PRECAP VII S.À R.L.

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

20, rue de la Poste
L-2346 Luxembourg
Subscribed capital £12,500
R.C.S. No. B242407

CONTENTS

BOARD OF MANAGERS AND PROFESSIONAL ADVISORS

AIF Manager of the Parent	PGIM Real Estate Luxembourg S.A.
Delegated Portfolio Manager	PGIM Real Estate (UK) Limited
Board of Managers of the Company	PGIM Real Estate CD S.à r.l. Enrico Baldan Nuno Aniceto T.C.G. Gestion S.A.
Registered office of the Company	20, rue de la Poste L-2346 Luxembourg Grand-Duché de Luxembourg
Parent	PGIM Real Estate Capital VII, SCSp
Registered office of the Parent	20, rue de la Poste L-2346 Luxembourg Grand-Duché de Luxembourg
General Partner of the Parent	PGIM Real Estate Capital VII GP S.à r.l.
Auditor of the Company	PricewaterhouseCoopers, Société Coopérative 2, rue Gerhard Mercator B.P. 1443 L-1014 Luxembourg Grand-Duché de Luxembourg
Legal Advisor	Clifford Chance LLP 10 Upper Bank Street London, E14 5JJ United Kingdom

REPORT OF THE BOARD OF MANAGERS

The Board of Managers (the “Board”) presents its report and the financial statements for the year ended 31 December 2021.

PRECap VII S.à r.l. (the “Company”), was incorporated in Luxembourg on 21 February 2020 as a “Société à responsabilité limitée”. The Company is subject to the Luxembourg law dated 22 March 2004 on securitisation as amended (the “Securitisation Law”).

ACTIVITIES

The Company's object is to, directly or indirectly, acquire, hold or dispose of interests, in any form whatsoever and participations in Luxembourg or foreign entities, by any means and to administrate, develop and manage such holding of interests or participations.

The Company may also, directly or indirectly, acquire, hold or dispose of loans or of various tranches of loans or other indebtedness originated, structured or funded by other entities or persons, by any means and administrate, develop and manage such holding of loans or tranches of loans or other indebtedness.

The Company may make real estate related investments whether directly or through direct or indirect participations in subsidiaries of the Company owning such investments. The Company may also, directly or indirectly, invest in, acquire, hold or dispose of any kind of asset by any means.

The Company may also render every assistance, whether by way of loans, guarantees or otherwise to its subsidiaries or companies in which it has a direct or indirect interest or any company being a direct or indirect shareholder of the Company or any entity or person belonging to the same group as the Company (hereafter referred to as the “Related Parties”) or any other entity.

The Company may in particular enter into the following transactions, it being understood that the Company will not enter into any transaction which would cause it to be engaged in any activity that would be considered as a regulated activity of the financial sector:

- to borrow money in any form or to obtain any form of credit facility and raise funds through, including, but not limited to, the issue, always on a private basis, of listed or unlisted bonds, notes, promissory notes and other debt or equity instruments convertible or not, the use of financial derivatives or otherwise;

- to advance, lend or deposit money or give credit to or with or to subscribe to or purchase any debt instrument issued by any Luxembourg or foreign entity on such terms as may be thought fit and with or without security;

- to enter into any guarantee, pledge or any other form of security, whether by personal covenant or by mortgage or charge upon all or part of the undertaking, property assets (present or future) or by all or any of such methods, for the performance of any contracts or obligations of the Company and of any of the Related Parties, within the limits of and in accordance with the provisions of Luxembourg Law;

The Company can perform all legal, commercial, technical and financial investments or operations and in general, all transactions which are necessary to fulfil its object as well as all operations connected directly or indirectly to facilitating the accomplishment of its purpose in all areas described above.

During the financial year, the Company has not performed any activity in the field of research and development and as at 31 December 2021, the Company does not own any of its own shares.

REPORT OF THE BOARD OF MANAGERS (continued)

ACTIVITIES (continued)

On 11 March 2020, the World Health Organization ("WHO") declared COVID-19 a pandemic, and national governments have implemented a range of policies and actions to combat it over the last two years. The impact of the COVID-19 pandemic continues to evolve and has resulted in quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty which causes market volatility. Management believes the estimates and assumptions underlying the financial statements are reasonable and supportable based on the information available, however, uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and on the Company in particular, makes any estimates and assumptions inherently less certain than they would be absent the current and potential impacts of COVID-19. Therefore, the probability of the fair value of investments exactly approximating with the price achieved in the event of a sale is reduced. Management will continue to monitor developments, and their impact on the Company including its operations, lease agreements, net investment income, lending arrangements, debt covenants, the fair value of investments and estimates reported in the financial statements and accompanying notes. If the financial markets and/or the overall economy continue to be impacted by COVID-19 for a further extended period, the Company's investment results may be materially adversely affected.

