Pearl Income Holdings UK Limited

Registered number 11065839

Annual report and consolidated financial statements for the year ended 31 December 2020

Pearl Income Holdings UK Limited
Contents

Pearl Income Holdings UK Limited
Company Information

Directors

R N Hargreaves
B J Marks
S N Slaughter

Registered office

50 New Bond Street
London
United Kingdom
W1S 1BJ

Principal place of business

50 New Bond Street
London
United Kingdom
W1S 1BJ

Main Banker

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 and the consolidated financial statmcnts of Pearl Income Holdings UK Limited (hereinafter the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2020.

Principal activities and business review

The Group's principal activities are logistics property investment.

The Group owns a portfolio of real estate logistics warehouses comprising 67 assets with 1.6m SM leasable area. The assets are located in Europe's foremost logistics markets; France (29%), Germany (43%), Netherlands (14%) and UK (14%) (weighted by buildable gross leasable area).

During the year, the Group leased a total of 277,156 sqm (2019: 277,286 sqm), representing 14% of the total portfolio. This resulted in a leased ratio of 94% at 31 December 2020 (2019: 96%). As at 31 December 2020, the Group had 98,348 sqm (2019: 55,941 sqm) of vacancy. As at 31 December 2020, the weighted average lease expiry to first break for the portfolio was 7.0 years (2019: 7.3 years).

2020 has been an unprecedented year with Coronavirus hitting Europe in March 2020. While some European real estate sectors such as retail and leisure have been affected, the logistics sector remained resilient. Across the board, Group metrics remained strong and in-line with forecast, including rent collection, leasing activity, occupancy and distributable income. The Group also maintained and built-out a diversified tenant base largely weighted to resilient sectors, like e-commerce and food during 2020.

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 stable income driven returns;
- to uphold the Group's reputation for quality, integrity and social responsibility; and
- to maximise 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 €125,319,000 (2019: €117,084,000).
The Group's net asset position was €266,280,000 (2019: €227,024,000) at the year end.
Net cash outflows for the year were €17,702,000 (2019: €79,960,000).

Key Performance Indicators (KPIs)

The Group considers its KPIs to include:

- Occupancy - 94% as at 31 December 2020 (2019: 96%)
- Operating Profit from continuing operations for the year ended 31 December 2020 of €150,005,000 (2019: €182,696,000)
- Assets under management as at 31 December 2020 of €1,918,578,000 (2019: €1,845,738,000)

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

Pearl Income Holdings UK Limited
Strategic Report (continued)

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 its 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 who 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 previous 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.

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 in which it operates. 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, and despite the securing of a trade agreement at the end of 2020, the extent of this potential impact in the medium to longer term is not clear. The Group has a debt facility which has a fixed and floating interest component. The floating component of the debt has an expiry date 20 December 2022 (with an option to extend for two additional years) and the fixed component of the debt has an expiry date of 20 December 2024. They are secured by a charge over the investment properties of the group and the loans are fully drawn. Under the terms of the debt facility the Group complies with loan-to-value and debt yield covenants.

Pearl Income Holdings UK Limited
Strategic Report (continued)

Principal risks and uncertainties (continued)

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 and 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.

The development of COVID-19 into a global health crisis during 2020 has shown the financial strength and stability of the Group despite the adversities across other Real Estate sectors, positioning logistics and distribution as one of the most attractive markets for investors. 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 anticipated some short-term volatility, they are now confident that the Group's scale, quality, and strength of liquidity and balance sheet will allow it to meet any short-term challenges in the coming year.

As at the date of signing these financial statements, the Directors continue to closely monitor the developing situation and stakeholder impacts. Operations and developments continue to progress throughout 2020 and currently during 2021 without significant disruption and 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 and over time the full impact of COVID-19 will become clear, but at this stage there is no indication of any significant adverse impact on the Group.

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. 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 fully clear what impact 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 and the logistics sector in which the Group operates appears well insulated.

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 impac on the Group.

On behalf of the board,

B J Marks
Director
21 April 2021

Pearl Income Holdings UK Limited
Directors' 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 2020.

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.

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
B J Marks
S N Slaughter

Dividends

The directors have proposed a final ordinary dividend in respect of the current financial year of €9.0m. This has not been included within creditors as it was not approved before the year end. Dividends paid during the year comprise a final dividend of €29.0m in respect of the previous year ended 31 December 2019, together with interim dividends in respect of the year ended 31 December 2020 of €27.0m.

For the year ended 31 December 2019, dividends paid during the year comprise a final dividend of €9.0m in respect of the previous year ended 31 December 2018, together with interim dividends in respect of the year ended 31 December 2019 of €18.0m.

