Starwood European Real Estate Finance Limited

Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2015

Index

Objective and Investment Policy

Investment Objective

The investment objective of Starwood European Real Estate Finance Limited (the "Company"), together with its subsidiaries Starfin Lux S.à.r.l, Starfin Public LP and Starfin Public GP (collectively the "Group"), is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and the wider European Union's internal market.

Investment Policy

The Company invests in a diversified portfolio of real estate debt investments (including debt instruments) in the UK and the wider European Union's internal market. Whilst investment opportunities in the secondary markets will be considered from time to time, the Company's predominant focus is to be a direct primary originator of real estate debt investments on the basis that this approach is expected to deliver better pricing, structure and execution control and a client facing relationship that may lead to further investment opportunities.

The Company will attempt to limit downside risk by focusing on secured debt with both quality collateral and contractual protection.

The Company anticipates that the typical loan term will be between three and seven years. Whilst the Company retains absolute discretion to make investments for either shorter or longer periods, at least 75 per cent of total loans by value will be for a term of seven years or less.

The Company's portfolio is intended to be appropriately diversified by geography, real estate sector type, loan type and counterparty.

The Company will pursue investments across the commercial real estate debt asset class through senior loans, subordinated loans and mezzanine loans, bridge loans, selected loan-on-loan financings and other debt instruments. The split between senior, subordinated and mezzanine loans will be determined by the Investment Manager in its absolute discretion having regard to the Company's target return objectives. However, it is anticipated that whole loans will comprise approximately 40-50 per cent of the portfolio, subordinated and mezzanine loans approximately 40-50 per cent and other loans (whether whole loans or subordinated loans) between 0-20 per cent (including bridge loans, selected loan-on-loan financings and other debt instruments). Pure development loans will not, in aggregate, exceed 25 per cent of the Company's Net Asset Value ("NAV") calculated at the time of investment. The Company may originate loans which are either floating or fixed rate.

The Company may seek to enhance the returns of selected loan investments through the economic transfer of the most senior portion of such loan investments which may be by way of syndication, sale, assignment, sub-participation or other financing (including true sale securitisation) to the same maturity as the original loan (i.e. "matched funding") while retaining a significant proportion as a subordinate investment. It is anticipated that where this is undertaken it would generate a positive net interest rate spread and enhance returns for the Company. It is not anticipated that, under current market conditions, these techniques will be deployed with respect to any mezzanine or other already subordinated loan investments. The proceeds released by such strategies will be available to the Company for investment in accordance with the investment policy.

Loan to Value ("LTV")

The Company will typically seek to originate debt where the effective loan to real estate value ratio of any investment is between 60 per cent and 80 per cent at the time of origination or acquisition. In exceptional circumstances that justify it, the ratio may be increased to an absolute maximum of 85 per cent. In any event, the Company will typically seek to achieve a blended portfolio LTV of no more than 75 per cent (based on the initial valuations at the time of loan origination or participation acquisition) once fully invested.

Geography

The Company's portfolio will be originated from the larger and more established real estate markets in the European Union's internal market. UK exposure is expected to represent the majority of the Company's portfolio. Outside of the UK, investment in the European Union's internal market will mainly be focussed on Northern and Southern Europe. Northern European markets include Germany, France, Scandinavia, Netherlands, Belgium, Poland, Switzerland, Ireland, Slovakia and the Czech Republic. Southern European markets include Italy and Spain. The Company may however originate investments in other countries in the European Union's internal market to the extent that it identifies attractive investment opportunities on a risk adjusted basis.

The Company will not invest more than 50 per cent of the Company's NAV (calculated at the time of investment) in any single country save in relation to the UK, where there shall be no such limit.

In the event that a member state ceases to be a member of the European Union's internal market, it will not automatically cease to be eligible for investment.

Real Estate Sector and Property Type

The Company's portfolio will focus on lending into commercial real estate sectors including office, retail, logistics, light industrial, hospitality, student accommodation, residential for sale and multi-family rented residential. Investments in student accommodation and residential for sale are expected to be limited primarily to the UK, while multi-family investments are expected to be limited primarily to the UK, Germany and Scandinavia. Further, not more than 30 per cent, in aggregate, of the Company's NAV, calculated at the time of investment, will be invested in loans relating to residential for sale. No more than 50 per cent of the Company's NAV will be allocated to any single real estate sector of the UK, except for the UK office sector which is limited to 75 per cent of the Company's NAV.

Counterparty and Property Diversification

No more than 20 per cent of the Company's NAV, calculated at the time of investment, will be exposed to any one borrower legal entity.

No single investment, or aggregate investments secured on a single property or group of properties, will exceed 20 per cent of the Company's Net Asset Value, calculated at the time of investment.

Corporate Borrowings

It is not the intention to pursue Company-level recourse leverage for investment purposes. However, Company-level recourse borrowings may be used from time-to-time for the purpose of bridging, financing repurchases of shares or managing working capital requirements. In this regard, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent of its NAV, at the time of drawdown. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded.

Hedging

The Company will not enter into derivative transactions for purely speculative purposes. However, the Company's investments will typically be made in the currency of the country where the underlying real estate assets are located. This will largely be in Sterling and Euros. However, investments may be considered in other European currencies, and the Company may implement measures designed to protect the investments against material movements in the exchange rate between Sterling, being the Company's reporting currency, and the currency in which certain investments are made. The analysis as to whether such measures should be implemented will take into account periodic interest, principal distributions or dividends, as well as the expected date of realisation of the investment. The Company may bear a level of currency risk that could otherwise be hedged where it considers that bearing such risk is advisable. The Company will only enter into hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts when they are available in a timely manner and on terms acceptable to it. The Company reserves the right to terminate any hedging arrangement in its absolute discretion.

The Company may, but shall not be obliged to, engage in a variety of interest rate management techniques, particularly to the extent the underlying investments are floating rate loans which are not fully hedged at the borrower level (by way of floating to fixed rate swap, cap or other instrument). Any instruments chosen may seek on the one hand to mitigate the economic effect of interest rate changes on the values of, and returns on, some of the Company's assets, and on the other hand help the Company achieve its risk management objectives. The Company may seek to hedge its entitlement under any loan investment to receive floating rate interest.

Objective and Investment Policy

Cash Strategy
Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, or various real estate related instruments or collateral, including but not limited to money market instruments or funds, bonds, commercial paper or other debt obligations with banks or other counterparties having a A- or higher credit rating (as determined by any reputable rating agency selected by the Company), Agency RMBS (residential mortgage backed securities issued by government-backed agencies) and AAA rated CMBS (commercial mortgage-backed securities).

Transactions with Starwood Capital Group or Other Accounts
Without prejudice to the pre-existing co-investment arrangements described below, the Company may acquire assets from, or sell assets to, or lend to, companies within the Starwood Capital Group or any fund, company, limited partnership or other account managed or advised by any member of the Starwood Capital Group ("Other Accounts"). In order to manage the potential conflicts of interest that may arise as a result of such transactions, any such proposed transaction may only be entered into if the independent Directors of the Company have reviewed and approved the terms of the transaction, complied with the conflict of interest provisions in the Registered Collective Investment Scheme Rules 2015 issued by the Guernsey Financial Services Commission (the "Commission") under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and, where required by the Listing Rules, Shareholder approval is obtained in accordance with the listing rules issued by the UK Listing Authority. Typically, such transactions will only be approved if: (i) an independent valuation has been obtained in relation to the asset in question; and (ii) the terms are at least as favourable to the Company as would be any comparable arrangement effected on normal commercial terms negotiated at arms' length between the relevant person and an independent party, taking into account, amongst other things, the timing of the transaction.

Co-investment Arrangements
Starwood Capital Group and certain Other Accounts are party to certain pre-existing co-investment commitments and it is anticipated that similar arrangements may be entered into in the future. As a result, the Company may invest alongside Starwood Capital Group and Other Accounts in various investments. Where the Company makes any such co-investments they will be made at the same time, and on substantially the same economic terms, as those offered to Starwood Capital Group and the Other Accounts.

UK Listing Authority Investment Restrictions
The Company currently complies with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the UK Listing Authority:

- neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of its group as a whole;
- the Company will avoid cross-financing between businesses forming part of its investment portfolio;
- the Company will avoid the operation of common treasury functions as between the Company and investee companies;
- not more than 10 per cent, in aggregate, of the Company's NAV will be invested in other listed closed-ended investment funds; and
- the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy. The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of shareholders.

Financial Highlights

Key Highlights

	Year ended 31 December 2015	Year ended 31 December 2014
NAV per Ordinary Share	100.43 p	100.08 p
Share Price	107.63 p	106.25 p
NAV total return	7.58%	6.23%
Share Price total return	8.22%	10.93%
Total Net Assets	£305.5 m	£238.3 m
Loans Advanced (including accrued income)	£307.7 m	£221.0 m
Cash and Cash Equivalents	£0.5 m	£13.2 m
Amount drawn under Revolving Credit Facility	£8.2 m	£0.0 m
Dividends per Ordinary Share (1)	7.0 p	5.8 p
Portfolio yield (2)	8.7%	9.6%
On-going charges percentage (3)	1.1%	1.0%
Weighted average portfolio LTV to Group first £ (4)	16.0%	15.3%
Weighted average portfolio LTV to Group last £ (4)	65.3%	62.5%

(1) Figure disclosed is the sum of the dividend declared in relation to each quarter of the financial. This will not equal the dividend recognised in the financial statements and actually paid in the financial year as dividends are recognised and paid one quarter in arrears.

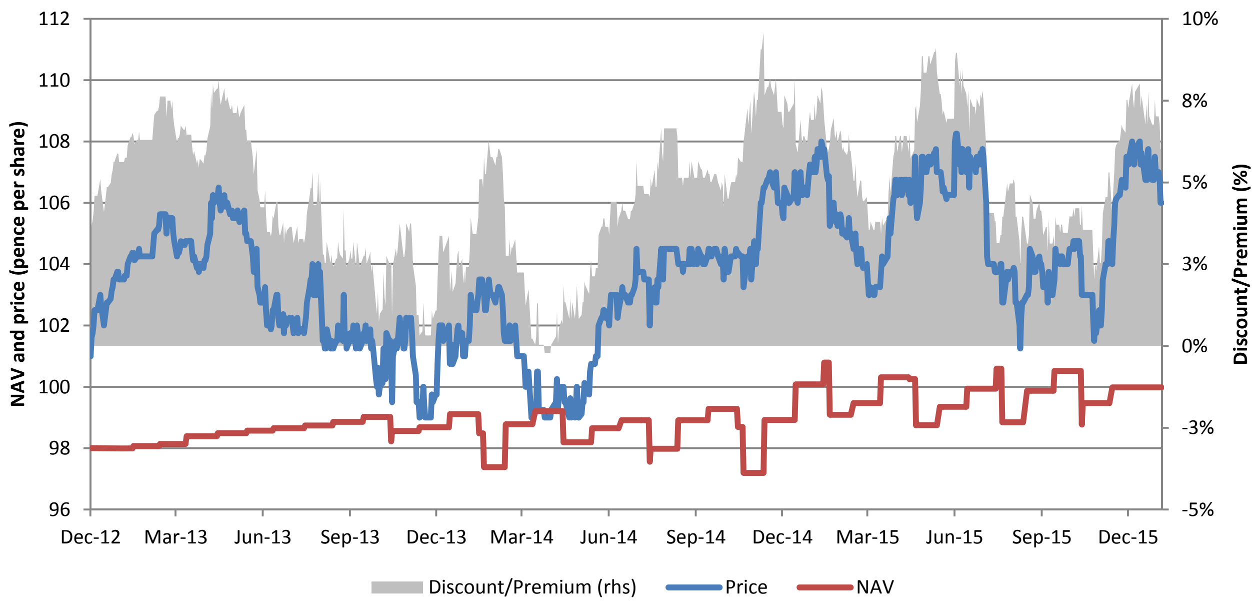
(2) Calculated on amounts currently outstanding, excluding undrawn commitments, and assuming all currently drawn loans are outstanding for the full contractual term. Nine of the loans are floating rate (partially or in whole and some with floors) and returns are based on an assumed profile for future interbank rates but the actual rate received may be higher or lower. Calculated only on amounts funded to date and excluding committed amounts and cash un-invested. The calculation excludes the origination fee payable to the Investment Manager and commitment fees on undrawn funds.

(3) Prepared in accordance with the AIC's recommended methodology.

(4) LTV to Group last £ means the percentage which the total loan commitment less any amortisation received to date (when aggregated with any other indebtedness ranking alongside and/or senior to it) bears to the market value determined by the last formal lender valuation received by the date of publication of these financial statements. LTV to first Group £ means the starting point of the loan to value range of the loan commitments (when aggregated with any other indebtedness ranking senior to it). For Lifecare, W Hotel and Centre Point the calculation includes the total facility available and is calculated against the market value on completion of the project. For Aldgate, the calculation includes the total facility available against the stabilised value of the property.

Share Price Performance

As at 31 December 2015 the NAV was 100.43 pence per Ordinary Share (2014: 100.08 pence) and the share price was 107.63 pence (2014: 106.25 pence).



Chairman's Statement

Dear Shareholder,

It is my pleasure to present the Annual Report and Audited Consolidated Financial Statements of Starwood European Real Estate Finance Limited for the year ending 31 December 2015.

Overview

As at 31 December 2015, the Group had investments and commitments of £309.1 million (of which £7.5 million was unfunded as at the year end). The Group ended the year with £0.5 million of cash and with £8.2 million drawn on the revolving credit facility. The Net Asset Value ("NAV") was £305.5 million, being 100.43 pence per Ordinary Share. The year end share price was 107.63 pence reflecting a 7.2 per cent premium to NAV and throughout 2015 the Ordinary Shares consistently traded at a premium to NAV. NAV total return was 7.58 per cent and share price total return across the financial year was 8.22 per cent.

During 2015, the Group committed to approximately £108 million of new loans, the details of which are contained in the Investment Manager's portfolio review. Loans with a total value of approximately £39 million were also repaid in full during the year. As a result of the strong net investment activity along with continued drawings on existing commitments, the Company issued 66,080,000 Ordinary Shares during the year for total proceeds of £68 million before expenses. In aggregate the Board is pleased to confirm that appropriate management of all these activities by the Investment Manager avoided any material cash drag.

The Company also increased its revolving credit facility by £10 million to £60 million. This facility is an important tool in liquidity management, ensuring new investments can be warehoused in the short term in order to cover expected loan repayments or, once cash drag risk is minimised, facilitate additional equity raises.

During the year the Board communicated that it believed it would be prudent to lower the target portfolio yield and as a consequence the dividend target by 0.5 pence to a dividend target of 6.5 pence from 2016 onwards. The Group has maintained a relative risk/return approach, as opposed to an absolute return strategy, and seeks to deliver to shareholders an attractive balanced return.

Global financial markets have demonstrated greater volatility in recent months when compared to 2015, which is having a negative impact on the availability of traditional banking credit for the Group's target customer base of real estate borrowers. Whilst the volatility should be viewed with caution, it does offer the Group greater origination opportunities assuming transaction volumes are not hit too hard.

The Board is satisfied with the performance of the Investment Manager and Investment Adviser during the year and believes that the continued appointment of the Investment Manager is in the interests of shareholders. Whilst market conditions have changed since the IPO, the Investment Adviser and Investment Manager, working in close collaboration with the Board, have maintained a disciplined and rigorous approach to investment and continue to operate within the risk parameters set out in the prospectus and the investment policy (as amended from time to time).

Placing Programme

It is the intention of the Board to seek to renew the authority at the Annual General Meeting to reset and continue with the Placing Programme that commenced in September 2015, for an amount of £288,118,000 Ordinary Shares.

Results

Total dividends of 7.0 pence per Ordinary Share have been declared in relation to the year ending 31 December 2015.

Period	Dividend declared	Payment date	Amount per share
1 January 2015 to 31 March 2015	28 April 2015	29 May 2015	1.75p
1 April 2015 to 30 June 2015	24 July 2015	24 August 2015	1.75p
1 July 2015 to 30 September 2015	22 October 2015	13 November 2015	1.75p
1 October 2015 to 31 December 2015	26 January 2016	18 February 2016	1.75p
Total			7.00p

Proposed Changes to Leverage

At present the revolving credit facility is in place for the purpose of bridging, financing repurchases of shares or managing working capital requirements. Currently the amount of this facility is limited to 20 per cent of the NAV at the time of drawdown (ignoring FX hedging positions). Whilst this facility has already been extremely useful, the Board believes that, if restructured appropriately, it could offer additional investment and operational flexibility and risk mitigation. The Board is considering an amendment to the investment policy which would provide these advantages, subject to approval by shareholders at the forthcoming Annual General Meeting.

