demand and incur no interest.

18 Share capital

	As at 31 December 2019	As at 31 December 2018
	€	€
Issued and fully paid		
1,000 ordinary shares of £0.01 (2018: 1 ordinary share of £1)	**12**	**1**

On incorporation the Company issued 1 ordinary share for consideration of £1. During the year ended 31 December 2019, the Company alloted 9 additional £ 1 ordinary shares. These shares were subsequently sub-divided into 1,000 £0.01 shares, giving a total share capital of £10 (€12). On 30 August 2019 the Company's shares were listed on the International Stock Exchange and the Company became a Real Estate Investment Trust ("REIT") on 1 October 2019. The shares are non-transferable and are held by GLP Europe Income Partners I SCSp.

19 Reserves

The Consolidated Statement of Changes in Equity is shown on page 13.

Exchange differences relating to the translation from the functional currencies of certain of the Group's subsidiaries into the Group's presentation currency are brought to account by entries made directly to the foreign currency translation reserve. When such a subsidiary is disposed of the portion of the reserve relating to that subsidiary is recognised as profit or loss in the Consolidated Income Statement.

The accumulated profit reserve holds the accumulated €83.8m profit

The company paid dividends of €27.0m during the year ended 31 December 2019 (2018: €26.3m)

The cash flow hedge reserve includes the cumulative net change in the fair value of the interest rate caps, as shown in note 16.

20 Non-Controlling Interest

On 20 December 2017, the Group obtained control of an unlisted group of companies specialising in the investment in and development of properties around Europe, by acquiring 90% of its net assets in exchange for consideration. During the year ended 31 December 2018 the group exercised their option to acquire 90% of a legacy 5.1% non-controlling interest (the other 10% being acquired by the Company's sister entity). All of the Group's investment property and €934m of the secured bank loans are held within the sub-group which includes the non-controlling interest.

	As at 31 December 2019 €'000	As at 31 December 2018 €'000
Non-Controlling Interest	133,325	119,935

21 Related party transactions

Amounts owed by related parties

The group was owed amounts by other entities within the GLP group as follows:

	As at 31 December 2019	As at 31 December 2018
	€'000	€'000
Pearl Income Holdings S.à r.l.	86,391	76,427
	86,391	**76,427**

Amounts outstanding are unsecured and carry no interest. No guarantees have been given or received.

Amounts owed to related parties

The Group owed amounts to other entities within the GLP group as follows:

	As at 31 December 2019	Year ended 31 December 2018
	€'000	€'000
GLP Europe Income Partners I SCSp	659,744	681,555
Pearl Income Investments II UK Limited	24,010	18,717
Other group undertakings	-	10,777
	683,754	**711,049**

GLP Europe Income Partners I SCSp is the parent entity of the Company.
Amounts outstanding are unsecured and carry no interest. No guarantees have been given or received.
Transactions throughout the year related to funding received or repaid.

22 Cash flows from discontinued operations

	As at 31 December 2019	Year ended 31 December 2018
	€'000	€'000
Operating cash flows	-	10,679
	-	**10,679**

In 2018, the discontinued operation was disposed of to a separate investment fund alongside certain investment properties. An allocation of the proceeds received for this transaction to this contract is not possible.

23 Operating lease arrangements

The Group as a lessor

Operating leases relate to the property held for development and sale that the Group owns. The majority of the completed properties are leased to tenants with lease terms between one and ten years, some also include lease incentives in the form of rent free periods.

Typically, properties are leased on terms which include recovery of a share of service charge expenditure and insurance.
Standard lease provisions include upward only rent reviews periodically, based on the prevailing market rent.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December 2019	As at 31 December 2018
	€'000	€'000
Not longer than one year	74,573	80,685
Longer than one and less than two years	67,000	68,996
Longer than two and less than three years	63,995	53,450
Longer than three and less than four years	58,174	44,802
Longer than four and less than five years	55,803	40,828
After five years	382,143	332,740
	701,688	**621,501**

The property rental income earned by the Group from its activity as a lessor is shown in note 3 to the consolidated financial statements.