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 67 properties in four European countries. The Group's largest tenant, a multinational AA-rated technology company and on-line retailer, represents 30% of contracted rent at 31 December 2020 and the top 5 tenants together represent 48%.

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. During the year, as a result of Covid-19, a number of the Group's tenants requested deferral or a re-profiling of rent payments. Such requests were considered on a case by case basis and based on the merits of such request as pertained to the particular circumstances of the tenant. The Directors considered the risk that additional 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 categorised "high-medium risk" do not pay any rent and all tenants categorised "medium risk" pay 50% of their rent for the next 12 months the Directors forecast that the Group will continue to have sufficient cash resources to meet its liabilities as they fall due. At year-end, the group had net current liabilities of €576m (2019: €543m).

The Directors have considered the other unsecured borrowings of €676m due to GLP Europe Income Partners I SCSp, the parent entity of the Group and €17m due to Pearl Income Investments II UK Limited, a related party to the Group. These borrowings are repayable on demand. However, GLP Europe Income Partners I SCSp have indicated their intention to not demand repayment of the borrowings for the twelve months from signing. 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 by its investment property portfolio which does not require any repayment until 20 December 2022, albeit with an option to extend for a further two years. The loan includes financial covenants for loan-to-value ('LTV') and Debt Yield ('DY'). These covenants have been complied with throughout the year, 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 2020, the Group retained headroom against the covenant limit of over 19%. This means that a fall in property values by some €317 million (based on the previous lender valuation) would be required to cause a breach. Given the continuing demand for logistics property across Europe, the Directors forecast the covenant will continue to be complied with for at least the next 12 months.

Pearl Income Holdings UK Limited
Director's Report (conituned)

Going Concern (continued)

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 which would result in a breach of the DY covenant. To breach the DY covenant, all tenants categorised "high-medium risk", all tenants "medium-risk" and a proportion of tenants categorised as "medium-low" risk would need to become insolvent and would not contribute to projected net operating income, the likelihood of which the Directors consider to be remote. 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.

Streamlined Energy and Carbon Reporting

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.

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; and
- 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 auditor 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 the ongoing risk posed by the COVID-19 health crisis referred to in the Strategic Report.

On behalf of the board,

B J Marks
Director
21 April 2021

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 and parent financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 2020 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 company 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 company or to cease its operations, and as they have concluded that 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 its 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.
Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concem for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors of whether they are aware of fraud and of the Company's high level policies and procedures to prevent and detect fraud;
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuations.

We did not identify any additional fraud risks.

Independent Auditor's Report to the members of Pearl Income Holdings UK Limited (continued)

On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from operating lease contracts with fixed, or highly predictable, periodic payments.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company fraud risk management controls.

We also performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- evaluating the business purpose of significant unusual transactions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant legislation, property laws and building legislation, recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation..

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

We have nothing to report in these respects.

Independent Auditor's Report to the members of Pearl Income Holdings UK Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 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 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.

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

Date: 21.04.2021

Pearl Income Holdings UK Limited
Consolidated Income Statement
for the year ended 31 December 2020

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
		€ '000	€ '000
Revenue	3	103,343	95,476
Cost of sales		(27,538)	(23,601)
Gross profit		**75,805**	**71,875**
General and administrative expenses		(5,173)	(6,031)
Other income / (losses)		82	989
Gain on revaluation of investment properties	7	79,291	115,863
Operating profit	4	**150,005**	**182,696**
Depreciation, amortisation and impairment	8, 9, 13	(27)	(39,837)
Finance costs	5	(24,659)	(25,775)
Profit before tax		**125,319**	**117,084**
Tax charge	6	(16,088)	(30,117)
Profit for the year		**109,231**	**86,967**
Attributable to:			
Equity holders of the parent		97,884	78,364
Non-controlling interest		11,347	8,603
Profit for the year		**109,231**	**86,967**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Year ended 31 December 2020 € '000	Year ended 31 December 2019 € '000
Profit for the year	109,231	86,967
Foreign exchange differences on translation of foreign operations	(14,412)	19,247
Gains / (Losses) on cash flow hedges	438	(1,371)
Total comprehensive income for the year	**95,257**	**104,843**
Attributable to:		
Owners of the Company	91,215	91,453
Non-controlling interest	4,042	13,390
Total comprehensive income for the year	**95,257**	**104,843**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Consolidated Balance Sheet
As at 31 December 2020