During the first quarter of 2022 and continuing currently there is a conflict between Ukraine and Russia. National governments have implemented a wide range of policies and sanctions in response. The impact of this conflict and sanctions continues to evolve and has resulted in restrictions on businesses and increased general market uncertainty which is likely to cause market volatility. Management continues to monitor these developments, and their impact on PRECap VII S.à r.l. including its operations, lending arrangements, and the fair value of investments and estimates reported in the consolidated financial statements and accompanying notes. Management believes the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available, however, uncertainty over the ultimate impact of the conflict on the global economy generally, and on PRECap VII S.à r.l. in particular, makes any estimates and assumptions inherently less certain than they would be absent the current and potential conflict.

RESULTS

The profit for the year was nil (2020: £67,831).

BOARD OF MANAGERS

The managers who held office during the year and subsequently were:

PGIM Real Estate CD S.à r.l.
Enrico Baldan
Nuno Aniceto
T.C.G. Gestion S.A.

REGISTERED OFFICE

20, rue de la Poste
L-2346 Luxembourg
Grand-Duché de Luxembourg

BY ORDER OF THE BOARD

The Board of Managers

Place: Luxembourg

Date: 31 March 2022

Nuno Aniceto
Manager

PGIM Real Estate CD S.à r.l.
represented by Martin Dudas
Manager

Audit report

To the Shareholder of
PRECap VII S.à r.l.

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PRECap VII S.à r.l. (the "Company") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

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

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the financial statements

The Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Managers is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;

- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 5 May 2022

Electronically signed by:
Kenneth Kai Siong Iek

Kenneth Kai Siong Iek

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Income			
Financing income	4	8,314,838	600,110
Net change in fair value of financial assets at fair value through profit or loss	7	11,318,846	571,951
Total net income		**19,633,684**	**1,172,061**
Expenses			
Net change in fair value of financial liabilities at fair value through profit or loss	8	1,170,481	(36,801)
Management fees		(6,220)	–
Transaction costs	6	(209,877)	(231,288)
Other operating expenses	9	(781,085)	(507,913)
Operating profit		**19,806,983**	**396,059**
Other expenses	5	(86,853)	(3,354)
Finance costs	10	(6,471,224)	(324,874)
Change in the equalisation provision	17	(13,248,439)	–
Profit before tax		**467**	**67,831**
Tax expense	22	(467)	–
Profit for the year/period		**–**	**67,831**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	11	120,450,410	49,892,221
Total non-current assets		**120,450,410**	**49,892,221**
Current assets			
Financial assets at fair value through profit or loss	11	133,820,721	–
Amounts due from related parties	14	762,894	1,405,299
Cash and cash equivalents	12	4,048,359	717,254
Trade and other receivables	13	4,218	58,226
Total current assets		**138,636,192**	**2,180,779**
Total assets		**259,086,602**	**52,073,000**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	12,500	12,500
Legal reserve	19	1,250	–
Retained earnings			
Result brought forward		66,581	–
Result for the year		–	67,831
Total equity		**80,331**	**80,331**
Current liabilities			
Financial liabilities at fair value through profit or loss	17	197,772,542	51,579,301
Accrued expenses	15	259,797	348,454
Trade and other payables	16	558,417	64,914
Amounts due to related parties		6,220	–
Total current liabilities		**198,596,976**	**51,992,669**
Non-current liabilities			
Financial liabilities at fair value through profit or loss	17	60,409,295	–
Total liabilities		**259,006,271**	**51,992,669**
Total equity and liabilities		**259,086,602**	**52,073,000**

The financial statements were approved by the Managers on 31 March 2022.

Managers

Nuno Aniceto	PGIM Real Estate CD S.à r.l. represented by Martin Dudas
Manager	Manager

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £	Retained earnings £	Legal Reserve £	Total equity £
Balance as at 1 January 2021	12,500	67,831	–	80,331
Legal reserve allocation	–	(1,250)	1,250	–
Gain for the year	–	–	–	–
Balance as at 31 December 2021	**12,500**	**66,581**	**1,250**	**80,331**

	Share capital £	Retained earnings £	Legal Reserve £	Total equity £
Balance as at 21 February 2020 (date of inception)	–	–	–	–
Capital contributions	12,500	–	–	12,500
Gain for the period	–	67,831	–	67,831
Balance as at 31 December 2020	**12,500**	**67,831**	**–**	**80,331**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Cash flows from operating activities			
Profit before tax		467	67,831
Adjustments for:			
Investment in debt instruments	11	(193,128,643)	(49,320,270)
Repayments of debt instruments	11	68,579	–
Net change in fair value of financial assets	7	(11,318,846)	(571,951)
Net change in fair value of financial liabilities	8	(1,170,481)	36,801
Decrease/(increase) in amounts due from related parties	14	642,405	(1,405,299)
Decrease/(increase) in trade and other receivables	13	54,008	(58,226)
Increase in amounts due to related parties		6,220	–
(Decrease)/increase in accrued expenses	15	(88,657)	348,454
Increase in trade and other payables	16	493,503	64,914
Change in the equalisation provision	17	13,248,439	–
Income tax paid	22	(467)	–
Net cash flows used in operating activities		**(191,193,473)**	**(50,837,746)**
Cash flows from financing activities			
Proceeds from issuance of interest bearing loans	17	114,275,741	–
Capital contributions made during the year/period	18	–	12,500
Amounts drawn under multicurrency revolving facility line	17	198,871,525	51,542,500
Amounts repaid under multicurrency revolving facility line	17	(118,622,688)	–
Net cash flows provided by financing activities		**194,524,578**	**51,555,000**
Cash and cash equivalents at beginning of the year/period		717,254	–
Net increase in cash and cash equivalents for the year/period		3,331,105	717,254
Cash and cash equivalents at the end of the year/period	12	**4,048,359**	**717,254**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. General information

PRECap VII S.à r.l. (the "Company") was incorporated on 21 February 2020 and is organised under the laws of Luxembourg as a "société à responsabilité limitée" for an unlimited period and is subject to the Law of 22 March 2004 on securitisation (the "Securitisation Law"). The registered office of the Company is established in Luxembourg.