By way of background, whole loan investment opportunities identified by the Investment Adviser may already fall within the Group's return targets or may require the sale or syndication of a senior tranche to a third party investor in order to achieve the return targets. Such syndication may occur at the time the loan is entered into, where a senior loan provider has been identified that will close the investment alongside the Group's mezzanine position, or alternatively, the Group may be comfortable in underwriting the whole loan with a view to subsequent senior syndication. Historically, the Group has originated investments which reflect all three scenarios.

Whilst the first and second approaches, described above, do not carry risks associated with having to sell down part of the loan, the Group has, as a result of its prudent approach, not originated many loans where it takes the risk of subsequent syndication. A conservative policy, particularly during the early phase of the Group's life, of not wanting to be left with a whole loan if syndication is not possible, was justifiable in the short term but does impact returns - even when the underlying collateral is excellent. It is the Board's view that the Group has reached a point in its development where the policy can be relaxed without undue risk to shareholders, recognising that the current conservative approach may have impeded additional business creation.

With the market continuing to shift towards the provision of whole loans to real estate owners, with structures comprising separate senior and mezzanine tranches becoming less popular, the Board believes it is now appropriate to consider adjusting the Company's policy on borrowings. It is proposed that, subject to approval by shareholders, the Company should be permitted to have borrowings of up to 30 per cent of NAV, of which up to 20 per cent of NAV may be for longer term investment purposes, such as bridging to syndication or buying to hold.

The change would permit the Group to invest with greater confidence in the right transactions; a whole loan could be underwritten with the expectation that a portion of the senior would be sold down but, should this not prove possible then the whole investment could be retained by the Group without impacting returns. It should be recognised that the Group's leverage levels are expected to remain cautious given the nature and composition of the overall portfolio. The Board believes that a renewed approach to leverage will permit the Group to source more accretive investments with greater confidence, and without significantly increased investment or operational risk.

Outlook

As we move into 2016, the Group continues to be well positioned with a diversified high quality loan portfolio with an overall conservative risk profile delivering a portfolio return in line with the IPO dividend target. A continued focus of the Board, working closely with the Investment Manager and Investment Adviser, is to maintain this balance and minimise cash drag risk which could result from repayments of loans originated early in the life of the Group, whilst looking to grow the Group and to take advantage of new investment opportunities.

Overall the world presents both new and familiar risks but it should not be forgotten that the Group commenced business in a challenging global market at the IPO in 2012. Now, as then, it is important to maintain an appropriately cautious investment approach, balanced by a willingness to take advantage of the opportunities that such a market can provide. The Group continues to have an appropriate strategy together with excellent real estate and credit skills, which should combine to deliver continued good performance.

The Board will continue to update you on progress by way of the quarterly fact sheets and investment updates when deals are signed. On behalf of the Board, I would like to close by thanking shareholders for your commitment and I look forward to updating you on the Group's progress later this year.

Stephen Smith
Chairman
17 March 2016

Strategic Report

The Strategic Report describes the business of the Group and details the principal risks and uncertainties associated with its activities. These are amplified in the Investment Manager's Report as set out on pages 12 to 16.

Objective, Investment Policy and Business Model

The Objective and Investment Policy set out on pages 3 to 5 describes the Group's strategy and business model.

The Investment Manager is Starwood European Finance Partners Limited, a Company incorporated in Guernsey with registered number 55819 and regulated by the Commission. The Investment Manager has appointed Starwood Capital Europe Advisers, LLP ("the Investment Adviser"), an English limited liability partnership authorised and regulated by the Financial Conduct Authority, to provide investment advice, pursuant to an Investment Advisory Agreement.

Current and Future Development

A review of the year and outlook is contained in the Investment Highlights and Portfolio Review sections of the Investment Manager's Report and also within the Chairman's Statement.

Performance

A review of performance is contained in the Investment Highlights and Portfolio Review sections of the Investment Manager's Report.

A number of performance measures are considered by the Board, the Investment Manager and Investment Adviser in assessing the Company's success in achieving its objectives. The Key Performance Indicators ("KPIs") used to measure the progress and performance of the Group are established industry measures and are as follows:

- The portfolio yield;
- The movement in NAV per Ordinary Share;
- The movement in share price and the discount / premium to NAV;
- On-going charges as a percentage of undiluted NAV; and
- Weighted average loan to value for the portfolio.

Details of the KPIs are shown on page 6.

Risk Management

It is the role of the Board to review and manage all risks associated with the Group, both those impacting the performance and the prospects of the Group, and those which threaten the existence of the Group. It is the role of the Board to mitigate these either directly or through the delegation of certain responsibilities to the Audit Committee and Investment Manager. The Board performs a review of a risk matrix at each Board meeting.

The Board consider the following principal risks could impact the performance and prospects of the Group but do not threaten its ability to continue in operation and meet its liabilities, and has identified the mitigating actions in place to manage them.

Long Term Strategic Risk

The Group's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns. In addition, the pace of investment has in the past and may in the future be slower than expected, or principal may be repaid earlier than anticipated, causing the return on affected investments to be less than expected. In addition, if repayments are not promptly re-invested this may result in cash drag which may lower portfolio returns. As a result, the level of dividends to be paid by the Company may fluctuate and there is no guarantee that any such dividends will be paid. As a consequence, the shares may trade at a discount to NAV per share and shareholders may be unable to realise their investments through the secondary market at NAV per share.

The Investment Adviser provides the Investment Manager and the Board with a weekly report on pipeline opportunities, which includes analysis of the strength of the pipeline and returns available. The Directors also regularly receive information on the performance of the existing loans including the performance of the underlying assets. This also includes analysis of the likelihood of any early repayments which may impact returns.

The Board monitors the level of premium or discount of share price to NAV per share. While the Directors may seek to mitigate any discount to NAV per share through the discount management mechanisms set out in the Prospectus, there can be no guarantee that they will do so or that such mechanisms will be successful. Please see the Investment Objective and Investment Policy, page 3, for further information on the discount management mechanisms.

The Board monitors investment strategy and performance on an on-going basis and regularly reviews the Investment Objective and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Interest Rate Risk

The Group is subject to the risk that the loan income and income from the cash and cash equivalents will fluctuate due to movements in interbank rates.

The loans in place at 31 December 2015 have been structured so that 51.6 per cent of the loans are fixed rate which provides protection from downward interest rate movements to the overall portfolio. In addition, whilst the remaining 48.4 per cent is classified as floating, 95.3 per cent of the 48.4 per cent are subject to interbank rate floors such that the interest cannot drop below a certain level which provides significant additional protection against downward interest rate risk. When reviewing future investments, the Investment Manager will continue to review such opportunities to protect against downward interest rate risk.

The Board considers that the following principal risks could impact both the performance and prospects of the Group and could also threaten its ability to continue its operations and meet its liabilities, and has identified the mitigating actions in place to manage them.

Market Deterioration Risk

The Group's investments are comprised principally of debt investments in the UK, and the wider European Union's internal market and it is therefore exposed to economic movements and changes in these markets. Any deterioration in the global, UK or European economy could have a significant adverse effect on the activities of the Group and may result in significant loan defaults or impairments.

In the event of a default the Group is generally entitled to enforce security, but the process may be expensive and lengthy and the outcome is dependent on sufficient capital being available to meet the borrower's obligations. Some of the investments made would rank behind senior debt tranches for repayment in the event that a borrower defaults, with the consequence of greater risk of partial or total loss. In addition, repayment of loans could be subject to the availability of refinancing options, including the availability of senior and subordinated debt and is also subject to the underlying value of the real estate collateral at the date of maturity.

In mitigation, the average weighted loan to value of the portfolio is 65.3 per cent. Therefore, the portfolio should be able to withstand a significant level of deterioration before credit losses are incurred.

The Investment Adviser also mitigates the risk of credit losses by undertaking detailed due diligence on each loan. Whilst the precise scope of due diligence will depend on the proposed investment, such diligence will typically include independent valuations, building and measurement and environmental surveys, legal reviews of property title and key leases, where necessary mechanical and engineering surveys, accounting and tax reviews and know your customer checks.

The Investment Adviser, Investment Manager and Board also manage these risks by ensuring a diversification of investments in terms of geography, market and type of loan. The Investment Manager and Investment Adviser operate in accordance with the guidelines, investment limits and restrictions policy determined by the Board. The Directors review the portfolio against these guidelines, limits and restrictions on a regular basis.

The Investment Adviser meets with all borrowers on a regular basis to monitor developments in respect of each loan and reports to the Investment Manager and the Board periodically and on an ad hoc basis where considered necessary.

The Group's loans are held at amortised cost and are reviewed quarterly for signs of impairment by the Investment Adviser. The results of the impairment review are discussed with the Investment Manager and the Board.

Risk of Default Under the Revolving Credit Facility

The Group is subject to the risk that a borrower could be unable or unwilling to meet a commitment that it has entered into with the Group as outlined above under market deterioration risk. As a consequence of this, the Group could breach the covenants of its revolving credit facility, and fall into default.

A number of the measures the Group takes to mitigate market deterioration risk as outlined above, such as portfolio diversification and rigorous due diligence on investments and monitoring of borrowers, will also help to protect the Group from the risk of default under the revolving credit facility as this is only likely to occur as a consequence of borrower defaults or loan impairments.

The Board regularly reviews the balances drawn under the revolving credit facility against commitments and pipeline and reviews the performance under the agreed covenants. The loan covenants are also stress tested to test how robust they are to withstand default of the Group's investments.

Community, Social, Employee, Human Rights and Environmental Issues

In carrying out its activities and in its relationship with the community, the Group aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues. The Group has no employees and the Board is composed entirely of non-executive Directors. As an investment company, the Group has no direct impact on the environment. However, the Group believes that it is in shareholders' interests to consider environmental, social and ethical factors when selecting and retaining investments.

Board Diversity

The Board considers that its members have a balance of skills, qualifications and experience which are relevant to the Company. The Board supports the recommendations of the Davies Report and believes in the value and importance of diversity in the boardroom but it does not consider it is appropriate or in the interest of the Company and its shareholders to set prescriptive targets for gender or nationality on the Board.

The Company has no employees and therefore has no disclosures to make in this regard.

Stephen Smith
Chairman
17 March 2016

Investment Manager's Report – Investment Highlights

The Investment Manager and Investment Adviser are both part of the Starwood Capital Group, a leading global real estate investment group.

Portfolio Statistics

The Investment Manager and the Board of the Company considers that the Group is engaged in a single segment of business, being the provision of a diversified portfolio of real estate backed loans. The analysis presented in this report is presented to demonstrate the level of diversification achieved within that single segment. The Board does not believe that the Group's investments constitute separate operating segments.

As at 31 December 2015, the portfolio was invested in line with the Group's investment policy and is summarised below.

	31 December 2015	31 December 2014
Number of investments	15	12
Percentage of currently invested portfolio in floating rate loans (1)	48.4%	42.1%
Portfolio Yield (2)	8.7%	9.6%
Weighted average portfolio LTV – to Group first £(3)	16.0%	15.3%
Weighted average portfolio LTV – to Group last £(3)	65.3%	62.5%
Average loan term	4.1 Years	3.7 years
Net Asset Value	£305.5 m	£238.3 m
Amount drawn under Revolving Credit Facility (excl. accrued interest)	£8.2 m	£0.0 m
Portfolio value (including accrued income)	£307.7 m	£221.0 m
Cash	£0.5 m	£13.2 m
Other net assets (including the value of FX hedges)	£5.5 m	£4.3 m

(1) Calculated on loans currently drawn using the exchange rates applicable when the loans were funded.
(2) Calculated on amounts currently outstanding, excluding undrawn commitments, and assuming all currently drawn loans are outstanding for the full contractual term. Nine of the loans are floating rate (partially or in whole and some with floors) and returns are based on an assumed profile for future interbank rates but the actual rate received may be higher or lower. Calculated only on amounts funded to date and excluding committed amounts and cash un-invested. The calculation excludes the origination fee payable to the Investment Manager and commitment fees on undrawn funds.
(3) LTV to Group last £ means the percentage which the total loan commitment less any amortisation received to date (when aggregated with any other indebtedness ranking alongside and/or senior to it) bears to the market value determined by the last formal lender valuation received by the date of publication of these financial statements. LTV to first Group £ means the starting point of the loan to value range of the loan commitments (when aggregated with any other indebtedness ranking senior to it). For Lifecare, W Hotel and Centre Point the calculation includes the total facility available and is calculated against the market value on completion of the project. For Aldgate, the calculation includes the total facility available against the stabilised value of the property.

Portfolio Diversification

Country	% of invested assets
UK	61.6
Netherlands	16.2
Finland	9.2
Denmark	10.1
Republic of Ireland	2.9

Sector	% of invested assets
Office	20.6
Retail	12.2
Light Industrial / logistics	27.6
Hospitality	12.5
Residential for sale	16.2
Residential for rent	2.8
Healthcare	8.1

Loan type	% of invested assets
Whole loans	65.6
Mezzanine	30.6
Other	3.8

Loan type	% of invested assets
Sterling	61.6
Euro	28.3
Danish Krona	10.1

Investment Manager's Report – Investment Highlights

Capital Market Activities and Liquidity Facility

In July 2015 the Company issued 23.78 million Ordinary Shares for gross issue proceeds (before expenses) of £24.5 million. In September 2015 the Company published a prospectus in connection with a 12 month placing programme and issued 42.3 million Ordinary Shares for gross issue proceeds (before expenses) of £43.5 million. In the subsequent period to 31 December 2015 not only were these proceeds invested without material cash drag, but also the proceeds from two loan repayments received in the final quarter for £22.2 million were reinvested, with the revolving credit facility drawn £8.2 million at the year end.

During the final quarter of 2015, the Company extended its revolving credit facility by £10 million to £60 million, following the increase in Net Asset Value as a result of the issue of additional Ordinary Shares outlined above. This facility was originally arranged in December 2014 and, being multi-currency, helps mitigate FX risks on new non-sterling commitments (where a syndication is envisaged) and allows cash drag to be mitigated through the short term warehousing of new investments prior to refinancing with loan repayment receipts or additional equity.

Foreign Exchange

The Group continues to recognise unrealised foreign exchange gains or losses relating to investment activity. The Group has fully hedged the principal of each individual non-sterling denominated loan with forward contracts, together with interest receipts during the period of prepayment protection. If the loans repay at their scheduled repayment date, the Group would expect that this policy will be effective in protecting against realising FX losses on capital invested.

However, the accounting treatment for the non-sterling loans is to value the loan at the foreign exchange rate at the relevant Statement of Financial Position date, and to value the hedge based on the market forward rates at the Statement of Financial Position date to the maturity date of the relevant hedge (discounted back to present value). As a result of this accounting treatment, whilst the loan principal is economically fully hedged (if held to loan maturity), unrealised foreign exchange gains or losses are recognised in the accounts during the life of the loan due to changes in the shape of the relevant forward curves. For this reason, the Group disregards unrealised foreign exchange gains and losses when declaring dividends.

It is important to note that should any of the non sterling denominated loans repay early, and the Group has no alternative use for the funds repaid and therefore breaks the hedges early, foreign exchange gains or losses could be realised at that point. The size of this will depend on the shape of the relevant forward curve at the point at which the relevant hedge is broken. In general, a steeper curve would result in greater gains/losses.

Investment Outlook

The Group starts 2016 with a portfolio that is achieving an annualised return that enables it to meet the revised dividend target of 6.5 pence per annum. The Group is well diversified in terms of geography and sector and the loan-to-value is lower than anticipated at IPO due, in part, to a higher proportion of whole loans. The Investment Manager and Adviser continue to find interesting opportunities to advance whole loans with attractive risk adjusted returns.

Over the coming year the Investment Manager and Adviser will be focussed on managing the repayments which can be expected from some of the loans originated early in the life of the Group and seeking to minimise any resulting cash drag risk. The Group is able to use the revolving credit facility to help manage this risk.

It is expected that sufficient new opportunities will be identified to then enable the Group to raise further equity under the placing programme, but there can be no assurances on this.

Dividend Policy

The Company declared dividends of 7.0 pence per Ordinary Share in respect of the year ended 31 December 2015 (2014: 5.8 pence per Ordinary Share). These dividends are recognised in the Consolidated Statement of Changes in Equity when declared, which is usually within one month after the end of the financial period to which they relate. Dividends are usually paid within one month of the declaration date. As such the amount declared in respect of each financial year does not always reconcile to the amounts disclosed in the financial statements.

The future dividend policy of the Company is discussed in the Chairman's Statement on page 7.

Market Summary

The quarterly factsheets published by the Company contain more detail on our view of the market and can be found on the Company's website.

In the last few factsheets we have written about how the global macroeconomic volatility has filtered through to the real estate credit market and how this, in turn, gives us optimism that the investment opportunities for the Group could expand further.

The events of early 2016 in Chinese financial markets, a potential exit of the UK from the EU and, more generally, volatility in the equity, fixed income and commodity markets may, however, have more far reaching consequences for the European economy and real estate markets which could influence the Group's own strategy.