24 Commitments for expenditure

	As at 31 December 2019	As at 31 December 2018
	€'000	€ '000
Capital expenditure contracted for property development projects	**10,207**	**48,981**

25 Ultimate parent undertaking and controlling party

The immediate parent company and ultimate controlling party of the Group is GLP Europe Income Partners I SCSp, incorporated in Luxembourg. No consolidated financial statements are prepared by the immediate parent and ultimate controlling party.

26 Events subsequent to the balance sheet date

There were no material events subsequent to the balance sheet date other than risk posed by the COVID-19 health crisis referred to in the Strategic Report.

Pearl Income Holdings UK Limited
Company Balance Sheet
at As at 31 December 2019

	Notes	As at 31 December 2019	As at 31 December 2018
		€ '000	€ '000
Non-current assets			
Investment in subsidiaries	3	-	-
Current assets			
Other receivables	4	1,406,620	1,394,231
Cash and cash equivalents		24	6,814
		1,406,643	**1,401,045**
Current liabilities			
Other payables	5	(1,413,350)	(1,378,588)
Net current liabilities		**(6,707)**	**22,457**
Net assets		**(6,707)**	**22,457**
Capital and reserves			
Share capital		-	-
Retained earnings		(6,707)	22,457
Equity		**(6,707)**	**22,457**

The financial statements on pages 28 to 33 were approved by the Board of Directors and authorised for issue on 29 April 2020.

Signed on behalf of the board

B J Marks
Director

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Company Statement of Changes in Equity
for the year ended As at 31 December 2019

	Retained earnings	Share capital	Total equity
	€ '000	€ '000	€ '000
Balance as at 31 December 2017	-	-	**-**
Profit and total comprehensive income for the year	48,737	-	**48,737**
Dividends paid	(26,280)	-	**(26,280)**
Balance as at 31 December 2018	**22,457**	**-**	**22,457**

	Retained earnings	Share capital	Total equity
	€ '000	€ '000	€ '000
Balance as at 31 December 2018	22,457	-	**22,457**
Profit / (Loss) and total comprehensive income for the year	(2,164)	-	**(2,164)**
Dividends paid	(27,000)	-	**(27,000)**
Balance as at As at 31 December 2019	**(6,707)**	**-**	**(6,707)**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Notes to the company financial statements
for the year ended As at 31 December 2019

1 Accounting Policies

General information
Pearl Income Holdings UK Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The principal activities of the Company and the nature of its operations are to invest in European logistics properties through its subsidiaries. These financial statements are presented in Euros. Comparative information is shown for the year to 31 December 2018.

Basis of preparation of financial statements
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).
In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Pearl Income Holdings UK Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies for the Company are the same as those set out in the accounting policies for the Group, except for the following:

Subsidiary undertakings
Investments in subsidiary companies are stated at cost less any provision for impairment. Dividends received from subsidiaries are recognised when declared.

2 Income statement

The Company has taken the exemption under section 408 of Companies Act, therefore no income statement has been presented. The loss for the year was €2.1m (2018 profit: €48.7m).

The Company has no employees and the directors receive no remuneration from the Company (2018: nil).

3 Investment in subsidiaries

The subsidiary undertakings, all of which are included in the consolidated financial statements, are shown below:

Name of Company	Principal activity	Place of incorporation		Ownership interest
Pearl Income Investments UK Limited	Holding company	United Kingdom		100%
Gazeley Belgium S.P.R.L.	Holding Company	Belgium	*	90%
Magna Park Belgium Common Parts S.P.R.L.	Holding Company	Belgium	*	90%
Gazeley Bermuda Holdings Limited	Holding Company	Bermuda	*	90%
Gazeley Investment Consulting (Shanghai) Company Limited	Property consulting service	China	*	90%
Gazeley Nanjing Warehousing Management Co. Ltd	Property Investment	China	*	90%
Gazeley Logistics France 1 OPCI	Property Investment	France	*	90%
Gazeley Fos 1 SAS	Property Investment	France	*	90%
Gazeley France 2 SAS	Property Investment	France	*	90%
Gazeley Logistics France 2 OPCI	Property Investment	France	*	90%
SCI Bussy 1	Property Investment	France	*	90%
SCI Combs 1	Property Investment	France	*	90%
SCI Gazeley Arras 1	Property Investment	France	*	90%
SCI Gazeley Dole 1	Property Investment	France	*	90%
SCI Gazeley Grand Est 1	Property Investment	France	*	90%
SCI Gazeley Projet 1	Property Investment	France	*	90%
SCI Gazeley Sainte-Marie de Redon 1	Property Investment	France	*	90%
SCI Lagny	Property Investment	France	*	90%
SCI Marly	Property Investment	France	*	90%
SCI Meyzieu	Property Investment	France	*	90%
SCI Ormes 1-4	Property Investment	France	*	90%
SCI Ormes 5	Property Investment	France	*	90%
SCI Ormes 6-8	Property Investment	France	*	90%

Pearl Income Holdings UK Limited
Notes to the company financial statements
for the year ended As at 31 December 2019

3 Investments in subsidiaries (continued)

Name of Company	Principal activity	Place of incorporation		Ownership interest
SCI Ormes 9	Property Investment	France	*	90%
SCI St Fargeau	Property Investment	France	*	90%
SCI St Germain	Property Investment	France	*	90%
SCI Val de Reuil	Property Investment	France	*	90%
Gazeley Berlin Verwaltungs GmbH	Property Investment	Germany	*	90%
Gazeley Fulda GmbH	Property Investment	Germany	*	90%
Gazeley Germany GmbH	Property Investment	Germany	*	90%
Gazeley Hassfurt GmbH	Property Investment	Germany	*	90%
Gazeley Hermsdorfer Kreuz GmbH	Property Investment	Germany	*	90%
Gazeley Kandel GmbH	Property Investment	Germany	*	90%
Gazeley Kassel Unit 5 GmbH	Property Investment	Germany	*	90%
Gazeley Nohra GmbH	Property Investment	Germany	*	90%
Gazeley Projekt-1 GmbH	Property Investment	Germany	*	90%
Gazeley Winsen GmbH	Property Investment	Germany	*	90%
Magna Park Kassel GmbH	Property Investment	Germany	*	90%
Gazeley Limited	Holding Company	United Kingdom	*	90%
Logidune Kft.	Property Investment	Hungary	*	90%
Gazeley India Private Limited	Property Investment	India	*	90%
Gazeley Italia SRL	Property Investment	Italy	*	90%
Green Logis SRL	Property Investment	Italy	*	90%
Monticelli 1 SRL	Property Investment	Italy	*	90%
Gazeley Holdings Jersey Limited	Holding Company	Jersey	*	90%
Gazeley Azure Europe Lux 1 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Dusseldorf South 1 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Dusseldorf South 2 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley France Cobalt S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Frankfurt West S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Group S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Hannover S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Lux Holdings 1 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Luxco 1 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Luxco 2 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Luxco France 1 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Luxco France 2 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Luxembourg S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Mannheim 1 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Mannheim 2 S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Ostwestfalen S.à r.l.	Property Investment	Luxembourg	*	90%
Gazeley Violet Holdings S.à r.l.	Holding Company	Luxembourg	*	90%
Magna Park JV Units - Germany S.à r.l.	Property Investment	Luxembourg	*	90%
Magna Park JV Units Rhein Main 1 - Germany S.à r.l.	Property Investment	Luxembourg	*	90%
Seventeen Blanket Flower S.à r.l.	Property Investment	Luxembourg	*	90%
SHCO 86 S.à r.l.	Holding Company	Luxembourg	*	90%
Gazeley Mauritius Holdings Ltd	Holding Company	Mauritius	*	90%
Gazeley Nanjing 1 Holdings Ltd	Holding Company	China	*	90%
Gazeley Netherlands Cooperatief U.A.	Holding Company	Netherlands	*	90%
Gazeley Espana S.L.	Holding Company	Spain	*	90%
G Park Investments I S.L.	Holding Company	Spain	*	90%
G Park Enfield Limited	Property Investment	United Kingdom	*	90%
G Park Wakefield Limited	Property Investment	United Kingdom	*	90%
Gazeley Blue UK Limited	Holding Company	United Kingdom	*	90%
Gazeley Finance Limited	Holding Company	United Kingdom	*	90%
Gazeley Holdings UK Limited	Holding Company	United Kingdom	*	90%
Gazeley Investments Limited	Property Investment	United Kingdom	*	90%