	Notes	As at 31 December 2020	As at 31 December 2019
		€ '000	€ '000
Non-current assets			
Investment properties - stabilised	7	1,918,578	1,841,926
Investment properties - under development	7	-	3,812
Goodwill	8	103,881	103,881
Trade and other receivables	11	-	416
Restricted cash	12	2,598	1,407
Property, plant and equipment	13	53	-
		2,025,110	**1,951,442**
Current assets			
Trade and other receivables	11	96,497	109,035
Cash and cash equivalents	12	41,303	60,528
		137,800	**169,563**
Current liabilities			
Trade and other payables	14	(22,927)	(33,287)
Provisions	15	(8,962)	(8,979)
Borrowings	17	(676,711)	(659,744)
Lease liability	18	(31)	-
Income tax liabilities		(4,710)	(10,642)
		(713,341)	**(712,652)**
Net current liabilities		**(575,541)**	**(543,089)**
Non-current liabilities			
Borrowings	17	(1,036,606)	(1,054,054)
Lease liability	18	(28)	-
Deferred tax liabilities	6	(146,655)	(127,275)
		(1,183,289)	**(1,181,329)**
Net assets		**266,280**	**227,024**
Capital and reserves			
Share capital	19	-	-
Foreign currency translation reserve	20	4,166	11,274
Cash flow hedge reserve		(933)	(1,371)
Accumulated profit	20	125,680	83,796
Equity		**128,913**	**93,699**
Non-controlling interest	21	137,367	133,325
Total equity		**266,280**	**227,024**

The financial statements on pages 11 to 32 were approved by the Board of Directors and authorised for issue on 21 April 2021

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 31 December 2020

	Notes	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Accumulated profit	Total shareholders' equity	Non-controlling interest	Total equity
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance as at 31 December 2018		-	(3,186)	-	32,432	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 gain arising on translation of foreign operations		-	14,460	-	-	14,460	4,787	19,247
Losses on cash flow hedges			-	(1,371)	-	(1,371)	-	(1,371)
		-	11,274	(1,371)	110,796	120,699	133,325	254,024
Transactions with owners								
Dividends relating to 2018	20	-	-	-	(9,000)	(9,000)	-	(9,000)
Dividends relating to 2019	20	-	-	-	(18,000)	(18,000)	-	(18,000)
Balance as at 31 December 2019		-	11,274	(1,371)	83,796	93,699	133,325	227,024
	Notes	**Share capital**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Accumulated profit**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance as at 31 December 2019		-	11,274	(1,371)	83,796	93,699	133,325	227,024
Total comprehensive income for the year								
Profit for the year		-	-	-	97,884	97,884	11,347	109,231
Foreign exchange loss arising on translation of foreign operations		-	(7,108)	-	-	(7,108)	(7,304)	(14,412)
Gains on cash flow hedges			-	438	-	438	-	438
		-	4,166	(933)	181,680	184,913	137,367	322,280
Transactions with owners								
Dividends relating to 2019	20	-	-	-	(29,000)	(29,000)	-	(29,000)
Dividends relating to 2020	20	-	-		(27,000)	(27,000)	-	(27,000)
Balance as at 31 December 2020		-	4,166	(933)	125,680	128,913	137,367	266,280

Pearl Income Holdings UK Limited
Consolidated Cash Flow Statement
for the year ended 31 December 2020

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
		€ '000	€ '000
Cash flows generated in operating activities			
Profit for the year		109,231	86,967
Adjustments for:			
Tax charge	6	16,088	30,117
Finance costs	5	24,659	25,775
Gain on revaluation of investment properties	7	(79,291)	(115,863)
Depreciation, amortisation and impairment	8, 9, 13	(27)	39,837
Decrease / (Increase) in trade and other receivables		8,721	(11,127)
Decrease in trade and other payables		(9,211)	(7,286)
Total Cash generated from operating activities		**70,170**	**48,420**
Taxes paid		(2,640)	(697)
Net cash generated from operating activites		**67,530**	**47,723**
Cash flows used in investing activities			
Disposal of investment property and assets held for sale	7, 10	-	4,722
Capital expenditure on investment properties	7	(19,502)	(56,325)
Net cash used in investing activities		**(19,502)**	**(51,603)**
Cash flows generated from financing activities			
Repayment of external borrowings		-	(9,115)
Drawdown / (Repayment) of related party borrowings		10,367	(19,843)
Payment of dividends		(56,000)	(27,000)
Lease liability repayment		(23)	-
Payment of interest		(20,074)	(20,122)
Net cash used in financing activities		**(65,730)**	**(76,080)**
Net decrease in cash and cash equivalents		**(17,702)**	**(79,960)**
Effects of exchange rate changes on cash and cash equivalents		(332)	4,090
Cash and cash equivalents at the beginning of the year		61,935	137,805
Cash and cash equivalents at the end of the year	12	**43,901**	**61,935**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Notes to the Group financial statements
for the year ended 31 December 2020

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. 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. There was no change to the share capital during the year ended 31 December 2020. 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 Group 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 Basis of accounting and summary of significant accounting policies

Basis of preparation and statement of compliance with IFRS

The Group 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 financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 33 to 37.