The Company's financial year starts on 1 January and ends on 31 December each year, except for the first financial year which is from 21 February 2020 to 31 December 2020.

The Company is primarily engaged in the provision of capital to assist with the acquisition and refinancing of commercial real estate assets located in the Western Europe, with focus on United Kingdom ("UK") and Germany. In general, the Company may take measures and carry out any operation or transaction, which it considers necessary or useful to accomplish and develop its corporate objectives, to the greatest extent permitted under the Securitisation Law.

The Company is a wholly owned subsidiary of PGIM Real Estate Capital VII, SCSp (the "Parent"). The Parent's group accounts consolidate the accounts of the Company. These consolidated financial statements are prepared using International Financial Reporting Standards as adopted by the European Union ("EU") ("IFRS") and they are available at the registered office of the Parent.

On 23 June 2016, the UK held a referendum in which voters approved an exit from the European Union ("EU"), commonly referred to as "Brexit". As a result of the referendum, on 31 January 2020 the UK formally left the EU, entering into a transition period expiring 31 December 2020, during which it abided by EU rules. On 24 December 2020, the UK and the EU reached a Trade and Co-operation Agreement, governing the relationship between the two parties. The long term implications of Brexit and this agreement on the Company's investments are not yet known and Management will continue to monitor any impacts when determining the values reported in the financial statements and accompanying notes.

The financial statements of the Company are authorised for issue on 31 March 2022. The Parent does not have the power to amend the financial statements after issue.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied. There were no changes in accounting policy during the year.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified to include the measurement of certain financial instruments at fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. Significant accounting estimates used in preparing the financial statements are considered to relate to the fair value measurement of financial instruments designated at fair value through profit or loss ("FVTPL").

2.1.1 Going concern

Management believes that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements.

2.1.2 Standards and interpretations effective in 2021 and adopted by the Company

The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16 These amendments do not have a material impact on the financial statements as at 31 December 2021, as the Company did not enter into any IBOR-based hedging contracts.

- COVID-19-related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 These amendments do not have a material impact on the financial statements as at 31 December 2021, as the amendment is only applicable to lessees that have been granted optional relief from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. As at 31 December 2021, the Company has not entered into lease contracts.

There are no other standards, interpretations or amendments to existing standards that would be expected to have a significant impact on the Company.

2.1.3 Future accounting developments

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective for accounting periods beginning on or after 1 January 2023).
- Definition of Accounting Estimates – Amendments to IAS 8 (effective for accounting periods beginning on or after 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective for accounting periods beginning on or after 1 January 2023).
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for accounting periods beginning on or after 1 January 2023).
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for accounting periods beginning on or after 1 January 2022).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 Future accounting developments (continued)

- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 (effective for accounting periods beginning on or after 1 January 2022).
- Annual Improvements to IFRS Standards 2018–2020 (effective for accounting periods beginning on or after 1 January 2022).

The Company has assessed the effects of applying the new standards on the financial statements and are expecting no significant impact when applied on the financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

2.2 Foreign currency translation

(a) Functional and presentational currency

The financial statements are presented in Pounds Sterling ("£"), which is also the Company's functional currency. Management considers Pounds Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial instruments designated at FVTPL are presented in the statement of comprehensive income within net change in fair value of financial assets and financial liabilities at FVTPL. All other foreign exchange gains and losses are presented net in the statement of comprehensive income.

2.3 Financial instruments designated at fair value

(a) Classification

The Company classifies its financial assets in the following measurement category: those to be measured subsequently at FVTPL.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For financial assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI"). The Company reclassifies financial assets when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.3 Financial instruments designated at fair value

(a) Classification (continued)

Debt investments are classified as financial assets at FVTPL as the Company's business model is not achieved by holding for collection of contractual cash flows neither by holding for collection of contractual cash flows and selling the financial assets. The contractual cash flows of these debt investments do not consist of solely principal and interest. The Company classified debt investments as financial assets at FVTPL in the prior year, thus no reclassification was required.

The Company classifies its debt investments as financial assets at FVTPL on the basis that they are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy requires Management to evaluate the information about these financial assets on a fair value basis together with other related financial information. Reports which set out the fair value of the debt investments held by the Company are provided to Management and the ultimate owners of the Company on a quarterly basis.

Interest bearing liabilities issued by the Company are closely related to the underlying investments designated at FVTPL. The Company classifies these financial liabilities at FVTPL to eliminate an accounting mismatch which would otherwise arise.

Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the reporting date. Those not expected to be realised within 12 months of the reporting date are classified as non-current.

(b) Recognition, derecognition and measurement

Financial instruments classified at FVTPL are initially recognised at fair value. A financial asset or financial liability is recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Transaction costs (Note 2.10) are expensed as incurred in profit or loss.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. This condition is met when the liability is settled by paying the creditor or when the Company is released from primary responsibility for the liability, either by process of law or by the creditor.

Subsequent to initial recognition, all financial instruments classified at FVTPL are measured at fair value. Gains and losses arising from changes in fair value of financial instruments at FVTPL are presented in profit or loss.

Interest receivable (payable) on loans designated at FVTPL is recognised in the statement of comprehensive income as part of the net change in fair value of financial assets (liabilities) at FVTPL.

Interest and non-interest income received and interest paid are disclosed separately as part of financing income and finance costs respectively on the face of the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.3 Financial instruments designated at fair value (continued)

(c) Equalisation provision

Gains (or losses) occurring during the year as a result of the performance of the underlying investments cause an increase (or decrease) in the fair value of the Tracking Bonds issued by the Company and are shown as part of change in equalisation provision, less any expenses that are incurred in relation to the administration and operation of the securitisation vehicle. The change in the equalisation provision is disclosed separately on the face of the statement of comprehensive income and represent the return on the Tracking Bonds.

2.4 Financial instruments - valuation

A fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. An input is significant if that input can result in a significantly different fair value measurement. The fair value hierarchy ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. In general, the inputs used to value financial instruments are unobservable; therefore unless indicated otherwise, investments and related liabilities are classified as Level 3 under IFRS guidance on fair value measurements.

Investments for which market quotations are not readily available are stated at estimated fair value as determined based on appraisal reports prepared by independent appraisers within a reasonable amount of time following acquisition of the investment and quarterly thereafter. Management is responsible to ensure that the valuation process provides independent and reasonable fair value estimates.

The purpose of an appraisal is to estimate fair value at a specific date. IFRS 13 defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value estimate is based on conventional approaches to value, all of which require the exercise of subjective judgement. In general, the valuation technique used to measure fair value is the net present value of estimated future cash flows based on a discounted cash flow model. The discount rate is the estimated return required by market participants at the measurement date and takes into consideration the following inputs as appropriate (i) interest rates and/or interest rate spreads for loans of comparable quality and maturity, (ii) the value of the underlying collateral, (iii) free cash flow for debt servicing and debt yield, (iv) security of income and covenant quality, (v) credit enhancements and (vi) market based loan-to-value and employee leaves the AIFM prior to vesting.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.4 Financial instruments - valuation (continued)

Certain assumptions are employed in the valuation process that relate to the timing, duration, and amounts of future cash flows and the applicable discount rates. These factors have been determined to be reasonable and reflect current and projected market conditions.

Estimated fair values may vary significantly from the amounts for which the investments may be settled between the Company and the borrower, and the market price, if sold, between a willing buyer and seller. Although fair value estimates are subjective, Management believes they reasonably approximate market prices and the aggregate estimated value of investments and liabilities is fairly presented at the reporting date.

2.5 Derivative financial instruments

The Company uses derivatives to manage its exposure to foreign exchange rate risk. The over-the-counter derivatives are forward foreign exchange contracts. They are classified as financial instruments held for trading, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. Realised gains or losses are recognised in profit or loss immediately.

The fair value of a derivative is classified as a non-current asset or a non-current liability if the settlement date is more than 12 months from the reporting date and it is not expected to be realised or settled within 12 months of the reporting date.

2.6 Trade and other receivables

Trade and other receivables represent amounts due from third parties in the ordinary course of business. If collection is expected within one year, they are classified as current assets; otherwise, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company’s trade and other receivables are subject to the expected credit loss model.

The expected loss rates are based on the payment profiles of third party receivables over a period of 12 months before 31 December 2021 or 1 January 2021, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the third parties to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics); and
- external market indicators.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.6 Trade and other receivables (continued)

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less and monies held in escrow on behalf of the Company pending completion of investments. Cash and cash equivalents are classified as loans and receivables. Cash at bank comprises balances with original maturity dates of less than 90 days.

2.8 Payables and accrued expenses

Payables and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

2.9 Financing income

Financing income includes interest and exit fees received and arrangement fees earned by the Company. Arrangement fees earned on financial assets at FVTPL are recognised in the statement of comprehensive income on initial recognition. Arrangement fees are not refundable and include fees compensation for origination, underwriting and structuring financial assets designated at FVTPL.

2.10 Transaction costs

Transaction costs are legal and professional fees incurred in connection with the acquisition of financial assets and the issuance of financial liabilities designated at FVTPL. They include the upfront fees and commissions paid to agents, advisers, brokers and dealers and due diligence fees. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

2.11 Finance costs

Finance costs include interest paid and fees incurred with relation to the Company's borrowings.