Investment Deployment

As at 31 December 2015 the Group had investments and commitments of £309.1 million (Sterling equivalent at year end exchange rates) as follows:

	Sterling equivalent balance	Sterling equivalent unfunded commitments
Lifecare Residences, London	£14.0 m	£0.4 m
Salesforce Tower, London	£11.6 m	-
Centre Point, London	£45.0 m	-
5 Star Hotel, London	£13.0 m	-
Aldgate Tower, London	£40.6 m	£4.4 m
Center Parcs Bonds, UK	£9.5 m	-
Industrial Portfolio, UK	£31.8 m	-
Hospitals, UK	£25.0 m	-
Total Sterling Loans	**£190.5 m**	**£4.8 m**
Retail Portfolio, Finland	£23.7 m	-
Industrial Portfolio, Netherlands	£20.3 m	-
Office, Amsterdam	£10.3 m	-
W Hotel, Amsterdam	£15.6 m	£2.7 m
Retail & Residential Portfolio, Ireland	£4.5 m	-
Residential Portfolio, Cork, Ireland	£4.6 m	-
Total Euro Loans	**£79.0 m**	**£2.7 m**
Industrial Portfolio, Denmark	£32.1 m	-
Total Danish Krona Loans	**£32.1 m**	**-**
Total Portfolio	**£301.6 m**	**£7.5 m**

During the financial year, the following new loans were originated:

Danish Industrial Portfolio: In June 2015, the Group provided two facilities for a total of DKK 327.4 million for a portfolio of light industrial assets throughout Denmark. The first facility is a mezzanine facility to refinance a portfolio already owned by the sponsor. The second facility is a whole loan to support the acquisition of a new portfolio. The facilities were partially drawn in June 2015, with a further drawdown made in July 2015.

Irish Portfolio: In July 2015, the Company provided a €6.1 million loan on a portfolio of retail and residential rental properties in the Republic of Ireland.

5 Star Hotel, London: In July 2015, the Company increased its existing loan to the 5 Star London Hotel by £6.2 million.

Center Parcs, UK: In July 2015, the Group entered into an arrangement with Ravenscroft Ltd, as Stockbroker, for the purpose of purchasing, settling and holding £8.0 million of the £560 million Class B2 Fixed Rate Secured Notes issued by CPUK Finance Limited following the acquisition of the Center Parcs group by a Brookfield managed fund. On 1 October 2015, the Group purchased an additional £1.5 million of the notes.

Industrial Portfolio, UK: In August 2015 the Group provided a £32.5 million whole loan to refinance a portfolio of industrial properties in the UK.

Residential Portfolio, Ireland: In November 2015 the Group funded a €6.2 million 4 year floating whole loan relating to the acquisition of 47 apartments in Cork to a strong and highly regarded local sponsor.

Industrial Portfolio, Netherlands: In December 2015 the Group entered into an agreement with an existing borrower to refinance and enlarge upon the previous facility. The Group initially increased its commitment by €20.4 million to €40.3 million and subsequently syndicated €12.7 million of this increased commitment, resulting in a net investment of €27.6 million. The decision to increase the commitment reflected the positive asset management being achieved in an improving occupational and investment market and by amending this agreement the Group mitigated one of the larger and more imminent repayment risks as well as deploying further funds into an attractive loan position.

Hospitals, UK: In December 2015 the Group advanced a £25 million mezzanine loan in relation to a portfolio of UK hospitals subject to long term leases to a strong underlying tenant. The UK healthcare sector is demonstrating solid growth potential and the Group sought to take advantage of a very interesting investment opportunity which also gave greater diversity to the portfolio.

During the financial year, the following loans were repaid:

FC200: In June 2015 the FC200 loan of £10.1 million was repaid following a sale of the property.

Maybourne: In January 2015, the Maybourne facilities were amended and restated with the effect of increasing the senior financing by £40 million and the mezzanine facilities being reduced by a corresponding amount. This restructure was an alternative to a complete refinancing of the debt and enabled the Group to retain an investment (albeit lower) notwithstanding the improvement in the debt markets since the time of the original transaction. Subsequently, during the final quarter of 2015 the remaining loan of £11.2 million was repaid.

West End Developments: The £10 million loan was repaid in December 2015.

Events After the Reporting Period

The following new investments have closed since the year end, up to17 March 2016:

	Sterling equivalent
Hotel, Channel Islands	£27.0 m
Residential Portfolio, Dublin	£6.2 m

Amounts also continued to be drawn under the outstanding commitments on the W Hotel, Amsterdam and Aldgate Tower facilities.

The Company has drawn additional funds on the revolving credit facility in order to fund the new investments shown above. At 17 March 2016 £42 million is outstanding on the revolving credit facility.

The following loan amortisation (both scheduled and unscheduled) has been received since the year end up to 17 March 2016:

	Sterling equivalent
Salesforce Tower, London	£867,607
Retail Portfolio, Finland	£354,374
Office, Amsterdam	£26,948
5 Star Hotel, London	£13,173
Retail & Residential Portfolio, Ireland	£52,275
Residential Portfolio, Cork, Ireland	£27,241
Industrial Portfolio, Denmark	£1,083,456

On 26 January 2016 the Company declared a dividend of 1.75 pence per Ordinary Share payable to shareholders on the register on 18 February 2016.

Starwood European Finance Partners Limited
Investment Manager

17 March 2016

Stephen Smith (non-executive Chairman – Chairman of the Board)
Stephen is currently a Director of Gatehouse Bank Plc (appointed in June 2013), a Director of Tritax Big Box REIT Plc, which floated on the London Stock Exchange in December 2013. Previously, he was the Chief Investment Officer of British Land Company PLC, the FTSE 100 real estate investment trust from January 2010 to March 2013 with responsibility for the group's property and investment strategy, leaving at the end of June 2013. He was formerly Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed end funds. Prior to joining AXA in 1999 he was Managing Director at Sun Life Properties for five years. Stephen is a UK resident.

Jonathan Bridel (non-executive Director – Management Engagement Committee Chairman)
Jonathan is currently a non-executive Chairman or Director of listed and unlisted companies comprised mainly of investment funds and investment managers. These include Alcentra European Floating Rate Income Fund Limited, The Renewables Infrastructure Group Limited, Sequoia Economic Infrastructure Income Fund Limited and Funding Circle SME Income Fund Limited which are listed on the main market of the London Stock Exchange and DP Aircraft I Limited and Fair Oaks Income Fund Limited. He was previously Managing Director of Royal Bank of Canada's investment business in the Channel Islands. Prior to this, after working at Price Waterhouse Corporate Finance in London, Jonathan served in senior management positions in the British Isles and Australia in banking, specialising in credit and in private businesses as Chief Financial Officer. Graduating from the University of Durham with a degree of Master of Business Administration in 1988, Jonathan also holds qualifications from the Institute of Chartered Accountants in England and Wales where he is a Fellow, the Chartered Institute of Marketing and the Australian Institute of Company Directors. Jonathan is a Chartered Marketer and a member of the Chartered Institute of Marketing, the Institute of Directors and a Chartered Fellow of the Chartered Institute for Securities and Investment. Jonathan is a resident of Guernsey.

John Whittle (non-executive Director – Audit Committee Chairman)
John is a Fellow of the Institute of Chartered Accountants in England and Wales and holds the Institute of Directors Diploma in Company Direction. He is a non-executive Director of International Public Partnerships Limited (FTSE 250), India Capital Growth Fund Limited, Globalworth Real Estate Investments Limited and Advance Frontier Markets Fund Limited (all listed on AIM), Toro Ltd (listed on SFM), and also acts as non-executive Director to several other Guernsey investment funds. He was previously Finance Director of Close Fund Services, a large independent fund administrator, where he successfully initiated a restructuring of client financial reporting services and was a key member of the business transition team. Prior to moving to Guernsey he was at Price Waterhouse in London before embarking on a career in business services, predominantly telecoms. He co-led the business turnaround of Talkland International (now Vodafone Retail) and was directly responsible for the strategic shift into retail distribution and its subsequent implementation; he subsequently worked on the £20million private equity acquisition of Ora Telecom. John is also a resident of Guernsey.

Report of the Directors

Principal Activities and Investment Objective

The investment objective of the Company is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and wider European Union's internal market, focusing on Northern and Southern Europe. Whilst investment opportunities in the secondary market are considered, the Group's main focus is to originate direct primary real estate debt investments.

The Group attempts to limit downside risk by focusing on secured debt with both quality collateral and contractual protection. The typical loan term is between three and seven years and at least 75 per cent of total loans by value are for a term of seven years or less.

The Group is and intends to remain appropriately diversified by geography, real estate sector, loan type and counterparty. The Group pursues investments across the commercial real estate debt asset class through senior loans, subordinated loans and mezzanine loans, bridge loans, selected loan-on-loan financings and other debt instruments.

Structure

The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 9 November 2012 with registered number 55836, and has been authorised by the Guernsey Financial Services Commission ("GFSC") as a registered closed-ended investment company. The Company's Ordinary Shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 17 December 2012. Further issues took place in March 2013, April 2013, July 2015 and September 2015. The issued capital during the year comprises the Company's Ordinary Shares denominated in Sterling.

The Company makes its investments through Starfin Lux S.à.r.l ("Luxco"), an indirect wholly-controlled subsidiary not subject to regulation in Luxembourg or elsewhere. The Company's interest in Luxco is held through a Guernsey limited partnership, Starfin Public LP ("the Partnership") of which Starfin Public GP Limited ("the GP") is the general partner.

The GP is wholly owned and controlled by the Company. Starfin Carry LP ("the Special Limited Partner") is the only other limited partner of the Partnership and is majority owned by the Starwood Capital Group ("Starwood") and has no control over the GP.

References to the Group refer to the Company, the GP, the Partnership and Luxco.

Dividend Policy

At launch, the Company had targeted a dividend of 7.0 pence per Ordinary Share upon full investment, based on quarterly dividend payments. In July 2015, the Company communicated that it considered it prudent to lower the dividend target by 0.5 pence per Ordinary Share to 6.5 pence per Ordinary Share for 2016 onwards.

Dividends Paid

The Company declared dividends of 1.75 pence for each of the calendar quarters of 2015.
The Company has paid a total of £18,120,500 during the year (6.95 pence per Ordinary share) (2014: £12,381,200 : 5.2 pence per Ordinary Share).

Business Review

The Group's performance during the year to 31 December 2015, its position at that date and the Group's future developments are detailed in the Chairman's Statement, the Strategic Report and the Investment Manager's Report on pages 7 to 16.

Capital

As part of the Company's IPO completed on 17 December 2012, 228,500,000 Ordinary Shares of the Company, with an issue price of 100 pence per share, were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange.

Shortly after the IPO and in order to meet market demand, principally following the Company's inclusion in the FTSE UK Index Series and to manage the higher share price premium over the NAV per share at that time, the Company issued an additional 9,600,000 Ordinary Shares within the limits imposed by the Prospectus Rules.

During 2015 the Company issued an additional 66,080,000 Ordinary Shares to fund investment opportunities.
Following these issues, the Company now has issued share capital consisting of 304,180,000 Ordinary Shares.

Details of the Company's capital are provided in more detail in note 16 on page 56 of the consolidated financial statements.

Substantial Interests

As of 31 December 2015, the Company is aware of the following material shareholdings:

Name	Ordinary Shares held	% holding of Ordinary Shares at 31 December 2015
Schroder Investment Management	36,790,219	12.09
Quilter Cheviot Investment Management	33,621,337	11.05
SG Private Banking	21,361,772	7.02
Schroder & Co, London (PB)	18,090,422	5.95
Premier Asset Management	15,805,000	5.20
Thames River Capital	13,700,000	4.50
Smith & Williamson	11,423,432	3.76
East Riding of Yorkshire	10,000,000	3.29
Starwood Property Trust	9,140,000	3.00
Architas Multi Manager	9,048,198	2.97

Directors' Interests in Shares

The Directors' interests in shares are shown below:

Name	Ordinary Shares at Company's Launch	Ordinary Shares purchased	Ordinary Shares at 31 December 2015
Stephen Smith	40,000	38,929	78,929
John Whittle	-	11,866	11,866
Jonathan Bridel and Spouse	-	11,866	11,866

The Directors have adopted a code of Directors' dealings in Ordinary Shares, which is based on the Model Code for Directors' dealings contained in the Listing Rules (the ''Model Code''). The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors, and review the Model Code on a regular basis.

Events After the Reporting Period

Details of events are the reporting period are contained in note 24 to the consolidated financial statements.

Independent Auditors

The Board of Directors elected to appoint PricewaterhouseCoopers CI LLP as Auditors to the Company at the inaugural meeting of the Company on 22 November 2012 and they have been re-appointed at each Annual General Meeting held since. PricewaterhouseCoopers CI LLP has indicated their willingness to continue as Auditors. The Directors will place a resolution before the Annual General Meeting to re-appoint them as independent Auditors for the ensuing year, and to authorise the Directors to determine their remuneration.

Investment Manager and Service Providers

The Investment Manager during the year was Starwood European Finance Partners Limited (the "Investment Manager"), incorporated in Guernsey with registered number 55819 and regulated by the GFSC. The Investment Manager has appointed Starwood Capital Europe Advisers, LLP ("the Investment Adviser"), an English limited liability partnership authorised and regulated by the Financial Conduct Authority ("FCA"), to provide investment advice pursuant to an Investment Advisory Agreement.

The administration of both the Company and Investment Manager was delegated to Ipes (Guernsey) Limited (the "Administrator") during the year.

Discount Control

The Company's discount management strategy has three elements, summarised as follows and explained in greater detail below:

- a discount-triggered realisation mechanism that would apply if the Ordinary Shares trade at an average discount of five per cent or more during the last six months of the financial year ending 31 December 2017 and would provide for the realisation of up to 75 per cent of the outstanding Ordinary Share capital by means of the orderly realisation over time of the relevant proportion of the Company's assets and related phased distributions of capital to Shareholders who make the relevant election.
- save where the discount-triggered realisation mechanism has been activated, a realisation vote by no later than 28 February 2018 to implement a realisation of up to 75 per cent of the outstanding capital on substantially the same basis as described above; and
- share repurchase powers that allow the Company to repurchase Ordinary Shares in the market up to 14.99 per cent of the share capital, subject to annual renewal of the Shareholder authority.

Discount-triggered Realisation

If the Ordinary Shares trade at an average discount to Net Asset Value per Share (calculated daily in accordance with the methodology set out below) of five per cent or more during the six-month period ending 31 December 2017, the Directors at their absolute discretion may put a realisation offer to Shareholders, subject to applicable law including the requirements of the Companies Law
(a Realisation Offer).

Realisation Vote

In the event that the discount-triggered realisation mechanism is not activated, the Directors shall exercise their discretion under the Articles to put forward a realisation vote (as an ordinary resolution) to Shareholders by no later than 28 February 2018. If Shareholders vote in favour of this resolution then the Company will procure that a Realisation Offer on substantially the same terms as that described above is offered to Shareholders. Under the Realisation Offer all Shareholders will be able to elect to redeem up to 75 per cent. of their Ordinary Shares. Following the receipt of all elections, if either: (i) more than 75 per cent. of the Ordinary Shares then in issue were elected for realisation; or (ii) the NAV of the Company following the realisation would be less than £100 million, the Directors may exercise their discretion not to proceed with the Realisation Offer and instead put forward alternative proposals which are no less favourable to electing Shareholders and which may include the reorganisation or winding up of the Company. Any realisation of the Company's portfolio required as a result of the implementation of a Realisation Offer will be conducted in the orderly manner described above in relation to the discount-triggered realisation mechanism.

If Shareholders vote against the realisation vote then the Company will continue in existence as it is then constituted without any liquidity event for Shareholders.

Share Buybacks

The Directors have the authority to purchase in the market up to 14.99 per cent of the Ordinary Shares in issue on 8 May 2015 at a price not exceeding: (i) five per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the last independent trade or the highest current independent bid for the Ordinary Shares.

The Directors will give consideration to repurchasing Shares under this authority, but are not bound to do so, where the market price of an Ordinary Share trades at more than 7.5 per cent below the Net Asset Value per Share for more than 3 months, subject to available cash not otherwise required for working capital purposes or the payment of dividends in accordance with the Company's dividend policy.

If not previously used, this authority shall expire at the conclusion of the Company's Annual General Meeting ("AGM") in 2016. The Directors intend to seek annual renewal of this buyback authority from Shareholders each year at the Company's AGM.

By order of the Board
John Whittle
Director
17 March 2016

Directors' Remuneration Report

Remuneration Policy & Components

The Board endeavours to ensure the remuneration policy reflects and supports the Company's strategic aims and objectives throughout the year under review. It has been agreed that, due to the small size and structure of the Company, a separate Remuneration Committee would be inefficient; therefore the Board as a whole is responsible for discussions regarding remuneration. No external remuneration consultants were appointed during the year under review.