The significant accounting policies and principles applied in the preparation of these Group financial statements are regularly re-evaluated by the Group to ensure their continued quality and reasonableness. They are as follows:

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 67 properties in four European countries. The Group's largest tenant, a multinational AA-rated technology company and on-line retailer, represents 30% of contracted rent at 31 December 2020 and the top 5 tenants together represent 50%.

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. During the year, as a result of Covid-19, a number of the Group's tenants requested deferral or a re-profiling of rent payments. Such requests were considered on a case by case basis and based on the merits of such request as pertained to the particular circumstances of the tenant. The Directors 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 categorised "high-medium risk" do not pay any rent and all tenants categorised "medium risk" pay 50% of their rent for the next 12 months the Directors forecast that the Group will continue to have sufficient cash resources to meet its liabilities as they fall due. At year-end, the group had net current liabilities of €576m (2019: €543m).

The Directors have considered the other unsecured borrowings of €676m due to GLP Europe Income Partners I SCSp, the parent entity of the Group and €17m due to Pearl Income Investments II UK Limited, a related party to the Group. These borrowings are repayable on demand. However, GLP Europe Income Partners I SCSp have indicated their intention to not demand repayment of the borrowings for the twelve months from signing. 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 by its investment property portfolio which does not require any repayment until 20 December 2022, albeit with an option to extend for a further two years. The loan includes financial covenants for loan-to-value ('LTV') and Debt Yield ('DY'). These covenants have been complied with throughout the year, 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 2020, the Group retained headroom against the covenant limit of over 19%. This means that a fall in property values by some €317 million (based on the previous lender valuation) would be required to cause a breach. Given the continuing demand for logistics property across Europe, the Directors forecast the covenant will continue to be complied with for at least the next 12 months.

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 which would result in a breach of the DY covenant. To breach the DY covenant, all tenants categorised "high-medium risk", all tenants "medium-risk" and a proportion of tenants categorised as "medium-low" risk would need to become insolvent and would not contribute to projected net operating income, the likelihood of which the Directors consider to be remote. 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.

2 Basis of accounting and summary of significant accounting policies (continued)

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 2020. Subsidiaries are Group from the date of their acquisition, being the date on which the Group obtains control, and continue to be Group 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 Group financial statements are prepared for the year ended 31 December 2020. 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 Group 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.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with adopted IFRS 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.

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.

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
- 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 7.

Taxes

The Group 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 Group 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.

2 Basis of accounting and summary of significant accounting policies (continued)

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.

Summary of 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 properties

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 using the Income Capitalisation method: the current lease is valued using the appropriate net operating income and initial yield of the property; an annuity values future cash flows using an appropriate Estimated Rental Value (ERV) and reversionary cap rate, which is discounted to present value and added to the value of the initial lease to determine a gross property value; this value is adjusted for medium term capital expenditure and selling costs / taxes to identify a net value. 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.

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 2020.

d) Cash and cash equivalents and restricted cash

Cash and cash equivalents 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 Group cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

e) 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 Group income statement.

2 Basis of accounting and summary of significant accounting policies (continued)

e) Foreign currencies (continued)

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 Group income statement.

f) Financial instruments

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.

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.

g) 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 Group 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.

During the year ended 31 December 2019, the Company became a Real Estate Investment Trust. See note 6 (h) for the impact of this conversion on the the tax charge during the year.

2 Basis of accounting and summary of significant accounting policies (continued)

h) Leases

The Group has applied IFRS 16 Leases since 1 January 2019. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessor

Assets leased out under operating leases are included within investment properties. For the Group's revenue recognition policy refer to note 2) a).

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Where the right-of-use asset meets the definition of investment property and as such is measured at fair value, being the present value of future lease payments, it is held in the Consolidated Statement of Financial Position as investment property. Where the right of use asset meets the definition of property, plant and equipment, and, as such, is held at depreciated cost, it is held in the Consolidated Statement of Financial Position as property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
-fixed payments, including in-substance fixed payments;
-variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
-amounts expected to be payable under a residual value guarantee;
-the exercise price under a purchase option that the Group is reasonably certain to exercise,
-lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
-penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

i) Property, plant and equipment

The only property, plant and equipment held by the Group are right of use assets which are measured at cost to include the lease liability, direct and restoration cost and are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

The following Adopted IFRSs have been issued but have not been applied by the Group in these Group financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2. The Group is considering other benchmarking systems for future debt facilities due to the FCA's interest rate benchmark reforms. However, due to the prospective nature of this reform, the Group does not consider that this will have a material impact on the financial instruments currently held.