2.12 Current and deferred income tax

The tax expense for the year comprises current tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Due to the Company's activities, it does not have temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.12 Current and deferred income tax (continued)

The Company is an ordinary corporate taxpayer under Luxembourg law. Corporations that are resident Luxembourg taxpayers are taxed on their worldwide net income, determined on the basis of gross income less costs incurred. Certain items of income and capital gains are excluded from the calculation of income received for tax purposes, including income and capital gains from certain investments which meet certain holding periods and size requirements.

3. Financial risk management

3.1 Financial risk factors

The objective of the Company is to preserve and generate income from invested capital for investing in a debt instruments portfolio.

The Company's investment strategy is underpinned by a fundamental underwriting discipline: all investments are evaluated on the basis of a thorough analysis of real estate net asset values and property market fundamentals. It also includes an analysis of loan terms, borrower credit worthiness and legal issues. The Investment Manager of the Parent presents each investment proposal to the European Debt Investment Committee for approval (the "Investment Committee"). An investment opportunity will only be progressed if it is approved by the Investment Committee. The investment opportunity must be authorised by the Board prior to funding.

Following funding of an investment, ongoing review procedures are followed which generally includes:

- Quarterly review meetings of the business plan with the borrower;

- Quarterly covenant compliance letters provided by the borrower;

- Quarterly valuation of the debt investment instruments;

- Annual valuation of the underlying real estate properties; and

- Quarterly reports prepared by the portfolio management team detailing loan-to-value ratio, interest and debt service coverage ratios, progress against business plan and any other material issues.

During the year, the Company held 11 (2020: 3) debt instrument investments with debt used to finance real estate located in Europe, with focus on the UK. The maturity profile of the debt shortens over time and attracts annual coupons of between 5.5 and 12 (2020: 5.5 and 12) percent. The fair value estimates take into consideration potential prepayments and include contractual non-interest income receivable by the Company.

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and exchange rate risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk

The Company is subject to market risk due to fluctuations in the prevailing levels of market discount rates.

As at 31 December 2021 and 31 December 2020, the exposure of the Company to this risk is limited, as well as its possible impact on the net assets of the Company.

The sensitivity analysis examines the impact of a 200 basis point movement in the discount rate on the fair value of financial instruments designated at FVTPL.

As at 31 December 2021		
	Movement in discount rate	
Sensitivity of fair values to reasonably possible alternative assumptions	**-1%**	**1%**
Adjusted fair value of financial assets	255,511,940	253,057,377
Adjusted fair value of financial liabilities	258,783,209	257,592,347
Change in net assets	639,437	(624,264)
Percentage change in net assets	796%	-777%

As at 31 December 2020		
	Movement in discount rate	
Sensitivity of fair values to reasonably possible alternative assumptions	**-1%**	**1%**
Adjusted fair value of financial assets	49,899,913	49,884,529
Adjusted fair value of financial liabilities	51,619,717	51,539,312
Change in net assets	(32,724)	32,297
Percentage change in net assets	-41%	40%

3.1.2 Credit risk

The Company has exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to the risk of non-payment by counterparties being the borrowers of the debt investments of the Company.

The Company provides loans which are represented as debt investments. Management aims to structure debt investments to protect the Company’s position, to reduce overall credit risk and to maximise recoveries in the event of default. The portfolio is secured, where relevant and possible, by charges over real estate, share securities and bank accounts of the borrower entities and their affiliates.

3.1.3 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

The tables below categorise the Company's financial liabilities into by category relevant groupings based on the remaining period to maturity as at the reporting date.

As at 31 December 2021	On demand	Less than one year	More than one year	Total
	£	£	£	£
Financial liabilities at FVTPL	–	197,772,542	60,409,295	258,181,837
Accrued expenses	–	259,797	–	259,797
Trade and other payables	–	558,417	–	558,417
Amounts due to related parties	–	6,220	–	6,220
Total liabilities	**–**	**198,596,976**	**60,409,295**	**259,006,271**

As at 31 December 2020	On demand	Less than one year	More than one year	Total
	£	£	£	£
Financial liabilities at FVTPL	–	51,579,301	–	51,579,301
Accrued expenses	–	348,454	–	348,454
Trade and other payables	–	64,914	–	64,914
Total liabilities	**–**	**51,992,669**	**–**	**51,992,669**

3.1.4 Exchange rate risk

The Company's net asset value is affected by changes in the EUR/GBP exchange rate. At the reporting date, the Company held 4 Euro denominated investments with a nominal value of €61,184,783. The table below illustrates the sensitivity of the net asset value to changes in the EUR/GBP exchange rate.

Change in EUR:GBP	Impact on fair values of derivatives	Increase / (decrease) in fair values of financial assets	Increase / (decrease) in fair values of financial liabilities	Adjustment to NAV
			£	£
25%	–	(12,842,729)	12,921,266	78,537
20%	–	(10,274,183)	10,337,013	62,830
15%	–	(7,705,637)	7,752,760	47,123
10%	–	(5,137,091)	5,168,507	31,416
5%	–	(2,568,546)	2,584,253	15,707
-5%	–	2,568,546	(2,584,253)	(15,707)
-10%	–	5,137,091	(5,168,507)	(31,416)
-15%	–	7,705,637	(7,752,760)	(47,123)
-20%	–	10,274,183	(10,337,013)	(62,830)
-25%	–	12,842,729	(12,921,266)	(78,537)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Financial risk management (continued)

3.2 Capital risk management

The capital of the Company is represented by the total equity. The Company's objective when managing the capital is to safeguard its ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

3.3 Fair value estimation

The tables below classify within the fair value hierarchy, the Company's financial assets and financial liabilities (by class) measured at fair value as at 31 December 2021 and 31 December 2020.