As per the Company's Articles of Association, all Directors are entitled to such remuneration as is stated in the Company's Prospectus or as the Company may determine by ordinary resolution; to not exceed the aggregate overall limit of £200,000. Subject to this limit, it is the Company's policy to determine the level of Directors' fees, having regard for the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of responsibilities related to the Board, Management Engagement Committee and Audit Committee and the time dedicated by each Director to the Company's affairs. Base fees are set out below.

During the year, each of the Directors received an additional fee of £5,000 in respect of the additional work involved in respect of the Placing Programme and undertook to invest the entirety of this fee to subscribe for New Ordinary Shares.

Director	(1) Revised base fee £	Base Fee Payable 2015 £	(2) Additional Fee Paid 2015 £	Total Fee 2015 £	Base Fee 2014 £
Stephen Smith	47,500	46,250	5,000	51,250	45,000
John Whittle	40,000	37,500	5,000	42,500	35,000
Jonathan Bridel	35,000	33,750	5,000	38,750	32,500
Aggregate Fees	122,500	117,500	15,000	132,500	112,500
Aggregate Expenses				6,341	2,783
Total				138,841	115,283

(1) This is the revised base fees following an increase of £2,500, effective 1 July 2015, for Stephen Smith, Jonathan Bridel and £5,000 for John Whittle.
(2) £5,000 in respect of the additional work involved in respect of the Placing Programme which was invested into 4,866 shares each

As outlined in the Articles of Association, the Directors may also be paid for all reasonable travelling, accommodation and other out-of-pocket expenses properly incurred in the attendance of Board or Committee meetings, general meetings, or meetings with shareholders or debentures of the Company or otherwise in discharge of their duties; and all reasonable expenses properly incurred by them seeking independent professional advice on any matter that concerns them in the furtherance of their duties as Directors of the Company.

No Director has any entitlement to pensions, paid bonuses or performance fees, has been granted share options or been invited to participate in long-term incentive plans. No loans have been originated by the Company for the benefit of any Director.

None of the Directors has a service contract with the Company. Each of the Directors has entered into a letter of appointment with the Company dated 22 November 2012 subject to re-election every three years thereafter at the AGM. Any Director who has served on the Board for longer than nine years will be subject to annual re-election. The Directors do not have any interests in contractual arrangements with the Company or its investments during the year under review, or subsequently. Each appointment can be terminated in accordance with the Company's Articles and without compensation. As outlined in the letters of appointment, each appointment can be terminated at the will of both parties with one month's notice either by (i) written resignation; (ii) unauthorised absences from Board meetings for 12 months or more; (iii) written request of the other Directors; or (iv) a resolution of the shareholders.

Directors' and Officers' liability insurance cover is maintained by the Company but is not considered a benefit in kind nor constitutes a part of the Directors' remuneration. The Company's Articles indemnify each Director, secretary, agent and officer of the Company, former or present, out of assets of the Company in relation to charges, losses, liabilities, damages and expenses incurred during the course of their duties, in so far as the law allows and provided that such indemnity is not available in circumstances of fraud, wilful misconduct or negligence.

By order of the Board
John Whittle
17 March 2016

Corporate Governance Statement

As a regulated Guernsey incorporated company with a Premium Listing on the Official List and admission to trading on the Main Market for Listed Securities of the London Stock Exchange, the Company is required to comply with the principles of the UK Corporate Governance Code dated September 2014 ("UK Code").

As an AIC member, the Board has also considered the principles and recommendations of the AIC Code of Corporate Governance dated February 2015 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues of specific relevance to the Company. The AIC Code was updated in February 2015 to include the new provisions of the UK Code announced in September 2014, and has been endorsed by the Financial Reporting Council as ensuring investment company boards fully meet their obligations to the UK Code and LR 9.8.6 of the Listing Rules. Having adopted the AIC Code with effect from Admission (17 December 2012), the Board has therefore assessed itself, the Committees and performance of the Directors against the parameters and principles outlined within the AIC Code on a regular basis throughout 2015.

Except as disclosed within the report, the Board is of the view that throughout the year ended 31 December 2015, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code. Key issues affecting the Company's corporate governance responsibilities, how they are addressed by the Board and application of the AIC Code are presented below.

The Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function which are not considered by the Board to be relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Guernsey Financial Services Commission Finance Sector Code of Corporate Governance ("GFSC Code") came into force in Guernsey on 1 January 2012. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the UK Code.

Chairman

Appointed to the permanent position of Chairman of the Board on 22 November 2012, Stephen Smith is responsible for leading the Board in all areas, including determination of strategy, organising the Board's business and ensuring the effectiveness of the Board and individual Directors. He also endeavours to produce an open culture of debate within the Board.

Prior to the Chairman's appointment, a job specification was prepared which included an assessment of the time commitment anticipated for the role. Discussions were undertaken to ensure the Chairman was sufficiently aware of the time needed for his role, and agreed to upon signature of his letter of appointment. Other significant business commitments of the Chairman were disclosed to the Company prior to appointment to the Board, and were publicly disclosed in the Company's Prospectus dated 28 November 2012. Any subsequent changes have been declared. Certain of these commitments, and their subsequent changes, can be identified in his biography on page 17.

The effectiveness and independence of the Chairman is evaluated on an annual basis as part of the Board's performance evaluation; the Audit Committee Chairman is tasked with collating feedback and discussing with the Chairman on behalf of the rest of the Board.

As per the Company's Articles, all Directors, including the Chairman, must disclose any interest in a transaction that the Board and Committees will approve. To ensure all Board decisions are independent, the said conflicted Director is not entitled to vote in respect of any arrangement connected to the interested party.

Corporate Governance Statement

Board

Independence and Disclosure

The Board and Chairman confirm that they were selected prior to the Company's launch and were able to assume all responsibilities at an early stage, independent of the Investment Manager and Investment Adviser. The Board is composed entirely of non-executive Directors, who meet as required without the presence of the Investment Manager or service providers to scrutinise the achievement of agreed goals and objectives, and monitor performance. Through the Audit Committee and the Management Engagement Committee they are able to ascertain the integrity of financial information and confirm that all financial controls and risk management systems are robust, and analyse the performance of the Investment Manager and other service providers on a regular basis.

Following the annual performance evaluation, it was deemed that the Directors had been proven to challenge the Investment Manager throughout the year under review, as minuted and recorded, therefore for the purposes of assessing compliance with the AIC Code, the Board as a whole considers that each Director is independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of his independent judgment. If required, the Board is able to access independent professional advice. The Investment Manager is also requested to declare any potential conflicts surrounding votes, share dealing and soft commissions on an annual basis to the Board to help with the assessment of investments.

Open communication between the Investment Manager and the Board is facilitated by regular Board meetings, to which the Investment Manager is invited to attend and update the Board on the current status of the Company's investments, along with ad hoc meetings as required.

Coming to mutual agreement on all decisions, it was agreed the Board had acted in the best interests of the Company to the extent that, if deemed appropriate, a Director would abstain or have his objection noted, which would be reflected within the minutes.

Similar to the process outlined above for the appointment of the Chairman, a job specification was prepared for each directorship which included an assessment of the time commitment anticipated for the role to ensure each Director was aware of the time commitment needed for the role. The Directors' other significant business commitments were disclosed to the Company prior to appointment to the Board, and were publicly disclosed in the Company's Prospectus dated 28 November 2012. Any subsequent changes have been declared. Certain of these commitments can be identified in each Director's biography on page 17. Details of the skills and experience provided by each Director can also be found in their biographies, alongside identification of the role each Director currently holds in the Company.

The terms and conditions of appointment for non-executive Directors are outlined in their letters of appointment, and are available for inspection by any person at the Company's registered office during normal business hours and at the AGM for fifteen minutes prior to and during the meeting.

There is no executive Director function in the Company; all day-to-day functions are outsourced to external service providers.

Development

The Board believes that the Company's Directors should develop their skills and knowledge through participation at relevant courses. The Chairman is responsible for reviewing and discussing the training and development of each Director according to identified needs. Upon appointment, all Directors participate in discussions with the Chairman and other Directors to understand the responsibilities of the Directors, in addition to the Company's business and procedures. The Company also provides regular opportunities for the Directors to obtain a thorough understanding of the Company's business by regularly meeting members of the senior management team from the Investment Manager, Investment Adviser and other service providers, both in person and by phone.

Balance of the Board and Diversity Policy

It is perceived that the Board is well-balanced, with a wide array of skills, experience and knowledge that ensures it functions correctly and that no single Director may dominate the Board's decisions. Having three Directors appointed ensures that during any transition period, there are at least two Directors to provide stability.

The Board's position on diversity can be seen in the Strategic Report on page 11. All Directors currently sit on all the Committees; each Director also fills one chairmanship post only.

Annual Performance Evaluation

The Board's balance is reviewed on a regular basis as part of a performance evaluation review. Using a pre-determined template based on the AIC Code's provisions as a basis for review, the Board undertook an evaluation of its performance, in addition, an evaluation focusing on individual commitment, performance and contribution of each Director was conducted. The Chairman then met with each Director to fully understand their views of the Company's strengths and to identify potential weaknesses. If appropriate, new members are proposed to resolve the perceived issues, or a resignation is sought. Following discussions and review of the Chairman's evaluation by the other Directors, the Audit Committee Chairman reviewed the Chairman's performance. Training and development needs are identified as part of this process, thereby ensuring that all Directors are able to discharge their duties effectively.

Given the Company's size and the structure of the Board, no external facilitator or independent third party was used in the performance evaluation.

Re-election and Board Tenure

There is currently no Nominations Committee for the Company as it is deemed that the size, composition and structure of the Company would mean the process would be inefficient and counter-productive. The Board therefore undertakes a thorough process of reviewing the skill set of the individual Directors, and proposes new, or renewal of current, appointments to the Board.

Each Director is required to be elected by shareholders at the AGM following his appointment by the Board, and to be re-elected once every three years thereafter. Jonathan Bridel is therefore submitting himself for re-election at the AGM on 6 May 2016. Any Director who has served on the Board for more than nine years is required to submit himself for re-election annually.

The Audit Committee Members and Chairman of the Board confirm that Jonathan Bridel has proven his ability to fulfil all legal responsibilities and to provide effective independent judgment on issues of strategy, performance, resources and conduct. The Board therefore has no hesitation in recommending to Shareholders that Jonathan Bridel be re-elected.

Appointment Process

As no new Director has been appointed since the Company's launch and the Board believes there is no gap that currently needs to be filled, no appointment process has been formalised. It is anticipated, however, that the process will involve identifying gaps and needs in the Board's composition, then reviewing the skill set of potential candidates. For renewal of current appointments, all Directors except the individual in question are entitled to vote at the meeting. Similarly, no new nominations have been made for the role of Chairman of the Board since prior to launch.

Board and Committees

Board

Matters reserved for the Board include review of the Company's overall strategy and business plans; approval of the Company's half-yearly and annual report; review and approval of any alteration to the Group's accounting policies or practices and valuation of investments; approval of any alteration to the Company's capital structure; approval of dividend policy; appointments to the Board and constitution of Board Committees; observation of relevant legislation and regulatory requirements; and performance review of key service providers. The Board also retains ultimate responsibility for Committee decisions; every Committee is required to refer to the Board, who will make the final decision.

Terms of reference that contain a formal schedule of matters reserved for the Board of Directors and its duly authorised Committee for decision has been approved and can be reviewed at the Company's registered office.

The meeting attendance record is displayed on page 26 of the Corporate Governance statement. The Company Secretary acts as the secretary to the Board.

Audit Committee
The Board has established an Audit Committee composed of all the independent members of the Board. The Chairman of the Board is included as a Committee member to enable a full understanding of the issues facing the Company, but cannot be Audit Committee Chairman. The Audit Committee, its membership and its terms of reference are kept under regular review by the Board, and it is perceived all members have sufficient financial skills and experience. John Whittle is Audit Committee Chairman.

The Audit Committee met three times during 2015 (2014: three times); the meeting attendance record is displayed on page 26. The Company Secretary acts as the secretary to the Audit Committee.

Owing to the size and structure of the Company, there is no internal audit function. The Audit Committee has reviewed the need for an internal audit function, and perceived that the internal financial and operating control systems in place within the Company and its service providers, as evidenced by the internal control reports provided by the Administrator, give sufficient assurance that a sound system of internal control is maintained that safeguards shareholders' investment and Company assets.

The Audit Committee is intended to assist the Board in discharging its responsibilities for the integrity of the Company's consolidated financial statements, as well as aiding the assessment of the Company's internal control effectiveness and objectivity of the external Auditors. Further information on the Audit Committee's responsibilities is given in the Report of the Audit Committee on page 31.

Formal terms of reference for the Audit Committee are available at the registered office and on the Company's website, and are reviewed on a regular basis.

Management Engagement Committee
The Company has established a Management Engagement Committee which comprises all the Directors, with Jonathan Bridel as the Chairman of the Committee. The Management Engagement Committee's main function is to review and make recommendations on any proposed amendment to the Investment Management Agreement and keep under review the performance of the Investment Manager; and undertake an assessment of the Investment Manager's scope and responsibilities as outlined in the service agreement and prospectus on a formal basis every year. Discussions on the Investment Manager's performance are also conducted regularly throughout the year by the Board. Reviews of engagements with other service providers, such as the Administrator, to ensure all parties are operating satisfactorily are also undertaken by the Management Engagement Committee so as to ensure the safe and accurate management and administration of the Company's affairs and business and that they are competitive and reasonable for shareholders.

The Management Engagement Committee met once during 2015 (2014: once) and undertook a review of the key service providers to the Group and the Company, utilising a service provider questionnaire. No material weaknesses were identified and the recommendation to the Board was that the current arrangements were appropriate and provided good quality services and advice to the Company and the Group.

During November 2015, the Management Engagement Committee, together with members of the Investment Manager, visited the offices of the Investment Adviser to receive an overview of its policies and processes and were satisfied with the policies and processes in place.

Formal terms of reference for the Management Engagement Committee are available at the registered office and the Company's website, and are reviewed on a regular basis.

The Company Secretary acts as the secretary to the Management Engagement Committee.

Board and Committee Meeting Attendance
Individual attendance at Board and Committee meetings is set out below:

	Scheduled Board	Ad hoc Board[1]	Audit Committee	Management Engagement Committee
Stephen Smith[1]	4	4	3	1
John Whittle	4	12	3	1
Jonathan Bridel	4	11	3	1
Total Meetings for year	4	13	3	1

[1]The ad hoc Board meetings are convened at short notice to deal with administrative matters. It is not therefore always logistically feasible, or a necessity, for the Chairman of the Board to attend such meetings.

In addition to the scheduled quarterly and additional offshore ad hoc meetings, the Directors and the Investment Manager have been provided with a number of telephone and face to face investment briefings by the Investment Adviser in order to keep the Directors and the Investment Manager fully apprised and up to date with the current investment status and progress.

Board Remuneration
As outlined in the Prospectus, Directors are paid in accordance with agreed principles aimed at focusing on long-term performance of the Company. Further information can be found in the Directors' Remuneration Report on page 21.

Company Secretary
Reports and papers, containing relevant, concise and clear information, are provided to the Board and Committees in a timely manner to enable review and consideration prior to both scheduled and ad-hoc specific meetings. This ensures that Directors are capable of contributing to, and validating, the development of Company strategy and management. The regular reports also provide information that enables scrutiny of the Company's Investment Manager and other service providers' performance. When required, the Board has sought further clarification of matters with the Investment Manager and other service providers, both by means of further reports and in-depth discussions, in order to make more informed decisions for the Company.

Under the direction of the Chairman, the Company Secretary facilitates the flow of information between the Board, Committees, Investment Manager and other service providers through the development of comprehensive, detailed meeting packs, agendas and other media. These are circulated to the Board and other attendees in sufficient time to review the data.

Full access to the advice and services of the Company Secretary is available to the Board; in turn, the Company Secretary is responsible for advising on all governance matters through the Chairman. The Articles and schedule of matters reserved for the Board indicate the appointment and resignation of the Company Secretary is an item reserved for the full Board. A review of the performance of the Company Secretary is undertaken by the Board on a regular basis.

Financial and Business Information
An explanation of the Directors' roles and responsibilities in preparing the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2015 is provided in the Statement of Directors' Responsibilities on page 35.

For the purposes solely of the audit of the consolidated financial statements, the Auditors have reviewed the Company's compliance with certain of the AIC Code's provisions, the UK Listing Authority's Listing Rules and other applicable rules of the Financial Conduct Authority as reported on pages 36 to 37.

Further information enabling shareholders to assess the Company's performance, business model and strategy can be sourced in the Chairman's Statement on pages 7 to 8, the Strategic Report on pages 9 to 11 and the Report of the Directors on pages 18 to 20.