New Standards, amendments and interpretations issued but not yet effective

-IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current
-Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract
-Amendments to References to the Conceptual Framework in IFRS 3
-Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use
-Annual Improvements to IFRS Standards 2018-2020

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

k) 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 in the Statement of Comprehensive Income. 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 2020	Year ended 31 December 2019
Rental income	85,255	82,294
Service charge income	14,255	11,927
Other income	3,833	1,255
	103,343	95,476

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

	Year ended 31 December 2020			Year ended 31 December 2019		
	Rental income	Service charge income	Total	Rental income	Service charge income	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
United Kingdom	16,777	913	17,690	19,098	167	19,265
France	18,227	7,370	25,597	20,890	7,943	28,833
Germany	39,606	5,509	45,115	32,654	3,611	36,265
Netherlands	10,645	463	11,108	9,652	206	9,858
	85,255	14,255	99,510	82,294	11,927	94,221

4 Operating profit

Auditor's remuneration

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

	Year ended 31 December 2020	Year ended 31 December 2019
	€ '000	€ '000
Audit of the Group financial statements	173	167
Audit of the annual financial statements of subsidiaries	105	101
Total audit fee	**278**	**268**

5 Finance costs

	Year ended 31 December 2020	Year ended 31 December 2019
	€ '000	€ '000
Interest payable on bank borrowings (see note 17)	26,130	25,410
Other interest (income) / expense	(1,471)	365
	24,659	25,775

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended 31 December 2020

6 Tax charge

(a) Tax charged in the income statement

	Year ended 31 December 2020	Year ended 31 December 2019
	€ '000	€ '000
Current income tax:		
Current tax (credit) / charge - UK corporation tax	(3,551)	7,282
Current tax charge - overseas corporation tax	4,671	1,626
Prior year adjustment - UK tax	(4,371)	639
Prior year adjustment - overseas corporation tax	(42)	(2,422)
Withholding tax	-	1,240
Total current tax charge / (credit)	(3,293)	8,365
Deferred tax:		
Relating to origination and reversal of temporary differences	19,381	21,752
Total tax charge (including discontinued operations)	16,088	30,117

(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

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

	Year ended 31 December 2020	Year ended 31 December 2019
	€ '000	€ '000
Profit / (loss) before tax (including discontinued operations)	125,319	117,084
Accounting profit / (loss) subject to taxation	**125,319**	**117,084**
Expected tax charge/(credit) based on corporation tax rate of 19% (2019: 19%)	23,811	22,246
Non-deductible expenses / (non-taxable income)	(1,094)	(3,633)
Release of deferred tax provision on obtaining REIT status	-	(25,150)
Effect of change in tax rates	1,210	-
Deferred tax assets not recognised	285	-
Deferred tax increase on OPCI tax rate change	-	29,683
Difference between local tax rate and overseas tax rates	2,107	8,788
Effect of FX on intercompany balances	(5,818)	-
Movements in unrecognised deferred tax	-	(36)
Prior year adjustment	(4,413)	(1,782)
Total tax charge (including discontinued operations)	**16,088**	**30,117**

UK tax is calculated at 19% (2019: 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€91.6m (2019: €70.9m) 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€8.6m and €83.0m in other jurisdictions (Belgium, France, Germany, Italy, Netherlands, UK). Deferred tax assets have not been recognised in respect of these losses in Luxembourg no€87.7m of losses in other juridictions 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.

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended 31 December 2020

6 Tax Charge (continued)

(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 2018	**(5,704)**	-	**(400)**	**1,675**	**(101,094)**	**(105,523)**
Prior 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)**
Current year movement recognised in profit and loss	-	-	-	(872)	(18,508)	**(19,380)**
As at 31 December 2020	**(236)**	-	-	**626**	**(147,045)**	**(146,655)**

(e) Other unrecognised deferred tax assets

The group has no other unrecognised deferred tax assets.