As at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets				
Financial assets at FVTPL				
- Investment in debt instruments	–	–	254,271,131	254,271,131
Total assets measured at fair value	**–**	**–**	**254,271,131**	**254,271,131**

	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Liabilities				
Financial liabilities at FVTPL				
- Multicurrency revolving facility line	–	–	130,657,657	130,657,657
- Tracking bonds	–	–	127,524,180	127,524,180
Total liabilities measured at fair value	**–**	**–**	**258,181,837**	**258,181,837**

As at 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets				
Financial assets at FVTPL				
- Investment in debt instruments	–	–	49,892,221	49,892,221
Total assets measured at fair value	**–**	**–**	**49,892,221**	**49,892,221**

	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Liabilities				
Financial liabilities at FVTPL				
- Multicurrency revolving facility line	–	–	51,579,301	51,579,301
Total liabilities measured at fair value	**–**	**–**	**51,579,301**	**51,579,301**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

There were no transfers between the various levels of the fair value hierarchy during the year ended 31 December 2021 and during the period from 21 February 2020 (date of inception) to 31 December 2020.

3.4 Financial instruments by category

	IFRS 9 measurement category		
Assets by category as at 31 December 2021	**Amortised cost £**	**FVTPL £**	**Total £**
Financial assets at FVTPL	–	254,271,131	254,271,131
Amounts due from related parties	762,894	–	762,894
Cash and cash equivalents	4,048,359	–	4,048,359
Trade and other receivables	4,218	–	4,218
Total	**4,815,471**	**254,271,131**	**259,086,602**

	IFRS 9 measurement category		
Liabilities by category as at 31 December 2021	**Amortised cost £**	**FVTPL £**	**Total £**
Financial liabilities at FVTPL	–	258,181,837	258,181,837
Accrued expenses	259,797	–	259,797
Amounts due to related parties	6,220	–	6,220
Trade and other payables	558,417	–	558,417
Total	**824,434**	**258,181,837**	**259,006,271**

	IFRS 9 measurement category		
Assets by category as at 31 December 2020	**Amortised cost £**	**FVTPL £**	**Total £**
Financial assets at FVTPL	–	49,892,221	49,892,221
Amounts due from related parties	1,405,299	–	1,405,299
Cash and cash equivalents	717,254	–	717,254
Trade and other receivables	58,226	–	58,226
Total	**2,180,779**	**49,892,221**	**52,073,000**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Financial risk management (continued)

3.4 Financial instruments by category (continued)

	IFRS 9 measurement category		
Liabilities by category as at 31 December 2020	**Amortised cost £**	**FVTPL £**	**Total £**
Financial liabilities at FVTPL	–	51,579,301	51,579,301
Accrued expenses	348,454	–	348,454
Trade and other payables	64,914	–	64,914
Total	**413,368**	**51,579,301**	**51,992,669**

3.5 Key unobservable inputs to Level 3 financial instruments

31 December 2021	**Fair value £**
Profit participating loans	189,628,347
Non-profit participating loans	64,642,784
Multicurrency revolving facility line	130,657,657
Tracking Bonds	127,524,180

31 December 2020	**Fair value £**
Profit participating loans	20,112,606
Non-profit participating loans	29,779,615
Multicurrency revolving facility line	51,579,301

Management estimates that their carrying values approximate their fair values.

Due to the relationship existing between financial assets and financial liabilities designated at fair value through profit and loss the same fair value measurement applies for both categories.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. Financing income

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Interest income	5,496,190	–
Arrangement fees	2,219,717	600,110
Commitment fee	566,624	–
Agent fees	32,307	–
Total financing income	**8,314,838**	**600,110**

5. Other expense

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Unrealised foreign exchange	85,116	2,598
Realised foreign exchange	1,737	756
Total other expense	**86,853**	**3,354**

6. Transaction costs

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Legal fees	203,277	–
Abort fees	6,600	199,838
Consultancy fees	–	31,450
Total transaction costs	**209,877**	**231,288**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

7. Net change in fair value of financial assets at fair value though profit or loss

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Financial assets designated at FVTPL (Note 11)	11,318,846	571,951
Net change in fair value of financial assets at FVTPL	**11,318,846**	**571,951**
Unrealised gain	11,318,846	571,951
Net change in fair value of financial assets at FVTPL	**11,318,846**	**571,951**

8. Net change in fair value of financial liabilities at fair value though profit or loss

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Financial liabilities designated at FVTPL (Note 17)	1,170,481	(36,801)
Net change in fair value of financial liabilities at FVTPL	**1,170,481**	**(36,801)**
Unrealised gain/(loss)	1,170,481	(36,801)
Net change in fair value of financial liabilities at FVTPL	**1,170,481**	**(36,801)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