3 Investments in subsidiaries (continued)

Name of Company	Principal activity	Place of incorporation		Ownership interest
Gazeley Lutterworth 4400 Limited	Property Investment	United Kingdom	*	90%
Gazeley MK 340 Limited	Property Investment	United Kingdom	*	90%
Gazeley MK 510 Limited	Property Investment	United Kingdom	*	90%
Gazeley MK 520 Limited	Property Investment	United Kingdom	*	90%
Magna Park Management Limited	Property Investment	United Kingdom	*	90%
Pearl Altitude Limited	Property Investment	United Kingdom	*	90%
Pearl Daventry Limited	Property Investment	United Kingdom	*	90%
Pearl Enfield Limited	Property Investment	United Kingdom	*	90%
Pearl Lutterworth 2110 Limited	Property Investment	United Kingdom	*	90%
Pearl Lutterworth 4400 Limited	Property Investment	United Kingdom	*	90%
Pearl Lutterworth Fuel and Wash Limited	Property Investment	United Kingdom	*	90%
Pearl MK 330 Limited	Property Investment	United Kingdom	*	90%
Pearl MK 340 Limited	Property Investment	United Kingdom	*	90%
Pearl MK 520 Limited	Property Investment	United Kingdom	*	90%
Pearl MK Phase 2 Infrastructure Limited	Property Investment	United Kingdom	*	90%
Pearl MK Woodland Limited	Property Investment	United Kingdom	*	90%
Pearl Ocean UK Midco Limited	Property Investment	United Kingdom	*	90%
Pearl Sapphire UK Holdco Limited	Property Investment	United Kingdom	*	90%

* Held by a subsidiary undertaking

All of the ownership interests shown are in the ordinary share capital of each company.

Registered office grouped by country:

UK	50 New Bond Street, London, United Kingdom, W1S 1BJ
Mauritius	Les Cascades building edith, Cavell, Street Port Louis, Mauritius
China	33 Huaihai road, Shanghai, 31 200021, China
France	36 Rue Marbeuf, 75008, Paris, France
Germany	Taunusanlage 1 - Skyper, 18. OG, 60329 Frankfurt am Main, Germany
Italy	Via Brasili 91, 41122, Modena, Italy
Luxembourg	1B Heienhaff, L-1736, Senningerberg, Luxembourg
Spain	Torre Picasso, Plaza Pablo Ruiz Picasso, 1 – Planta 13, 28020 Madrid,, Spain
India	119 Lower Ground Floor, Anarkali Bazar Jhandewalan Extn., Delhi - 110031. DL 110031 IN
Bermuda	73 Front Street, HM12 Hamilton, Bermuda

4 Other receivables

	As at 31 December 2019	As at 31 December 2018
	€ '000	€ '000
Amounts owed by subsidiary undertakings	1,406,620	1,394,231

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and interest free. The amounts owed include balances denominated in other currencies other than Euro of £566m (2018: £566m). There are no provisions for doubtful debts as at 31 December 2019 (2019: €nil). Given the financial performance and position of the Group any expected lifetime credit loss in the amounts owed by subsidiary undertakings is considered immaterial.

5 Other payables

	As at 31 December 2019	As at 31 December 2018
	€ '000	€ '000
Other payables	349	-
Amounts owed to immediate parent company	659,749	668,996
Amounts owed to other subsidiary entities	753,253	709,592
Total payables	**1,413,350**	**1,378,588**

Amounts owed to fellow group entities are unsecured, repayable on demand and interest free.

6 Related party transactions

Related party transactions consist of the loans mentioned in Notes 4 and 5 which are with counterparties within a wholly owned group.