(f) Contingent tax liabilities

The group has potential tax liabilities totalling€13.6m (2019: €12.1m) 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

7 Investment properties

	Stabilised	Under development
Fair value	**€ '000**	**€ '000**
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)
Foreign exchange movements	26,426	-
Balance as at 31 December 2019	**1,841,926**	**3,812**
Disposals	-	-
Capital expenditure	15,716	3,786
Movement in lease incentives	(120)	-
Gain on revaluation of investment properties	79,291	-
Reclassification between Stabilised and Under Development	7,598	(7,598)
Foreign exchange movements	(25,833)	-
Balance as at 31 December 2020	**1,918,578**	**-**

Investment properties were valued at 31 December 2020 on the basis of fair value in accordance with generally accepted international valuation standards. Independent external valuers were used to assist in performing the valuation. Lease incentives of €17.6m (2019: €13.3m) are included in the carrying value of investment properties.

The Group determines the fair value of all 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 2020
Industrial logistics warehouses	3	Income Capitalisation Approach	Weighted average capitalisation rate	4.3%
			Weighted average ERV (€/m)	59.4

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 6% change in value.

8 Goodwill

Cost	€ '000
As at 31 December 2018	**107,526**
Impairment of goodwill	(3,645)
As at 31 December 2019	**103,881**
Impairment of goodwill	-
As at 31 December 2020	**103,881**

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

A portion of the goodwill was attributed to future development profits to be realised post-acquisition on certain assets under construction. Because all development profits have now been recognised, the amount of goodwill impaired in line with the development profits during the year ended 31 December 2020 on the assets under construction was €nil (2019: €3.6m). No further impairment of goodwill was identified.

In determining the recoverable amount of the goodwill the Group has used the fair value less costs of disposal basis. Goodwill relates to one cash generating unit which is the property platform. The property platform includes but is not limited to investment property. 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. An 18.2% 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 recoverable 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 712 basis points to reduce the recoverable amount so that it is equal to the carrying amount.

During 2020 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.

9 Other intangible assets

	Customer relationships € '000
As at 31 December 2018	**36,191**
Amortisation of intangible assets	(36,191)
As at 31 December 2019	-
Amortisation of intangible assets	-
As at 31 December 2020	-

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. As such, the intangible asset was fully amortised in the period to 31 December 2019 on the investment properties under development. Amortisation recognised during the year ended 31 December 2020 was €nil (2019: €36.2m). All properties under development at the time of the acquisition have been completed, thus no intangible asset remained as at 31 December 2019 or 31 December 2020.

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

The sale of the asset held for sale completed in January 2019 as such, there are no assets held for sale as at 31 December 2019 or 31 December 2020 .

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended 31 December 2020

11 Trade and other receivables

	As at 31 December 2020 € '000	As at 31 December 2019 € '000
Trade receivables	1,631	4,195
Prepayments	4,592	4,023
VAT receivable	-	180
Retentions receivable	-	416
Amounts due from related parties (note 22)	78,862	86,391
Other receivables	11,412	14,246
	96,497	109,451
Of which current	96,497	109,035
Of which non-current	-	416

The carrying value of trade and other receivables approximates their fair value. The majority of the other receivables is restricted cash held by the property managers to fund the ongoing operations of the assets. 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 2020 € '000	As at 31 December 2019 € '000
<30	days	619	1,478
30-60	days	41	252
60-90	days	922	1,997
90-120	days	8	174
>120	days	41	294
		1,631	4,195

12 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 2020.

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

The Group holds €2.6m (2018: €1.4m) of restricted cash which is primarily a tenant deposit held in an escrow account and an amount held in an account in a foreign jurisdication.

	As at 31 December 2020 € '000	As at 31 December 2019 € '000
Cash and bank balances	41,303	60,528
Restricted cash	2,598	1,407
	43,901	61,935

13 Property, plant and equipment

	As at 31 December 2020 € '000	As at 31 December 2019 € '000
Opening balance	-	-
Current Year Additions	80	-
Current Year Depreciation	(27)	-
At 31 December 2020	53	-

The current year additions balance relates to a new lease of an office in Luxembourg until 2022 for which a right of use asset has been accounted for as well as the annual depreciation expense. Depreciation is charged on a straight line basis over the full lease term. The lease liability and interest expense have also been disclosed in note 18.

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended 31 December 2020

14 Trade and other payables

	As at 31 December 2020 € '000	As at 31 December 2019 € '000
Trade payables	6,736	14,477
Deferred income	6,753	4,513
Accruals	4,133	2,565
Other payables	5,305	11,732
	22,927	33,287
Amounts due within 1 year	22,927	33,287
	22,927	33,287

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 2020 (2019: €9.0m). Both the timing and likelihood of these potential obligations being realised 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.