Assessment of prospects

The Group's strategy is central to an understanding of its prospects, and details can be found in the Strategic Report on pages 9 to 11.

The Group's focus is particularly on managing expected repayments in order to minimise any potential for cash drag and continuing to grow the Group by sourcing investments with good risk adjusted returns. The Group does not assume in its planning that the revolving credit facility remains available to it beyond the current term and assumes that the realisation vote in 2018 will not result in a significant requirement to realise assets.

The Group's prospects are assessed primarily through its strategic review process which the Board participates fully in. The Directors' have assessed the prospect of the Group over a period of three years which has been selected because the strategic review covers a three-year period and this is also the approximate average remaining loan term.

The Group updates its plan and financial forecasts on a monthly basis and detailed financial forecasts are maintained and reviewed by the Board regularly.

Assessment of Viability

Although the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact. These scenarios are based on aspects of the following principal risks, as described below:

- Market deterioration risk; and
- Risk of default under the revolving credit facility.

These scenarios represent 'severe but plausible' circumstances that the Group could experience. The scenarios tested included:

- A very high level of loan default meaning that the Group stopped receiving interest on a substantial part of the portfolio; and
- An analysis of the robustness of the covenants under the revolving credit facility to withstand default of the underlying investments.

The results of this stress testing showed that the Group would be able to withstand a very high level of underlying loan default or impairment resulting from either of the risks identified over the period of the financial forecasts.

Viability Statement

Based on their assessment of prospects and viability above, and subject to passing the continuation vote, the Directors confirm they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2018.

In connection with the viability statement the Board confirm that they have carried out a robust assessment of the principal risks facing the company, including those which would threaten its business model, future performance, solvency or liquidity for the year ended 31 December 2015.

Going Concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in Note 2 to the financial statements.

Risk Control

In addition to the earlier assessment of principal risks and uncertainties contained within the Strategic Report, the Board is required annually to review the effectiveness of the Group's key internal controls such as financial, operational and compliance controls and risk management. The controls are designed to ensure that the risk of failure to achieve business objectives is minimised, and are intended to provide reasonable assurance against material misstatement or loss. This is not absolute assurance that all risks are eliminated.

Through regular meetings of the Audit Committee, the Board seeks to maintain full and effective control over all strategic, financial, regulatory and operational issues. The Board maintains an organisational and committee structure with clearly defined lines of responsibility and delegation of authorities.

Risk Management

As part of the compilation of the risk register for the Company, appropriate consideration has been given to the relevant control processes and that risk is considered, assessed and managed as an integral part of the business. The Company's system of internal control includes inter alia the overall control exercise, procedures for the identification and evaluation of business risk, the control procedures themselves and the review of these internal controls by the Audit Committee on behalf of the Board. Each of these elements that make up the Company's system of internal financial and operating control is explained in further detail as below.

(i) Control Environment

The Company is ultimately dependent upon the quality and integrity of the staff and management of the Investment Manager, the Investment Adviser and its Fund Administration & Company Secretarial service provider. In each case, qualified and able individuals have been selected at all levels. The staff of both the Investment Manager and Administrator are aware of the internal controls relevant to their activities and are also collectively accountable for the operation of those controls. Appropriate segregation and delegation of duties is in place.

The Audit Committee undertakes a review of the Company's internal financial and operating controls on a regular basis. The Auditors of the Company, consider internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design their audit procedures, but not for the purpose of expressing an audit opinion on the effectiveness of the Company's internal controls.

In its role as a third-party fund administration services provider, the Ipes Group, of which Ipes (Guernsey) Limited is a part, produces an annual AAF 01/06 Assurance Report on the internal control procedures in place within the Ipes Group, and this is subject to review by the Audit Committee and the Board.

(ii) Identification and Evaluation of Business Risks

Another key business risk is the performance of the Company's investments. This is managed by the Investment Manager, which undertakes regular analysis and reporting of business risks in relation to the loan portfolio, and then proposes appropriate courses of action to the Board for their review.

(iii) Key Procedures

In addition to the above, the Audit Committee's key procedures include a comprehensive system for reporting financial results to the Board regularly, as well as quarterly impairment reviews of loans (including reports on the underlying investment performance).

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to assist the Directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Company, given its size, does not have an internal audit function. It is the view of the Board that the controls in relation to the Company's operating, accounting, compliance and IT risks performed robustly throughout the year. In addition, all have been in full compliance with the Company's policies and external regulations, including:

- Investment policy, as outlined in the IPO documentation, and subsequently amended by EGM's held on 2 May 2014 and 9 March 2015;
- Personal Account Dealing, as outlined in the Model Code;
- Whistleblowing Policy;
- Anti-Bribery Policy;
- Applicable Financial Conduct Authority Regulations;
- Listing Rules, and Disclosure and Transparency Rules;
- Treatment and handling of confidential information;
- Conflicts of interest;
- Compliance policies; and
- Anti-Money Laundering Regulations.

There were no protected disclosures made pursuant to the Company's whistleblowing policy, or that of service providers in relation to the Company, during the year to 31 December 2015.

In summary, the Board considers that the Company's existing internal financial and operating controls, coupled with the analysis of risks inherent in the business models of the Company and its subsidiaries, continue to provide appropriate tools for the Company to monitor, evaluate and mitigate its risks.

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD, which was implemented across the EU on 22 July 2013 with the transition period ending 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

After seeking professional regulatory and legal advice, the Company was established in Guernsey such that, upon implementation of AIFMD it would be a Non-EU AIF, with Starwood European Finance Partners Limited appointed to act as the Non-EU AIFM. No changes of significance are envisaged in the management arrangements for the Company as a result of AIFMD.

In accordance with AIFMD disclosure obligations, note 6 provides a summary of realised gains and losses.

The Investment Manager does not receive an additional fee, to that stated in note 23, as a result of acting as the AIFM. The Board of the Investment Manager received an aggregate fee of £33,750 for the year ended 31 December 2015.

The marketing of shares in AIFs that are established outside the EU (such as the Company) to investors in an EU member state is prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country (in this case Guernsey) and the relevant EU member state entering into regulatory co-operation agreements with one another.

The AIFM has given written notification to the United Kingdom Financial Conduct Authority ("FCA"), pursuant to Regulation 59 of the Alternative Investment Fund Managers Regulations 2013 (SI 1773/2013) (the "AIFM Regulations") of its intention to market the shares to investors in the United Kingdom in accordance with the AIFM Regulations and the rules and guidance of the FCA.

The AIFM has given written notification to the Netherlands Authority for the Financial Markets ("AFM") pursuant to Article 1:13b section 1 and 2 of the Act on the Financial Supervision *(Wet op het financieel toezicht)* (the "AFS") of its intention to market the shares to investors in the Netherlands in accordance with the AFS, any rules and regulations promulgated pursuant thereto and the rules and guidance of the AFM.

On 12 February 2016, the AIFM obtained a marketing licence in Sweden in accordance with Chapter 5, Section 10 of the Swedish Alternative Investment Fund Managers Act *(Sw. lag (2013:561) om förvaltare av alternativa investeringsfonder).* This enables shares in the Company to be marketed to professional investors in Sweden.

Currently, the National Private Placement Regime ("NPPR") provides a mechanism to market Non-EU AIFs that are not allowed to be marketed under the AIFMD domestic marketing regimes. The Board is utilising NPPR in order to market the Company, specifically in the UK, Sweden and the Netherlands. The Board works with the Company's advisers to ensure the necessary conditions are met, and all required notices and disclosures are made under NPPR. Eligible AIFMs will be able to continue to use NPPR until at least 22 July 2018, and at present NPPR remains the sole regime available to market in the EEA. A non-EEA marketing passport may be introduced, but this depends on a number of conditions being satisfied (as set out in the AIFMD and its Regulations).

Any regulatory changes arising from implementation of the AIFMD (or otherwise) that limit the Company's ability to market future issues of its shares may materially adversely affect the Company's ability to carry out its investment policy successfully and to achieve its investment objective, which in turn may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Ordinary Shares.

The Board, in conjunction with the Company's advisers, will continue to monitor the development of the AIFMD and its impact on the Company. The Company will continue to use NPPR pending further consultation from the European Securities and Marketing Authority ("ESMA").

The Board has considered the disclosure obligations under Articles 22 and 23 and can confirm that the Company complies with the various organisational, operational and transparency obligations.

Foreign Account Tax Compliance Act (“FATCA”) and The OECD Common Reporting Standards (“CRS”)

FATCA became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US Tax compliance with respect to those assets.

More than 90 jurisdictions, including all 34 member countries of the Organisation for Economic Co-operation and Development ("OECD") and the G20 members, have committed to implement the Common Reporting Standard for automatic exchange of tax information ("CRS"). Building on the model created by FATCA, the CRS creates a global standard for the annual automatic exchange of financial account information between the relevant tax authorities.

The Board in conjunction with the Company's service providers and advisers have ensured that the Company will comply with FATCA and CRS’s requirements to the extent relevant to the Company.

Dialogue with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Company’s Chairman, Investment Manager and the Brokers, aim to meet with large shareholders at least annually, together with the Investment Adviser, and calls are undertaken on a regular basis with shareholders. The Board also receives regular reports from the Brokers on shareholder issues. Publications such as the Annual Report and Consolidated Financial Statements and quarterly factsheets are reviewed and approved by the Board prior to circulation, and are widely distributed to other parties who have an interest in the Company’s performance, and are available on the Company’s website.

All Directors are available for discussions with the shareholders, in particular the Chairman and the Audit Committee Chairman, as and when required.

Constructive use of AGM

The Notice of AGM is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Investment Manager, either formally at the Company’s AGM, informally following the meeting, or in writing at any time during the year via the Company Secretary. The Company Secretary is also available to answer general shareholder queries at any time throughout the year.

By order of the Board

John Whittle
Director
17 March 2016

Report of the Audit Committee

The Board is supported by the Audit Committee, which comprised all the Directors during the year under review (including the Chairman of the Board, to enable his greater understanding of the issues facing the Group). The Board has considered the composition of the Audit Committee and is satisfied it has sufficient recent and relevant skills and experience, in particular, one member having a background as a chartered accountant.

Role and Responsibilities

The primary role and responsibilities of the Audit Committee are outlined in the Audit Committee's terms of reference, available at the registered office, including:

- Monitoring the integrity of the consolidated financial statements of the Group and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained within said statements and announcements;
- Reviewing the Group's internal financial controls, and the Group's internal control and risk management systems;
- Monitoring the need for an internal audit function annually;
- Monitoring and reviewing the scope, independence, objectivity and effectiveness of the external Auditors, taking into consideration relevant regulatory and professional requirements;
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors and approving their remuneration and terms of engagement, which in turn can be placed before the shareholders for their approval at the AGM;
- Development and implementation of the Group's policy on the provision of non-audit services by the external Auditors, as appropriate;
- Reviewing the arrangements in place to enable Directors and staff of service providers to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Group;
- Providing advice to the Board on whether the consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- Reporting to the Board on how the Committee discharged all relevant responsibilities at each Board meeting.

Financial Reporting

The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator, Investment Manager and the Auditors the appropriateness of the Annual Report and Audited Consolidated Financial Statements and Interim Condensed Consolidated Financial Statements, concentrating on, amongst other matters:

- The quality and acceptability of accounting policies and practices;
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Material areas in which significant judgements have been applied or there has been discussion with the Auditors;
- Whether the Annual Report and Audited Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group's performance, business model and strategy; and
- Any correspondence from regulators in relation to the Group's financial reporting.

To aid its review, the Audit Committee considers reports from the Administrator and Investment Manager and also reports from the Auditors on the outcomes of their half-year review and annual audit. The Audit Committee supports PricewaterhouseCoopers CI LLP in displaying the necessary professional scepticism their role requires.

The Audit Committee met three times during the year under review; individual attendance of Directors is outlined on page 26. The main matters discussed at those meetings were:

- Review and approval of the annual audit plan of the external Auditors;
- Discussion and approval of the fee for the external audit;
- Approval of the Annual Report and Audited Consolidated Financial Statements Accounts and discussion of final audit findings document;
- Review and approval of the interim review plan of the external Auditors;

- Detailed review of the Interim Condensed Consolidated Financial Statements and recommendation for approval by the Board;
- Discussion of reports from the external Auditors following their interim review and annual audit;
- Assessment of the effectiveness of the Auditors as described below;
- Assessment of the independence of the external Auditors;
- Review of the Group's key risks and internal controls; and
- Consideration of the 2014 UK Corporate Governance Code, Guidance on Audit Committees and other regulatory guidelines, and the subsequent impact upon the Company.

The Committee has also reviewed and considered the whistleblowing policy in place for the Administrator and other service providers, and is satisfied the relevant staff can raise concerns in confidence about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

Annual General Meeting
The Audit Committee Chairman, or other members of the Audit Committee appointed for the purpose, shall attend each AGM of the Company, prepared to respond to any shareholder questions on the Audit Committee's activities.

Internal Audit
The Audit Committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the Audit committee does not consider there to be a need for an internal audit function, given that there are no employees in the Group and all outsourced functions are with parties / administrators who have their own internal controls and procedures. This is evidenced by the internal control reports provided by the providers, which give sufficient assurance that a sound system of internal control is maintained.

Significant Issues in Relation to the Consolidated Financial Statements
During the year, the Audit Committee considered a number of significant issues in respect of the Annual Report and Audited Consolidated Financial Statements. The Audit Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Group had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the consolidated financial statements as a whole would be free of material misstatements. The table below sets out the Audit Committee's view of the key areas of risk and how they have addressed the issues.

Significant Issues	Actions to Address Issue
Recoverability and impairment to the carrying values of loan investments.	The Audit Committee reviews the investment process of the Investment Manager and Investment Adviser including the controls in place around deal sourcing, investment analysis, due diligence and the role of the Investment Adviser's investment committee and the Investment Manager's Board. The Audit Committee also reviews the controls in place around the effective interest loan models and is notified regularly by the Investment Manager of any changes to underlying assumptions made in the loan models. The Audit Committee receives regular updates on the performance of each loan and discusses whether there are any indicators of impairment with the Investment Manager and Investment Adviser. Formal, detailed impairment reviews are also prepared by the Investment Adviser and Investment Manager which are reviewed at each Audit Committee meeting and the Audit Committee considers whether there are any indicators of impairment.

Risk of fraud or error in revenue recognition	The Audit Committee discusses with the Investment Manager and Investment Adviser the reasons for the changes in key assumptions made in the loan models such as changes to expected drawdown or repayment dates or other amendments to expected cash flows such as changes in interbank rates on floating loans. The Audit Committee ensures that any changes made to the models are justifiable based on the latest available information. A separate income rationalisation which is prepared outside of the detailed loan models is provided to the Board on a quarterly basis as a secondary check on the revenue being recognised in the loan models. This is also reviewed by the Audit Committee and questions raised where appropriate.

Review of External Audit Process Effectiveness

The Audit Committee communicated regularly with the Investment Manager, Investment Adviser and Administrator to obtain a good understanding of the progress and efficiency of the audit process. Similarly, feedback in relation to the efficacy of the Investment Manager, Investment Adviser and other service providers in performing their relevant roles was sought from relevant involved parties, including the audit partner and team. The external Auditor is invited to attend the Audit Committee meetings at which the semi-annual and annual consolidated financial statements are considered, also enabling the Auditors to meet and discuss any matters with the Audit Committee without the presence of the Investment Manager or the Administrator.

During the year, the Audit Committee reviewed the external Auditors' performance, considering a wide variety of factors including:

- The quality of service, the Auditors' specialist expertise, the level of audit fee, identification and resolution of any areas of accounting judgement, and quality and timeliness of papers analysing these judgements;
- Review of the audit plan presented by the Auditors, and when tabled, the final audit findings report;
- Meeting with the Auditors regularly to discuss the various papers and reports in detail;
- Furthermore, interviews of appropriate staff in the Investment Manager, Investment Adviser and Administrator to receive feedback on the effectiveness of the audit process from their perspective; and
- Compilation of a checklist with which to provide a means to objectively assess the Auditors' performance.
- The Audit Committee is satisfied with the Auditors' effectiveness, and therefore does not consider it necessary to require the Auditors to tender for the audit work.

Auditors' Tenure and Objectivity

The Group has developed an audit tender policy which the Board will re-consider after five years from the appointment date of the current Auditor. A review of policy will therefore occur in the second half of 2017, subject to regular reviews by the Board and shareholder approval.

The Group's current Auditors, PricewaterhouseCoopers CI LLP, have acted in this capacity since the Company's inaugural meeting on 22 November 2012. The Committee reviews the Auditors' performance on a regular basis to ensure the Group receives an optimal service. Subject to annual appointment by shareholder approval at the AGM, the appointment of the Auditor is formally reviewed by the Audit Committee on an annual basis. The Auditors are required to rotate the audit partner every five years, and the current partner has been in place since the Company's launch.