9. Other operating expenses

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Accounting fees	332,890	–
Loan management fees	306,583	11,626
Audit fees	54,103	25,763
Legal fees	38,685	412,159
Valuation fees	27,511	12,919
Professional tax fees	14,376	10,441
Bank charges	5,177	329
Corporate services fees	1,760	34,676
Total other operating expenses	**781,085**	**507,913**

10. Finance costs

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Interest expense	3,607,406	–
Multicurrency revolving facility interest paid	2,160,864	78,033
Multicurrency revolving facility line arrangement fee	600,103	212,500
Multicurrency revolving facility line unused commitment fees	102,851	34,341
Total finance costs	**6,471,224**	**324,874**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. Financial assets at fair value through profit or loss

	31 December 2021 £	31 December 2020 £
Opening balance	49,892,221	–
Debt instruments additions	193,128,643	49,320,270
Repayments of debt instruments during the year	(68,579)	–
Net change in fair value of financial assets at FVTPL (Note 7)	11,318,846	571,951
Closing balance	**254,271,131**	**49,892,221**
Financial assets designated at FVTPL	254,271,131	49,892,221
Total financial assets at FVTPL	**254,271,131**	**49,892,221**
Becoming due and receivable within one year		
- Current interest receivable	12,034,808	–
- Other current receivables	121,785,913	–
Total becoming due and receivable within one year	**133,820,721**	**–**
Becoming due and receivable after more than one year		
- Non-current interest receivable	–	571,951
- Debt instruments	120,450,410	49,320,270
Total becoming due and receivable after more than one year	**120,450,410**	**49,892,221**

Net change in fair value of financial assets at FVTPL

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Unrealised gain	11,318,846	571,951
Net change in fair value of financial assets at FVTPL	**11,318,846**	**571,951**

The classification of financial assets at FVTPL into current and non-current components is based on Management's assessment of the likelihood of an early loan repayment by the borrower. This is a key feature of the fair value measurement which considers changes in the discount rate since inception and contractual prepayment provisions to estimate the likely exit date of the investment which may or may not be the same as the contractual termination date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. Financial assets at fair value through profit or loss (continued)

(a) Financial assets designated at fair value through profit or loss

	31 December 2021 £	31 December 2020 £
Opening balance	49,892,221	–
Debt instruments additions	193,128,643	49,320,270
Repayments of debt instruments during the year	(68,579)	–
Net change in fair value of financial assets designated at FVTPL (Note 7)	11,318,846	571,951
Closing balance	**254,271,131**	**49,892,221**
Becoming due and receivable within one year	**133,820,721**	**–**
Becoming due and receivable after more than one year	**120,450,410**	**49,892,221**

Net change in fair value of financial assets designated at FVTPL

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Unrealised gain	11,318,846	571,951
Net change in fair value of financial assets designated at FVTPL	**11,318,846**	**571,951**

12. Cash and cash equivalents

	31 December 2021 £	31 December 2020 £
Cash and cash equivalents	4,048,359	717,254
Total cash and cash equivalents	**4,048,359**	**717,254**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

13. Trade and other receivables

	31 December 2021 £	31 December 2020 £
Other receivables	4,218	58,226
Total trade and other receivables	**4,218**	**58,226**

14. Amounts due from related parties

	31 December 2021 £	31 December 2020 £
PGIM Real Estate Capital VII PC S.à r.l.	762,894	762,894
PGIM Real Estate Capital VII, SCSp	–	642,405
Total amounts due from related parties	**762,894**	**1,405,299**

Amounts due from PGIM Real Estate Capital VII PC S.à r.l. represent receivables significantly relating to legal and due diligence fees.

15. Accrued expenses

	31 December 2021 £	31 December 2020 £
Loan servicing fee	100,582	11,626
Accounting fees	68,040	–
Audit fees	53,743	25,763
Finance costs	23,671	34,341
Professional tax fees	12,001	5,189
Corporate services fee	1,760	31,038
Legal fees	–	240,497
Total accrued expenses	**259,797**	**348,454**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

16. Trade and other payables

	31 December 2021 £	31 December 2020 £
VAT payable	286,372	64,914
Other creditors	272,045	–
Total trade and other payables	**558,417**	**64,914**

VAT payable relates to reverse charge VAT owed to the Luxembourg Tax Authority.

17. Financial liabilities at fair value through profit or loss

	31 December 2021 £	31 December 2020 £
Opening balance	51,579,301	–
Loans drawn during the year/period	313,147,266	51,542,500
Loans repaid during the year/period	(118,622,688)	–
Net change in fair value of financial liabilities at FVTPL (Note 8)	(1,170,481)	36,801
Equalisation provision	13,248,439	–
Closing balance	**258,181,837**	**51,579,301**
Financial liabilities designated at FVTPL	258,181,837	51,579,301
Total financial liabilities at FVTPL	**258,181,837**	**51,579,301**
Becoming due and payable within one year	**197,772,542**	**51,579,301**
Becoming due and payable after more than one year	**60,409,295**	**–**

Net change in fair value of financial liabilities at FVTPL

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Unrealised gain/(loss)	1,170,481	(36,801)
Net change in fair value of financial liabilities at FVTPL	**1,170,481**	**(36,801)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

17. Financial liabilities at fair value through profit or loss (continued)

Financial liabilities at FVTPL include discounted future cash outflows expected to be disbursed with respect to the Company's borrowings.