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

	As at 31 December 2020 £'000	As at 31 December 2019 £'000	As at 31 December 2020 € '000	As at 31 December 2019 € '000
Cash	5,447	6,745	6,035	7,894
Restricted cash	986	1,037	1,093	1,214
Borrowings	(244,351)	(244,351)	(270,698)	(285,945)
Net exposure	(237,918)	(236,569)	(263,570)	(276,837)

The group also has currency exposure on non-financial assets and liabilities, the most significant of which are investment properties. At 31 December 2020 the Group held £420.8m (€466.2m) of GBP investment property (2019: £404.8m (€473.7m)).

A 1% movement in the Euro-GBP exchange rate would increase or decrease net assets by €1.8m with a corresponding change in equity.

Pearl Income Holdings UK Limited
Notes to the financial statements
for the year ended 31 December 2020

16 Financial Instruments (continued)

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 2020, the Group has two caps on its Euro and Pound Sterling floating rate debt. The caps' remaining term is two years from the balance sheet date and their strike rates are 1.5% and 2.4% respectively. The Group recognised a gain of €0.4m in the cash flow hedge reserve in relation to these caps during the year ended 31 December 2020 (2019: loss €1.4m).

A 2% increase in interest rates on external borrowings would result in a €6.2m decrease in net asset value.

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

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)	(655,471)	(1,713,798)
	(330,082)	(667,717)	(578,997)	(1,576,796)

As at 31 December 2020	Floating rate	Fixed rate	Non-interest bearing	Total
	€'000	€'000	€'000	€'000
Other non-current assets	-	-	53	53
Trade and other receivables	-	-	91,905	91,905
Cash and cash equivalents	41,303	-	-	41,303
Trade and other payables	-	-	(16,174)	(16,174)
Lease liability	-	-	(59)	(59)
Borrowings	(376,460)	(654,222)	(682,635)	(1,713,317)
	(335,157)	(654,222)	(606,910)	(1,596,289)

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 senior executive 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 2020 based on contractual undiscounted payments.

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
Other non-current assets	-	-	-	-	-	-
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)	(1,137,569)		(1,671,217)

As at 31 December 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Other non-current assets	53	-	-	-	-	53
Trade and other receivables	7,434	84,471	-	-	-	91,905
Cash and cash equivalents	41,303	-	-	-	-	41,303
Trade and other payables	-	(16,174)	-	-	-	(16,174)
Lease liability	-	(7)	(22)	(30)	-	(59)
Borrowings	(676,711)	(5,388)	(16,162)	(1,112,957)	-	(1,811,218)
	(627,921)	62,902	(16,184)	(1,112,987)	-	(1,694,190)

Secured bank loans within Borrowings in the maturity profile above include future interest payments which have been calculated at the 31 December 2019 and 31 December 2020 spot interest rates.

16 Financial instruments (continued)

Credit risk
The Group ensures that rigorous credit checks are carried out on all tenants and customers before entering into contracts with them. These checks are routinely monitored for all tenants. Given the relatively wide customer base the Group does not consider the concentration of credit risk to be high. The Group generally deals with corporate customers 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 or bank guarantee.

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 which require fair value determination and disclosure were classified as Level 3 financial instruments except for the interest rate caps held, which are classified as Level 2 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 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	16,130
Balance at 31 December 2019	**1,713,798**
Changes from financing cash flows	
Drawdown of borrowings	10,367
Total changes from financing cash flows	**10,367**
Amortisation of Loan Arrangement Fees	4,582
Effect of changes in foreign exchange rates	(15,430)
Balance at 31 December 2020	**1,713,317**

17 Borrowings

	As at 31 December 2020	As at 31 December 2019
	€ '000	€ '000
Secured bank loans (non-current)	1,019,196	1,030,044
Other unsecured borrowings (non-current) (see note 22)	17,410	24,010
Non current borrowings	**1,036,606**	**1,054,054**
Other unsecured borrowings (current) (see note 22)	676,711	659,744
Current Borrowings	**676,711**	**659,744**
Total Borrowings	**1,713,317**	**1,713,798**

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 20 December 2022 (with an option to extend for two additional years) and the fixed component of the debt has an expiry date of 20 December 2024. They are secured by a charge over the investment properties of the group and 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.

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended 31 December 2020

18 Lease liability

The Group has a finance lease liability on an office lease in Luxembourg which started during the year.

	As at 31 December 2020	As at 31 December 2019
	€ '000	€ '000
Present value of future lease payments	59	-
	59	-
Of which:		
Current	31	-
Non-current	28	-
	59	-

The maturity profile on the lease liability is disclosed in note 16. This includes the lease of an office in Luxembourg. During the period, €2,855 (2019: €nil) of interest expense on the lease liability was incurred, and as per the Consolidated Statement of Cash Flows a lease payment of €23,422 (2019: €nil) was made. The lease term ends in 2022 and the rate on the leases is 3.57%, deemed to be the incremental borrowing rate.