PricewaterhouseCoopers CI LLP regularly updates the Audit Committee on the rotation of audit partners, staff, level of fees, details of any relationships between the Auditors, the Group and its loan portfolio, and also provides overall confirmation of its independence and objectivity. There are no contractual obligations that restrict the Group's choice of Auditors.

During the year under review, the Auditors provided the Group with non-audit services in respect reporting accountant work for the Placing Programme. A fee of £40,000 was approved for payment. Any non-audit work would be reviewed by the Audit Committee and approved by the Audit Committee Chairman prior to the Auditors undertaking any work, if the fees are over £12,500. This threshold is reviewed periodically to ensure it is set at an appropriate value.

As a result of its review, the Audit Committee is satisfied that PricewaterhouseCoopers CI LLP is independent of the Group, the Investment Manager and other service providers and recommends the continuing appointment of the Auditors by the Board.

Conclusions in Respect of the Consolidated Financial Statements

The production and the audit of the Annual Report and Audited Consolidated Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion on whether the Group's consolidated financial statements are fair, balanced and understandable, as required under the UK Code and the AIC Code, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Consolidated Financial Statements fulfils these requirements. In outlining its advice, the Audit Committee has considered the following:

- The comprehensive documentation that is in place outlining the controls in place for the production of the Annual Report and Audited Consolidated Financial Statements, including the verification processes in place to confirm the factual content;
- The detailed reviews undertaken at various stages of the production process by the Investment Manager, Investment Adviser, Administrator, Auditors and the Audit Committee that are intended to ensure consistency and overall balance;
- Controls enforced by the Investment Manager, Investment Adviser, Administrator and other third party service providers to ensure complete and accurate financial records and security of the Group's assets; and
- The existence and content of a satisfactory control report produced by the Ipes Group that has been reviewed and reported upon by the Administrator's external Auditors to verify the effectiveness of the internal controls of the Administrator, such as the Audit and Assurance Faculty (AAF) Report.

As a result of the work performed, the Audit Committee has concluded that it has acted in accordance with its' terms of reference and has ensured the independence and objectivity of the external Auditors. It has reported to the Board that the Annual Report for the year ended 31 December 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 35.

The Audit Committee has recommended to the Board that the external auditor is re-appointed.

John Whittle
Audit Committee chairman
17 March 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable laws and regulations, of the state of affairs of the Company and of the profit and loss of the Company for that year.

Company law requires the Directors to prepare financial statements for each financial year. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). In preparing the consolidated financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures
- disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work conducted by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they are initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms that, to the best of their knowledge:

- They have complied with the above requirements in preparing the consolidated financial statements;
- There is no relevant audit information of which the Company's Auditors are unaware;
- All Directors have taken the necessary steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of said information;
- The consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Chairman's Statement, Strategic Report, Investment Manager's Report, Report of the Directors and Corporate Governance Statement include a fair review of the development and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

The UK Code, as adopted through the AIC Code by the Company, also requires Directors to ensure that the Annual Report and Consolidated Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Consolidated Financial Statements fulfill these requirements. The process by which the Committee has reached these conclusions is set out in the report of the Audit Committee on pages 31 to 34. Furthermore, the Board believes that the disclosures set out on pages 7 to 16 of the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Having taken into account all the matters considered by the Board and brought to the attention of the Board during the year ended 31 December 2015, as outlined in the Corporate Governance Statement, Strategic Report and the Report of the Audit Committee, the Board has concluded that the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For Starwood European Real Estate Finance Limited

Stephen Smith
Chairman
17 March 2016

Independent Auditors' Report to the Members of Starwood European Real Estate Finance Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Starwood European Real Estate Finance Limited which comprise the Consolidated Statement of Financial Position as of 31 December 2015 and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of Guernsey law. The Directors are also 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2015, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the other items listed in the Index to the Annual Report.

In our opinion:

- the information given in the Report of the Directors is consistent with the financial statements.
- the information given in the Corporate Governance Statement set out on pages 22 to 30 with respect to internal control and risk management systems is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of Starwood European Real Estate Finance Limited

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following matters which we are required to review under the Listing Rules:

- the Directors' statement set out on page 27 in relation to going concern. As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;

- the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit;

- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other Matter

As explained in note 22 to the financial statements, in addition to our responsibility to audit and express an opinion on the financial statements in accordance with International Standards on Auditing and Guernsey law, we have been requested by the Directors to express an opinion on the financial statements in accordance with auditing standards generally accepted in the United States of America as issued by the AICPA, in order to meet the requirements of Rule 206(4)-2 under the Investment Advisors Act (the "Custody Rule"). We have reported separately in this respect on page 38.

John Patrick Roche
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

17 March 2016

Independent Auditors' Report to the Members of Starwood European Real Estate Finance Limited

We have audited the accompanying consolidated financial statements of Starwood European Real Estate Finance Limited and its subsidiaries (the "Group"), which comprise the Consolidated Statement of Financial Position as of 31 December 2015 and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Starwood European Real Estate Finance Limited and its subsidiaries at 31 December 2015, and the results of their operations, changes in their net assets, and their cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The other items listed in the Index to the Annual Report are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
17 March 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	1 January 2015 to 31 December 2015 £	1 January 2014 to 31 December 2014 £
Income			
Income from loans advanced	11	22,716,523	16,050,220
Income from cash and cash equivalents		34,262	130,311
Other income		9,307	-
Total income		**22,760,092**	**16,180,531**
Expenses			
Investment management fees	23	1,976,640	1,528,333
Directors' fees and travel expenses	4, 23	138,841	115,283
Administration fees	3(c)	249,599	220,999
Auditors' fees	5	135,882	157,619
Broker's fees	3(e)	47,802	97,736
Legal and professional fees		151,158	112,691
Net foreign exchange losses / (gains)	6	443,435	(881,125)
Revolving credit facility commitment fees		275,741	25,278
Revolving credit facility expenses amortisation		230,662	16,990
Revolving credit facility interest		226,964	-
Other expenses		125,844	140,908
Total operating expenses		**4,002,568**	**1,534,712**
Operating profit for the year before tax		**18,757,524**	**14,645,819**
Taxation	21	2,439	2,662
Operating profit for the year and total comprehensive income		**18,755,085**	**14,643,157**
Weighted average number of shares in issue	7	259,548,110	238,100,000
Basic and diluted earnings per Ordinary Share (pence)	7	7.23	6.15

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
as at 31 December 2015

	Notes	As at 31 December 2015 £	As at 31 December 2014 £
Assets			
Cash and cash equivalents	8	520,558	13,172,978
Other receivables and prepayments	9	95,684	31,962
Revolving credit facility capitalised costs	10	212,348	443,010
Loans advanced	11	307,694,827	220,954,400
Financial assets at fair value through profit or loss	12	5,918,115	5,023,584
Total assets		**314,441,532**	**239,625,934**
Liabilities			
Revolving credit facility	13	8,162,405	-
Trade and other payables	14	806,083	1,341,518
Total liabilities		**8,968,488**	**1,341,518**
Net assets		**305,473,044**	**238,284,416**
Capital and reserves			
Share capital		300,397,205	233,843,162
Retained earnings		5,075,839	4,441,254
Total equity		**305,473,044**	**238,284,416**
Number of Ordinary Shares in issue		304,180,000	238,100,000
Net asset value per Ordinary Share (pence)		100.43	100.08

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 March 2016, and signed on its behalf by:

Stephen Smith
Chairman

John Whittle
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

Year ended 31 December 2015	Share capital £	Retained earnings £	Total Equity £
Balance at 1 January 2015	233,843,162	4,441,254	238,284,416
Issue of share capital	67,971,650	-	67,971,650
Cost of issues	(1,417,607)	-	(1,417,607)
Dividends paid	-	(18,120,500)	(18,120,500)
Operating profit and total comprehensive income	-	18,755,085	18,755,085
Balance at 31 December 2015	**300,397,205**	**5,075,839**	**305,473,044**

Year ended 31 December 2014	Share capital £	Retained earnings £	Total Equity £
Balance at 1 January 2014	233,843,162	2,179,297	236,022,459
Dividends paid	-	(12,381,200)	(12,381,200)
Operating profit and total comprehensive income	-	14,643,157	14,643,157
Balance at 31 December 2014	**233,843,162**	**4,441,254**	**238,284,416**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	1 January 2015 to 31 December 2015 £	January 2014 to December 2014 £
Operating activities:		
Operating profit for the year and total comprehensive income	18,755,085	14,643,157
Adjustments		
Net interest income	(22,716,523)	(16,050,220)
Interest income on cash and cash equivalents	(34,262)	(130,311)
(Increase) / decrease in prepayments and receivables	(63,722)	246,776
Increase in trade and other payables	28,869	197,394
Net gain on financial instruments held at fair value through profit or loss	(894,531)	(4,936,404)
Net foreign exchange losses	3,239,456	3,689,527
Revolving credit facility interest	226,964	-
Revolving credit facility expenses amortisation	230,662	16,990
Revolving credit facility commitment fees	275,741	-
Other non-cash items	-	(205,237)
	(952,261)	**(2,528,328)**
Loans advanced [1]	(145,454,076)	(115,070,574)
Loans repaid	63,499,033	49,981,644
Origination fees paid	(1,372,444)	(646,574)
Origination expenses paid	(97,194)	(5,454)
Interest, commitment and exit fee income from loans advanced	16,022,619	14,468,574
Syndication expenses paid	(133,200)	(180,690)
Net cash outflow from operating activities	**(68,487,523)**	**(53,981,402)**
Cash flows from investing activities		
Interest income from cash and cash equivalents	34,262	139,043
Net cash inflow from investing activities	**34,262**	**139,043**
Cash flows from financing activities		
Net share issue proceeds received [2]	66,554,043	-
Revolving credit facility expenses paid	-	(315,064)
Revolving credit facility utilised	8,155,816	-
Revolving credit facility interest paid	(220,375)	-
Revolving credit facility commitment fees	(280,470)	-
Dividends paid	(18,120,500)	(12,381,200)
Net cash inflow from financing activities	**56,088,514**	**(12,696,264)**
Net decrease in cash and cash equivalents	(12,364,747)	(66,538,623)
Cash and cash equivalents at the start of the year	13,172,978	79,706,084
Net foreign exchange (loss) / gain on cash and cash equivalents	(287,673)	5,517
Cash and cash equivalents at the end of the year	**520,558**	**13,172,978**

[1] Net of arrangement fees of £1,479,139 (2014: £2,184,680) withheld.

[2] Net of share issue costs of £1,057,802 (2014: £nil) withheld.

The accompanying notes form an integral part of these consolidated financial statements.

1. General Information

Starwood European Real Estate Finance Limited ("the Company") was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 9 November 2012 with registered number 55836, and has been authorised by the GFSC as an authorised closed-ended investment company. The registered office and principal place of business of the Company is 1, Royal Plaza, Royal Avenue, St Peter Port, Guernsey, Channel Islands, GY1 2HL.

On 12 December 2012, the Company announced the results of its IPO, which raised net proceeds of £223.9 million. The Company's Ordinary Shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 17 December 2012. A further £9.9 million of net proceeds was raised via tap issues throughout the period ended 31 December 2013. On 3 July 2015 the Company issued 23,780,000 Ordinary Shares and on 24 September 2015 42,300,000 Ordinary Shares and received net proceeds of £24.2 million and £42.4 million respectively.

The consolidated financial statements comprise the financial statements of the Company, Starfin Public GP Limited (the "GP"), Starfin Public LP (the "Partnership") and Starfin Lux S.à.r.l ("Luxco") (together "the Group") as at 31 December 2015.

The Company's investment objective is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and wider European Union's internal market. To pursue its investment objective, the Company, through the Partnership, invests in the Luxco through both equity and profit participation instruments or other funding instruments. The Luxco then grants or acquire loans (or other debt instruments) to borrowers in accordance with the Group's investment policy. Some investments may be made via special purpose vehicles wholly owned by the Luxco or the Company. The Group expects all of its investments to be debt obligations of corporate entities domiciled or with significant operations in the United Kingdom and wider European Union's internal market.

The Company has appointed Starwood European Finance Partners Limited as the Investment Manager ("the Investment Manager"), a company incorporated in Guernsey and regulated by the GFSC. The Investment Manager has appointed Starwood Capital Europe Advisers, LLP ("the Investment Adviser"), an English limited liability partnership authorised and regulated by the Financial Conduct Authority, to provide investment advice pursuant to an Investment Advisory Agreement. The administration of the Company is delegated to Ipes (Guernsey) Limited ("the Administrator").

2. Basis of Preparation and Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

a) Going Concern

Note 18 includes the Group's objectives, policies and processes for manging its capital, its financial risk management objectives, details of financial instruments and exposure to credit risk and liquidity risk.The directors have undertaken a rigorous review of the Group's ability to continue as a going concern including reviewing the on-going cash flows and the level of cash balances and available liquidity facilities as of the reporting date as well as taking forecasts of future cash flows into consideration.

After making enquiries of the Investment Manager and the Administrator, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the date the consolidated financial statements were signed. Accordingly, the Directors continue to adopt a going concern basis in preparing these consolidated financial statements.

2. Basis of Preparation and Principal Accounting Policies (CONTINUED)

b) Statement of compliance

The Company has prepared its consolidated financial statements in accordance with The Companies (Guernsey) Law, 2008 (as amended) and International Financial Reporting Standards as adopted by the European Union ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Boards ("IASB") together with the interpretations of the IFRS Interpretations Committee ("IFRIC") as approved by the International Accounting Standards Committee ("IASC") which remain in effect. The Directors of the Company have taken the exemption in Section 244 of The Companies (Guernsey) Law, 2008 (as amended) and have therefore elected to only prepare consolidated financial statements for the year.

Standards, Amendments and Interpretations in issue and effective on or after 1 January 2016:

New standards	Effective date
IFRS 9 Financial Instruments – Classifications and Measurement	1 January 2018
IFRS 15 Financial Instruments – Revenue from Contracts from Customers	1 January 2018

Revised and amended standards		
IAS 1	Presentation of Financial Statements (amendments resulting from disclosure initiative)	1 January 2016
IFRS 7	Financial Instruments - Disclosures (amendments resulting from September 2014 Annual improvements to IFRSs)	1 January 2016

Unless stated otherwise the Directors do not consider the changes will have a material impact.

c) Basis of preparation

These consolidated financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain assets and liabilities to fair value.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements relate to:

- the impairment of financial assets held as loans advanced, the key area of judgement being, as to whether there is any indication that a loan may be impaired (see note 2(h));
- the functional currency of subsidiary undertakings of the Company, which is considered by the Directors to be Sterling (see notes 2(e) and 2(k));
- the operating segments, of which the Directors are currently of the opinion that the Company and its subsidiaries are engaged in a single segment of business, which is based on the loans advanced as at the reporting date (see note 2(f)); and
- the receipt of and estimated timing of scheduled and unscheduled pre-payments of loans advanced and the impact on liquidity risk and the interest income (see note 18); and
- the syndication of loans, and the assessment of how the syndicated facility should be treated under the relevant accounting standards. The key area of judgement being whether substantially all of the risks and rewards of ownership have transferred to the transferee and whether the syndicated loan is derecognised or not (see note 2(g)).

2. Basis of Preparation and Principal Accounting Policies (CONTINUED)

d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) made up to the Consolidated Statement of Financial Position date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits directly from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50 per cent of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiary undertakings	Date of Control	Ownership %	Country of Establishment	Principal place of business
Starfin Public GP Limited	20/11/12	100	Guernsey	Guernsey
Starfin Public LP	22/11/12	100	Guernsey	Guernsey
Starfin Lux S.à.r.l	30/11/12	100	Luxembourg	Luxembourg

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

Acquisition-related costs are expensed as incurred unless directly attributable to the acquisition. No consideration, other than for the par value of any share capital or capital contributions, has been paid in respect of the acquisition of subsidiary undertakings. The Company acquired the subsidiaries at the time of their initial establishment and hence they had no net assets at the date of the acquisition.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated on consolidation. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

e) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Therefore the Directors have considered in assessing the functional currency of each of the Group's entities:

- the share capital of all members of the Group is denominated in Sterling;
- the dividends are paid in Sterling;
- the majority of loans advanced are denominated in Sterling; and
- Euro non-investment transactions represent only a small proportion of transactions in the Luxembourg entity.

The functional and presentation currency of each Group entity is Sterling. The Directors have also adopted Sterling as the Group's presentation currency and therefore the consolidated financial statements for the Company are presented in Sterling.

2. Basis of Preparation and Principal Accounting Policies (CONTINUED)

f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board, as the Board makes strategic decisions. The Directors, after having considered the way in which internal reporting is provided to them, are of the opinion that the Company and its subsidiaries are engaged in a single segment of business, being the provision of a diversified portfolio of real estate backed loans. Equally, based on the internal reporting provided, the Directors do not analyse the portfolio based on geographical segments.

g) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives not designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise secured loans advanced, trade and other receivables and cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Consolidated Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method less provisions for any impairments.