(a) Multicurrency revolving

On 8 October 2020, the Group entered into a £85,000,000 multicurrency revolving facility line with Wells Fargo Bank. Draws on the facility will be priced at SONIA or, in relation to any loan in EURO, EURIBOR, plus 190 bps. The maturity date is reached, subject to and as adjusted in accordance with the provisions of Clause 2.3 of the LPA, after two years on 8 October 2022. On 23 August 2021, the facility was increased to £200,000,000. As at 31 December 2021, amounts of £78,972,591 (2020 - £51,542,500) and €61,532,990 (2020 - €nil) were drawn on the subscription line.

	31 December 2021 £	31 December 2020 £
Opening balance	51,579,301	–
Loans drawn during the year/period	198,871,525	51,542,500
Loans repaid during the year/period	(118,622,688)	–
Net change in fair value of multicurrency facility (Note 8)	(1,170,481)	36,801
Closing balance	**130,657,657**	**51,579,301**

Net change in fair value of multicurrency facility

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Unrealised gain/(loss)	1,170,481	(36,801)
Net change in fair value of multicurrency facility	**1,170,481**	**(36,801)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

17. Financial liabilities at fair value through profit or loss (continued)

(b) Tracking bonds

During the year, the Company issued bonds (the "Tracking Bonds") with an issue price of £114,275,741 to the Parent (the "Bondholder"). The Board has authorised the issue of up to £2 billion of Tracking Bonds to the Bondholder. The Tracking Bonds are listed on The International Stock Exchange in Guernsey and represent a securitised loan facility and are issued for the purpose of acquiring the portfolio and paying any taxes and operational expenses in relation to the portfolio. The value or return of the Tracking Bonds will depend on the value or performance of the investment portfolio held by the Company. The Tracking Bonds mature on 2041 and are measured at fair value. The Tracking Bonds shall bear an interest in respect of each coupon accrual period, which shall be equal to the positive amount resulting from:

(a) all income and gains arising from the portfolio (including, any gain realised on the repayment or disposal of the portfolio or any portion thereof, any foreign exchange gains, if any, and any impairment, depreciation or amortisation of the Tracking Bonds);
(b) less all realised losses and all losses arising from the portfolio (including, any losses realised on the repayment or disposal of the portfolio or any portion thereof and any foreign exchange losses);
(c) less all issuer expenses.

As the Company is subject to Securitisation Law, the interest has been accounted for as equalisation provision. During the year ended 31 December 2021, interest of £3,607,406 was incurred (2020: £Nil).

	31 December 2021 £	31 December 2020 £
Opening balance	–	–
Loans drawn during the year/period	114,275,741	–
Loans repaid during the year/period	–	–
Equalisation provision	13,248,439	–
Closing balance	**127,524,180**	**–**
Becoming due and payable within one year	**67,114,885**	**–**
Becoming due and payable after more than one year	**60,409,295**	**–**
Net change in fair value of tracking bonds	**–**	**–**

	Year ended 31 December 2021 £	Period from 21 February 2020 (date of inception) to 31 December 2020 £
Unrealised gain	–	–
Net change in fair value of financial liabilities at FVTPL	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

18. Share Capital

The subscribed and authorised capital amounts to £12,500, represented by 12,500 shares fully paid-up with a nominal value of one GBP Sterling (£1) each. The Parent owns 100% of the shares in the Company.

19. Legal Reserve

In accordance with Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. During the year ended 31 December 2021, the company allocated a legal reserve of £1,250 out of retained earnings (2020: Nil).

20. Commitments and contingencies

In the ordinary course of business there can be various legal actions brought against the Company. As at 31 December 2021 and 31 December 2020, the Board of Managers was not aware of any such matter that would have a material effect on the Company's financial condition or results of operations.

As at 31 December 2021, the Group had unfunded loan commitments of £90,684,661 and €139,597,834 (2020: £42,967,230 and €nil).

21. Related Parties

Transactions carried out or balances outstanding with related parties are set out in Notes 14, 17 and 18.

Directors are not entitled to fees as part of their role in the management of the Company.

During the year, the Company incurred loan management and servicing fees (Note 9) totalling £306,583, of which £100,582 (Note 15) is outstanding at year end, due to PGIM Real Estate Loan Services, Inc., an affiliate of the Manager.

22. Tax expense

The Company is subject to general tax laws and regulations applicable to securitisation vehicles in Luxembourg. Interest income received by the Company may be subject to non-recoverable withholding tax in the source countries. The Company may further be subject to tax on the realized or unrealized capital appreciation of assets in their country of origin. There is no difference between any tax rate that may be applied or taxation assessed; hence, no tax reconciliation is presented in accordance with IAS 12.

Taxation charged during the year relate to net wealth tax.

23. Subsequent events

There are no significant subsequent events that would require disclosure in the financial statements.