19 Share capital

	As at 31 December 2020	As at 31 December 2019
	€	€
Issued and fully paid		
1,000 ordinary shares of £0.01 (2018: 1 ordinary share of £1)	12	12

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. There was no change to the share capital during the year ended 31 December 2020.

20 Reserves

The Consolidated Statement of Changes in Equity is shown on page 14.

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 €125.7m profit as at the 31 December 2020 (2019: €83.8m).

The directors have proposed a final ordinary dividend in respect of the current financial year of €9.0m. This has not been included within creditors as it was not approved before the year end. Dividends paid during the year comprise a final dividend of €29.0m in respect of the previous year ended 31 December 2019, together with interim dividends in respect of the year ended 31 December 2020 of €27.0m.
For the year ended 31 December 2019, dividends paid during the year comprise a final dividend of €9.0m in respect of the previous year ended 31 December 2018, together with interim dividends in respect of the year ended 31 December 2019 of €18.0m.

21 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. All of the Group's investment property and €919m of the secured bank loans are held within the sub-group which includes the non-controlling interest.

	As at 31 December 2020	As at 31 December 2019
	€'000	€'000
Non-Controlling Interest	137,367	133,325

Pearl Income Holdings UK Limited
Notes to the consolidated financial statements
for the year ended 31 December 2020

22 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 2020	As at 31 December 2019
	€'000	€'000
Pearl Income Holdings S.à r.l.	78,862	86,391
	78,862	86,391

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 2020	As at 31 December 2019
	€'000	€'000
GLP Europe Income Partners I SCSp	676,711	659,744
Pearl Income Investments II UK Limited	17,410	24,010
	694,121	683,754

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.
Additionally, the Group incurs Real Estate Advisory Fees at a rate not exceeding 0.45% of stabilised asset value, payable to GLP UK Management Limited, a related party. The amounts incurred during the year ended 31 December 2020 was €8.4m (2019: €7.3m).

23 Operating lease arrangements

The Group as a lessor

Operating leases relate to the investment property 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 2020	As at 31 December 2019
	€'000	€'000
Not longer than one year	80,987	74,573
Longer than one and less than two years	69,300	67,000
Longer than two and less than three years	61,547	63,995
Longer than three and less than four years	52,490	58,174
Longer than four and less than five years	47,377	55,803
After five years	359,120	382,143
	670,821	701,688

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 2020	As at 31 December 2019
	€'000	€ '000
Capital expenditure contracted for property development project	-	10,207

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.

Pearl Income Holdings UK Limited
Company Balance Sheet
As at 31 December 2020

	Notes	As at 31 December 2020	As at 31 December 2019
		€ '000	€ '000
Non-current assets			
Investment in subsidiaries	3	1	-
Current assets			
Other receivables	4	1,405,292	1,406,620
Cash and cash equivalents		23	23
		1,405,315	**1,406,643**
Current liabilities			
Other payables	5	(1,386,150)	(1,413,350)
Net current liabilities		**19,165**	**(6,707)**
Net assets		**19,166**	**(6,707)**
Capital and reserves			
Share capital		-	-
Retained earnings		19,166	(6,707)
Equity		**19,166**	**(6,707)**

The financial statements on pages 33 to 37 were approved by the Board of Directors and authorised for issue on 21 April 2021.

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 31 December 2020

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

	Retained earnings	Share capital	Total equity
	€ '000	€ '000	€ '000
Balance as at 31 December 2019	(6,707)	-	**(6,707)**
Profit and total comprehensive income for the year	81,873	-	**81,873**
Dividends paid	(56,000)	-	**(56,000)**
Balance as at 31 December 2020	**19,166**	-	**19,166**

The accompanying notes form part of these financial statements.

Pearl Income Holdings UK Limited
Notes to the company financial statements
for the year ended 31 December 2020

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 2019.

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 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 profit for the year was €81.9m (2019 loss: €2.1m).

The Company has no employees and the directors receive no remuneration from the Company (2019: 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 31 December 2020

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	Mauritius	*	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 Broletto 16, 20122, Milan, 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 2020	As at 31 December 2019
	€ '000	€ '000
Amounts owed by subsidiary undertakings	1,405,292	1,406,620

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 £568m (2019: £566m). There are no provisions for doubtful debts as at 31 December 2020 (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 2020	As at 31 December 2019
	€ '000	€ '000
Other payables	412	348
Amounts owed to immediate parent company	667,845	659,749
Amounts owed to other subsidiary entities	717,892	753,253
Total payables	1,386,149	1,413,350

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.