Loan syndication

Loans and receivables measured at amortised cost are derecognised following syndication if the risks and rewards of ownership have substantially transferred to the counterparty. Transaction costs of syndications are recognised in the Consolidated Statement of Comprehensive Income when incurred.

2. Basis of Preparation and Principal Accounting Policies (CONTINUED)

h) Impairment of financial assets

Impairments for specific bad and doubtful debts are made against loans and receivables, by an evaluation of the exposure on a case-by-case basis. An assessment is made, on a quarterly basis, as to whether there is any indication that a loan may be impaired; if any such indication exists and where the carrying value exceeds the estimated recoverable amount based on revised future cash flows, the loan will be reduced by the estimated impairment loss. The impairment loss is calculated as the difference between the present value of future cash flows, discounted at the loan's original effective interest rate, and the loan's current carrying value. The amount of any impairment loss, if any, would be recorded in the Consolidated Statement of Comprehensive Income. No impairment has been recognised to date.

i) Cash and cash equivalents

In the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

j) Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares are shown in equity as a deduction, net of tax, from the proceeds.

k) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within "net foreign exchange gains/(losses)".

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency of the Group as follows:

i. assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

ii. income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

None of the Group entities have a functional currency different to their presentation currency.

2. Basis of Preparation and Principal Accounting Policies (CONTINUED)

l) Interest income

Interest income on loans advanced is recognised using the effective interest rate method. If a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate to the extent that the Group expects to recover the interest receivable.

Interest on cash and cash equivalents is recognised on an accruals basis.

m) Origination, exit and loan arrangement fees

Origination fees paid to the Investment Manager and exit and direct loan arrangement fees received will be recognised using the effective interest rate method under loans advanced and amortised over the lifetime of the related financial asset through income from loans advanced in the Consolidated Statement of Comprehensive Income. Syndication costs are recognised in the Consolidated Statement of Comprehensive Income when incurred.

n) Expenses

All other expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis.

o) Taxation

The Company is a tax-exempt Guernsey limited liability company as it is domiciled and registered for taxation purposes in Guernsey where it pays an annual exempt status fee under The Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 (as amended). Accordingly, no provision for Guernsey tax is made.

The Partnership is transparent for both Guernsey and Luxembourg tax purposes, and therefore no provision for taxes has been made.

The Luxco is subject to the applicable general tax regulations in Luxembourg and taxation is provided based on the results for the year (see note 21).

p) Other receivables

Trade and other receivables are amounts due in the ordinary course of business. They are classified as 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.

q) Other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business. They are classified as liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

r) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Board of Directors.

s) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

t) Financial liabilities

Financial liabilities, including bank loans are initially recognised at fair value and subsequently accounted for with interest on an accruals basis. Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

3. Material Agreements

a) Investment management agreement

The Company and the Investment Manager have entered into an investment management agreement, dated 28 November 2012 (the “Investment Management Agreement”), pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company’s assets (including uninvested cash) in accordance with the Company’s investment objectives and policy.

The Investment Manager is entitled to a management fee which is calculated and accrued monthly at a rate equivalent to 0.75 per cent per annum of NAV (excluding any cash balances until such time as 75 per cent of the Net Issue Proceeds are invested. The Company and Investment Manager agreed to increase the 75 per cent threshold to 90 per cent during the prior year. The 90 per cent threshold was reached in May 2014). The management fee is payable quarterly in arrears.

In addition, the Investment Manager is entitled to an asset origination fee of 0.75 per cent of the value of all new loan investments made or acquired by the Group (see note 23). The asset origination fee to be paid by the Group is expected to be paid upon receipt by the Group of loan arrangement fees received on the deployment of the Group’s funds.

The Investment Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than 12 months’ written notice, such notice not to be given before the fourth anniversary of Admission (17 December 2016).

The Investment Manager has appointed Starwood Capital Europe Advisers, LLP (“the Investment Adviser”), an English limited liability partnership authorised and regulated by the Financial Conduct Authority, to provide investment advice pursuant to an Investment Advisory Agreement.

b) Partnership agreement

As per the Amended and Restated Limited Partnership Agreement relating to Starfin Public LP, dated 28 November 2012, the Company commits substantially all of the net issue proceeds plus proceeds from subsequent tap issues to the Partnership. That commitment is drawn down as required by the GP for the funding of investments. 0.01 per cent of the Company’s commitment was paid as a capital contribution shortly after admission to trading on the London Stock Exchange (“Admission”) and the balance of 99.99 per cent, is committed and is paid over when requested by the GP.

Each amount of income and capital proceeds received by the Partnership will be distributed in the following order of priority:

- First, to the GP until the GP has received distributions equal to the GP’s Share, the GP will be entitled to receive and there will be allocated to the GP in each accounting period a sum of £1,000;
- Second, to the extent of any excess, to the Company until the Company has achieved the hurdle total return; and
- Third, 20 per cent of the excess to Starfin Carry LP (“the Special Limited Partner”) and 80 per cent of the excess to the Company.

3. Material Agreements (CONTINUED)

The hurdle total return will be achieved when the NAV of the Company, plus the total of all dividends declared and paid to ordinary shareholders, is equal to the NAV of the Company as at Admission as increased by 8 per cent per annum, on a simple interest basis (but excluding actual carried interest accrued and deemed as a creditor on the Statement of Financial Position). To the extent that the Company makes further issues of Ordinary Shares, the hurdle total return will be adjusted accordingly, by reference to the issue prices of such further issues and dividends declared subsequent to such issues.

c) Administration agreement

The Company has engaged the services of Ipes (Guernsey) Limited ("the Administrator") to act as Administrator and Company Secretary. Under the terms of the administration agreement dated 28 November 2012, the Administrator is entitled to a fee of no less than £135,000 per annum with an additional amount chargeable of 0.035 per cent per annum on the amount by which the Company's NAV exceeds £140 million and further amounts as may be agreed in relation to any additional services provided by the Administrator. The Administrator is, in addition, entitled to recover third party expenses and disbursements.

d) Registrar's agreement

The Company and Computershare Investor Services (Guernsey) Limited ("the Registrar") entered into a Registrar agreement dated 28 November 2012, pursuant to which the Company appointed the Registrar to act as Registrar of the Company for a minimum annual fee payable by the Company of £7,500 in respect of basic registration.

e) IPO Sponsor's and placing agreement

In connection with the IPO, the Company engaged the services of Dexion Capital plc ("Dexion") and Jefferies International Limited ("Jefferies") (collectively "the Joint Bookrunners") to act as joint global co-ordinators, bookrunners, placement agents, arrangers and sponsors in connection with the issue of the Ordinary Shares ("the Issue") and the application for Admission.

The total expenses of the Issue paid by the Company (including customary commissions and expenses payable to the Joint Bookrunners, certain fees, costs and expenses of Starwood Capital Group Management, LLC and its affiliates ("Starwood")) relating to the establishment of the Company and the fees of all other advisers and services providers to the Company and the Joint Bookrunners were equal to 2 per cent of the gross Sterling proceeds of the Issue and were capped at this level.

On 5 February 2013, the Company appointed Dexion and Jefferies as joint Brokers to the Group. Dexion and Jefferies are each entitled to receive a fee of £50,000 per annum plus expenses. On 24 June 2015, the Company terminated its agreenent with Jefferies.

On 7 September 2015, the Company entered into a Placing Programme Agreement with Dexion and is subject to a maximum aggregate commission payable to Dexion of 2 per cent of gross proceeds raised. As part of this agreement the £50,000 annual fee is offset against any commission earned.

The Placing Programme Agreement is governed by the laws of England and Wales.

f) Licence agreement

The Company and Starwood Capital Group Management, LLC ("the Licensor") have entered into a trade mark licence agreement dated 28 November 2012 ("the Licence Agreement"), pursuant to which the Licensor has agreed to grant to the Company a royalty-free, non-exclusive worldwide licence for the use of the "Starwood" name for the purposes of the Company's business.

Under the terms of the Licence Agreement, it may be terminated by the Licensor; (i) if the Investment Management Agreement or any other similar agreement between the Company and the Investment Manager (or either of their respective affiliates) is terminated for any reason whatsoever or expires: (ii) if the Company suffers an insolvency event or breaches any court order relating to the Licence Agreement; or (iii) upon two months' written notice without cause.

3. Material Agreements (CONTINUED)

g) Hedging agreements

The Company and Lloyds Bank plc entered into an international forward exchange master agreement dated 5 April 2013 and on 7 February 2014 the Company entered into a Professional Client Agreement with Goldman Sachs, pursuant to which the parties can enter into foreign exchange transactions with the intention of hedging against fluctuations in the exchange rate between Sterling and other currencies. Both agreements are governed by the laws of England and Wales.

h) Revolving credit facility

On 4 December 2014, the Company entered into a £50 million revolving credit facility with a major UK clearing bank which is intended for short-term liquidity. Under its investment policy, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent of its NAV at the time of drawdown. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded. The interest rate payable will depend on how long the loan is outstanding: LIBOR plus 2.50 per cent per annum at initial draw down and increasing for loans outstanding for more than six months. The facility is secured by a pledge over the bank accounts of the Company, its interests in Starfin Public LP and the intercompany funding provided by the Company to Starfin Public LP. Starfin Public LP also acts as guarantor of the facility and has pledged its bank accounts as collateral. The undertakings and events of default are customary for a transaction of this nature. On 22 December 2015, the revolving credit facility was increased to £60 million.

4. Directors' Fees

	31 December 2015 £	31 December 2014 £
Directors' emoluments	132,500	112,500
Other expenses	6,341	2,783
	138,841	**115,283**

5. Auditors' Remuneration

	31 December 2015 £	31 December 2014 £
Audit fees	118,382	140,619
Non-audit fees	17,500	17,000
	135,882	**157,619**

In addition, the Auditors also received £40,000 (2014: £nil) for professional services in relation to the Placing Programme. As these fees were directly related to the Placing Pragamme, it was recognised in the Consolidated Statement of Changes in Equity as Cost of Issues. Non-audit fees of £17,500 (2014: £17,000) relate to the Group's interim review of its condensed consolidated financial statements.

6. Net Foreign Exchange Losses / (Gains)

	31 December 2015 £	31 December 2014 £
Loans advanced losses (unrealised)	2,951,783	3,689,527
Loans advanced losses (realised)	-	1,239,793
Forward contracts gains (unrealised)	(3,525,752)	(5,036,777)
Forward contracts losses (unrealised)	2,631,221	100,373
Forward contracts gains (realised)	(1,873,801)	(972,722)
Forward contracts losses (realised)	-	141,886
Other	259,984	(43,205)
	443,435	**(881,125)**

7. Earnings Per Share and Net Asset Value Per Share

The calculation of basic earnings per Ordinary Share is based on the operating profit of £18,755,085 (2014: £14,643,157) and on the weighted average number of Ordinary Shares in issue during the year of 259,548,110 (2014: 238,100,000) Ordinary Shares.

The calculation of NAV per Ordinary Share is based on a NAV of £305,473,044 (2014: £238,284,416) and the actual number of Ordinary Shares in issue at 31 December 2015 of 304,180,000 (2014: 238,100,000).

8. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	31 December 2015 £	31 December 2014 £
Fixed deposits	-	8,194,296
Cash at bank	520,558	4,978,682
	520,558	**13,172,978**

Cash and cash equivalents comprises cash held by the Group and short term deposits held with various banking institutions with original maturities of three months or less. The carrying amount of these assets approximates their fair value. For further information and the associated risks refer to note 18.

9. Other Receivables and Prepayments

	31 December 2015 £	31 December 2014 £
Prepayments	95,684	31,962
	95,684	**31,962**

10. Revolving Credit Facility Capitalised Costs

The revolving credit facility capitalised costs are directly attributable costs incurred in relation to the establishment of the £60 million loan facility.

11. Loans Advanced

The Group's accounting policy on the measurement of financial assets is discussed in note 2(g).

	31 December 2015 £	31 December 2014 £
UK		
Maybourne Hotel Group, London	-	19,430,056
West End Development, London	-	10,137,575
Lifecare Residences, London	14,027,005	13,311,980
Salesforce Tower, London	11,859,123	15,186,783
Centre Point, London	45,498,669	40,305,815
FC200, London	-	9,252,934
Aldgate Tower, London	42,577,547	37,575,749
5 Star Hotel, London	13,142,848	6,871,376
Centre Parcs Bonds, UK	9,868,456	-
Industrial Portfolio, UK	32,357,364	-
Hospitals, UK	25,502,202	-
Netherlands		
Office	10,362,243	11,104,334
Industrial Portfolio	20,515,407	15,873,838
W Hotel	15,865,865	9,198,302
Finland		
Retail Portfolio	24,548,879	32,705,658
Denmark		
Industrial Portfolio	32,404,690	-
Ireland		
Retail and Residential Portfolio	4,584,580	-
Residential Portfolio, Cork	4,579,949	-
	307,694,827	**220,954,400**

No element of loans advanced are past due or impaired. For further information and the associated risks see the Investment Manager's Report.

The table below reconciles the movement of the carrying value of loans advanced in the year:

	31 December 2015 £	31 December 2014 £
Loans advanced at the start of the year	220,954,400	156,381,277
Loans advanced	146,933,215	117,255,254
Loans repaid	(63,499,033)	(49,981,644)
Arrangement fees earned	(1,479,139)	(2,184,680)
Commitment fees earned	(72,657)	(57,413)
Accrued interest purchased on loan acquisition	474,589	-
Exit fees earned	(227,417)	(75,522)
Origination fees paid	946,069	1,072,949
Origination expenses paid	97,194	
Syndication expenses paid / accrued	-	313,888
Effective interest income earned	22,716,523	16,050,220
Interest payments received / accrued	(16,197,134)	(14,130,402)
Foreign exchange losses	(2,951,783)	(3,689,527)
Loans advanced at the end of the year	**307,694,827**	**220,954,400**
Loans advanced at fair value	**320,752,322**	**231,280,183**

For further information on the fair value of loans advanced, refer to note 19.

12. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise currency forward contracts which represent contractual obligations to purchase domestic currency and sell foreign currency on a future date at a specified price. The underlying instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations of foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair value of derivative instruments held are set out below:

Goldman Sachs:

	Notional contract amount [1]	Fair values		
		Assets	Liabilities	Total
31 December 2015	**£**	**£**	**£**	**£**
Foreign exchange derivatives				
Currency forwards	22,551,503	2,072,414	(87,249)	1,985,165
Total	**22,551,503**	**2,072,414**	**(87,249)**	**1,985,165**

Lloyds Bank plc:

	Notional contract amount [1]	Fair values		
		Assets	Liabilities	Total
31 December 2015	**£**	**£**	**£**	**£**
Foreign exchange derivatives				
Currency forwards	96,295,877	5,426,435	(1,493,485)	3,932,950
Total	**96,295,877**	**5,426,435**	**(1,493,485)**	**3,932,950**

Total:

	Notional contract amount [1]	Fair values		
		Assets	Liabilities	Total
31 December 2015	**£**	**£**	**£**	**£**
Foreign exchange derivatives				
Currency forwards	118,847,380	7,498,849	(1,580,734)	5,918,115
Total	**118,847,380**	**7,498,849**	**(1,580,734)**	**5,918,115**

[1] Euro and Danish Krone amounts are translated at the year end exchange rate

12. Financial Assets at Fair Value through Profit or Loss (CONTINUED)

Goldman Sachs:

31 December 2014	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	20,952,906	983,938	-	983,938
Total	**20,952,906**	**983,938**	**-**	**983,938**

Lloyds Bank plc:

31 December 2014	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	52,791,971	4,039,646	-	4,039,646
Total	**52,791,971**	**4,039,646**	**-**	**4,039,646**

Total:

31 December 2014	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	73,744,877	5,023,584	-	5,023,584
Total	**73,744,877**	**5,023,584**	**-**	**5,023,584**

[1] Euro and Danish Krone amounts are translated at the year end exchange rate

13. Revolving Credit Facility

Under the Company's investment policy, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent of its NAV at the time of drawdown. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded. The interest rate payable will depend on how long the loan is outstanding: LIBOR plus 2.50 per cent per annum at initial draw down and increasing for loans outstanding for more than six months. The facility is secured by a pledge over the bank accounts of the Company, its interests in Starfin Public LP and the intercompany funding provided by the Company to Starfin Public LP. Starfin Public LP also acts as guarantor of the facility and has pledged its bank accounts as collateral. The undertakings and events of default are customary for a transaction of this nature. As at 31 December 2015 an amount of £8,155,816 (31 December 2014: £ nil) was drawn and interest of £6,589 (31 December 2014: £ nil) was payable.

14. Trade and Other Payables

	31 December 2015 £	31 December 2014 £
Investment management fees payable	575,154	446,949
Administration fees payable	55,490	52,515
Audit fees payable	42,261	54,644
Broker fees payable	-	25,009
Other expenses payable	18,466	8,449
Syndication costs payable	-	133,200
Origination fees payable	-	426,375
Legal and professional fees payable	94,163	169,099
Revolver commitment fees payable	20,549	25,278
	806,083	**1,341,518**

15. Commitments

As at 31 December 2015 the Company had outstanding commitments in respect of loans not fully drawn of £7,617,154 (2014: £28,048,863).

As at 31 December 2015 the Company has entered into forward contracts under the Hedging Master Agreement with Lloyds Bank plc to sell €82,317,292 (2014: €67,534,823) and Kr365,315,294 (2014: Kr nil) to receive Sterling. At the year end, these forward contracts have a fair value of £3,932,950 (2014: £4,039,646).

As at 31 December 2015 the Company has entered into forward contracts under the Professional Client Agreement with Goldman Sachs to sell €30,686,492 (2014: € 26,804,280) and receive Sterling. At the year end, these forward contracts have a fair value of £1,985,165 (2014: £983,938).

16. Share Capital

The share capital of the Company consists of an unlimited number of redeemable Ordinary Shares of no par value which upon issue the Directors may classify into such classes as they may determine. The Ordinary Shares are redeemable at the discretion of the Board.

At the year end the Company had issued and fully paid up share capital as follows:

	31 December 2015	31 December 2014
Ordinary Shares of no par value		
Issued and fully paid	304,180,000	238,100,000

Rights attached to shares
The Company's share capital is denominated in Sterling. At any general meeting of the Company each ordinary share carries one vote. The Ordinary Shares also carry the right to receive all income of the Company attributable to the Ordinary Shares, and to participate in any distribution of such income made by the Company, such income shall be divided pari passu among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

16. Share Capital (CONTINUED)

Significant share movements
1 January 2015 to 31 December 2015:

Ordinary Shares	**Number**	**£**
Balance at start of the year	238,100,000	238,509,000
Shares issued on 3 July 2015	23,780,000	24,493,400
Shares issued on 24 September 2015	42,300,000	43,478,250
Balance at the end of the year	**304,180,000**	**306,480,650**
Issue costs to date		(6,083,445)
Net proceeds		**300,397,205**

1 January 2014 to 31 December 2014:

Ordinary Shares	**Number**	**£**
Balance at start of the year	238,100,000	238,509,000
Balance at the end of the year	**238,100,000**	**238,509,000**
Net proceeds		**238,509,000**

17. Dividends

Dividends will be declared by the Directors and paid in compliance with the solvency test prescribed by Guernsey law. Under Guernsey law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Company passed the solvency test for each dividend paid.

Subject to market conditions, the financial position of the Company and the investment outlook, it is the Directors' intention to pay quarterly dividends to shareholders (for more information see Chairman's Statement).

The Company paid the following dividends in respect of the year to 31 December 2015:

Period to:	**Dividend rate per Share (pence)**	**Net dividend paid (£)**	**Payment date**
31 March 2015	1.75	4,166,750	30 April 2015
30 June 2015	1.75	4,582,900	31 July 2015
30 September 2015	1.75	5,323,150	31 October 2015

After the end of the year, the Directors declared a dividend in respect of the financial year ended 31 December 2015 of 1.75 pence per share (£5,323,150) to be paid as at 18 February 2016 to shareholders on the register as at 4 February 2016.

17. Dividends (CONTINUED)

The Company declared the following dividends in respect of the year to 31 December 2014:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2014	1.25	2,976,250	30 April 2014
30 June 2014	1.35	3,214,350	30 July 2014
30 September 2014	1.50	3,571,500	27 October 2014
31 December 2014	1.70	4,047,700	27 February 2015

18. Risk Management Policies and Procedures

The Group through its investment in whole loans, subordinated loans, mezzanine loans, bridge loans, loan-on-loan financings and other debt instruments is exposed to a variety of financial risks, including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

It is the role of the Board to review and manage all risks associated with the Group, mitigating these either directly or through the delegation of certain responsibilities to the Audit Committee, Investment Manager and Investment Adviser.

The Board of Directors has established procedures for monitoring and controlling risk. The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

In addition, the Investment Manager monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Further details regarding these policies are set out below:

i) Market risk
Market risk includes market price risk, currency risk and interest rate risk. If a borrower defaults on a loan and the real estate market enters a downturn it could materially and adversely affect the value of the collateral over which loans are secured. However, this risk is considered by the Board to constitute credit risk as it relates to the borrower defaulting on the loan and not directly to any movements in the real estate market. As such the Directors do not consider that the Group is subject to market price risk. The Investment Manager moderates market risk through a careful selection of loans within specified limits. The Group's overall market position is monitored by the Investment Manager and is reviewed by the Board of Directors on an on-going basis.

18. Risk Management Policies and Procedures (CONTINUED)

a) Currency risk

The Group, via the subsidiaries, operates across Europe and invests in loans that are denominated in currencies other than the functional currency of the Company. Consequently the Group is exposed to risks arising from foreign exchange rate fluctuations in respect of these loans and other assets and liabilities which relate to currency flows from revenues and expenses. Exposure to foreign currency risk is hedged and monitored by the Investment Manager on an on-going basis and is reported to the Board accordingly.

The Company and Lloyds Bank plc entered into an international forward exchange master agreement dated 5 April 2013 and on 7 February 2014 the Company entered into a Professional Client Agreement with Goldman Sachs, pursuant to which the parties can enter into foreign exchange transactions with the intention of hedging against fluctuations in the exchange rate between Sterling and other currencies. The Company does not trade in derivatives but holds them to hedge specific exposures and have maturities designed to match the exposures they are hedging. The derivatives are held at fair value which represents the replacement cost of the instruments at the Consolidated Statement of Financial Position date and movements in the fair value are included in the Consolidated Statement of Comprehensive Income under net foreign exchange gains/(losses). The Company does not adopt hedge accounting in the financial statements. At the reporting date the Company had 75 (2014: 34) open forward contracts.

As at 31 December 2015 the Company had the following currency exposure:

31 December 2015	Danish Krone £	Sterling £	Euro £	Total £
Assets				
Loans advanced	32,404,690	194,833,214	80,456,923	307,694,827
Other receivables and prepayments	-	33,056	62,628	95,684
Cash and cash equivalents	33,118	481,502	5,938	520,558
Financial assets at fair value through profit or loss	-	5,918,115	-	5,918,115
Liabilities				
Revolving credit facility	-	(8,162,405)	-	(8,162,405)
Trade and other payables	-	(797,993)	(8,090)	(806,083)
Net currency exposure	**32,437,808**	**192,305,489**	**80,517,399**	**305,260,696**

18. Risk Management Policies and Procedures (CONTINUED)

31 December 2014	Danish Krone £	Sterling £	Euro £	Total £
Assets				
Loans advanced	-	152,072,268	68,882,132	220,954,400
Other receivables and prepayments	-	31,962	-	31,962
Cash and cash equivalents	-	10,826,808	2,346,170	13,172,978
Financial assets at fair value through profit and	-	5,023,584	-	5,023,584
Liabilities				
Trade and other payables	-	(1,075,973)	(265,545)	(1,341,518)
Net currency exposure	**-**	**166,878,649**	**70,962,757**	**237,841,406**

Currency sensitivity analysis

Should the exchange rate of the Euro against Sterling increase or decrease by 10 per cent with all other variables held constant, the net assets of the Group at 31 December 2015 would increase or decrease by £8,051,740 (2014: £7,096,276). Should the exchange rate of the Danish Krone against Sterling increase or decrease by 10 per cent with all other variables held constant, the net assets of the Group at 31 December 2015 would increase or decrease by £3,243,781 (2014: £nil).These percentages have been determined based on potential volatility and deemed reasonable by the Directors. This does not include the impact of hedges in place which would be expected to reduce the impact.

In accordance with the Company's policy, the Investment Manager monitors the Group's currency position, and the Board of Directors reviews this risk on a regular basis.

b) Interest rate risk

Interest rate risk is the risk that the value of financial instruments and related income from loans advanced and cash and cash equivalents will fluctuate due to changes in market interest rates.

The majority of the Group's financial assets are loans advanced, receivables and cash and cash equivalents. The Group's investments have some exposure to interest rate risk but this is limited to interest earned on cash deposits and floating interbank rate exposure for investments designated as loans advanced. Loans advanced have been structured to include a combination of fixed and floating interest rates to reduce the overall impact of interest rate movements. Further protection is provided by including interbank rate floors, preventing interest rates from falling below certain levels.

The following table shows the portfolio profile of the financial assets at 31 December 2015:

	31 December 2015 £	31 December 2014 £
Floating rate		
Loans advanced[1]	148,059,663	93,280,342
Cash and cash equivalents	520,558	4,978,682
Fixed rate		
Loans advanced	159,635,164	127,674,058
Cash and cash equivalents	-	8,194,296
Total financial assets subject to interest rate risk	**308,215,385**	**234,127,378**

1 Loans advanced at floating rates include loans with interbank rate floors.

18. Risk Management Policies and Procedures (CONTINUED)

If interest rates had changed by 25 basis points, with all other variables remaining constant, the effect on the net profit and equity would have been as shown in the table below:

	31 December 2015 £	31 December 2014 £
Increase of 25 basis points[1]	371,451	245,648
Decrease of 25 basis points	(371,451)	(245,648)

[1] The calculation assumes no interbank rate floors.

These percentages have been determined based on potential volatility and deemed reasonable by the Directors.

ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's main credit risk exposure is in the loan portfolio, shown as loans advanced, where the Group invests in whole loans and also subordinated and mezzanine debt which rank behind senior debt for repayment in the event that a borrower defaults. There is a spread concentration of risk as at 31 December 2015 due to several loans being advanced since inception. There is also credit risk in respect of other financial assets as a portion of the Group's assets are cash and cash equivalents or accrued interest. The banks used to hold cash and cash equivalents have been diversified to spread the credit risk to which the Group is exposed. The Group also has credit risk exposure in its financial assets through profit and loss which is diversified between hedge providers in order to spread credit risk to which the Group is exposed. The total exposure to credit risk arises from default of the counterparty and the carrying amounts of financial assets best represent the maximum credit risk exposure at the year end date. As at 31 December 2015, the maximum credit risk exposure was £314,441,532 (2014: £239,625,934).

The Investment Manager has adopted procedures to reduce credit risk exposure by conducting credit analysis of the counterparties, their business and reputation which is monitored on an on-going basis. After the advancing of a loan a dedicated debt asset manager employed by the Investment Adviser monitors on-going credit risk and reports to the Investment Manager, with quarterly updates also provided to the Board. The debt asset manager routinely stresses and analyses the profile of the Group's underlying risk in terms of exposure to significant tenants, performance of asset management teams and property managers against specific milestones that are typically agreed at the time of the original loan underwriting, forecasting headroom against covenants, reviewing market data and forecast economic trends to benchmark borrower performance and to assist in identifying potential future stress points. Periodic physical inspections of assets that form part of the Group's security are also completed in addition to monitoring the identified capital expenditure requirements against actual borrower investment.

The Group maintains its cash and cash equivalents across various different banks to diversify credit risk which have been all rated A1 or higher by Moody's and this is subject to the Group's credit risk monitoring policies as mentioned above.

31 December 2015	Cash £	1 month fixed deposit £	Total as at 31 December 2015 £
Barclays Bank plc	248,291	-	248,291
Lloyds Bank plc	892	-	892
HSBC Bank plc	37	-	37
Royal Bank of Scotland International	208	-	208
ING Luxembourg, SA	271,130	-	271,130
Total cash and cash equivalents	**520,558**	**-**	**520,558**

18. Risk Management Policies and Procedures (CONTINUED)

31 December 2014	**Cash**	**1 month fixed deposit**	**Total as at 31 December 2014**
	£	**£**	**£**
Barclays Bank plc	3,342,107	7,186,601	10,528,708
Lloyds Bank plc	930	-	930
HSBC Bank plc	205,139	1,007,695	1,212,834
Royal Bank of Scotland International	677	-	677
ING Luxembourg, SA	1,429,829	-	1,429,829
Total cash and cash equivalents	**4,978,682**	**8,194,296**	**13,172,978**

The carrying amount of cash and cash equivalents approximates their fair value.

iii) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient resources available to meet its liabilities as they fall due. The Group's loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice.

The Group manages its liquidity risk through short term and long term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 20 per cent of NAV and has entered into a revolving credit facility of £60 million of which £8 million was drawn at year end.

The table below shows the maturity of the Group's non-derivative financial assets and liabilities arising from the advancement of loans by remaining contractual maturities at the date of the Consolidated Statement of Financial Position. The amounts disclosed under assets are contractual, undiscounted cash flows and may differ from the actual cash flows received in the future as a result of early repayments:

31 December 2015	**Up to 3 months**	**Between 3 and 12 months**	**Over 1 year**	**Total**
	£	**£**	**£**	**£**
Assets				
Loans advanced	-	97,019,298	210,675,529	307,694,827
Liabilities and commitments				
Loan commitments [1]	(1,274,852)	(189,944)	-	(1,464,796)
	(1,274,852)	**96,829,354**	**210,675,529**	**306,230,031**

[1] Loan commitments are estimated forecasted drawdowns at year end.

31 December 2014	**Up to 3 months**	**Between 3 and 12 months**	**Over 1 year**	**Total**
	£	**£**	**£**	**£**
Assets				
Loans advanced	-	-	220,954,400	220,954,400
Liabilities and commitments				
Loan commitments	(8,423,603)	(7,347,710)	(4,478,306)	(20,249,619)
	(8,423,603)	**(7,347,710)**	**216,476,094**	**200,704,781**

18. Risk Management Policies and Procedures (CONTINUED)

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the Consolidated Statement of Financial Position. The amounts disclosed are the contractual undiscounted cash flows:

Goldman Sachs:

31 December 2015 **Derivatives held for trading**	**Up to 3 months** **£**	**Between 3 and 12 months** **£**	**More than 1 year** **£**	**Total as at 31 December 2015** **£**
Foreign exchange derivatives				
– Outflow[1]	235,356	693,914	21,622,233	22,551,503
– Inflow	236,275	700,151	22,450,710	23,387,137

Lloyds Bank plc:

31 December 2015 **Derivatives held for trading**	**Up to 3 months** **£**	**Between 3 and 12 months** **£**	**More than 1 year** **£**	**Total as at 31 December 2015** **£**
Foreign exchange derivatives				
– Outflow[1]	1,044,176	34,851,191	60,400,510	96,295,877
– Inflow	1,051,121	35,245,356	63,529,702	99,826,179

Goldman Sachs:

31 December 2014 **Derivatives held for trading**	**Up to 3 months** **£**	**Between 3 and 12 months** **£**	**More than 1 year** **£**	**Total as at 31 December 2015** **£**
Foreign exchange derivatives				
– Outflow[1]	215,073	636,308	20,101,525	20,952,906
– Inflow	213,851	634,869	20,808,632	21,657,352

Lloyds Bank plc:

31 December 2014 **Derivatives held for trading**	**Up to 3 months** **£**	**Between 3 and 12 months** **£**	**More than 1 year** **£**	**Total as at 31 December 2014** **£**
Foreign exchange derivatives				
– Outflow[1]	610,240	11,212,834	40,968,897	52,791,971
– Inflow	606,854	11,207,872	41,930,826	53,745,552

[1] Euro and Danish Krone amounts translated at year end exchange rate.

Capital management policies and procedures

The Group's capital management objectives are:

- To ensure that the Group will be able to continue as a going concern; and
- To maximise the income and capital return to equity shareholders through an appropriate balance of equity capital and long-term debt.

The capital of the Company is represented by the net assets attribute to the holders of the Company's shares.

18. Risk Management Policies and Procedures (CONTINUED)

In accordance with the Group's investment policy, the Group's principal use of cash (including the proceeds of the IPO and subsequent tap issues and placings) has been to fund investments in the form of loans sourced by the Investment Adviser and the Investment Manager, as well as initial expenses related to the issue, on going operational expenses and payment of dividends and other distributions to shareholders in accordance with the Company's dividend policy.

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an on-going basis.

The Company has no imposed capital requirements.

The Company's capital at year end comprises:

	31 December 2015 £	31 December 2014 £
Equity		
Equity share capital	300,397,205	233,843,162
Retained earnings and other reserves	5,075,839	4,441,254
Total capital	**305,473,044**	**238,284,416**

19. Fair Value Measurement

IFRS 13 requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities (by class) measured at fair value:

31 December 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	5,918,115	-	5,918,115
Total	**-**	**5,918,115**	**-**	**5,918,115**

31 December 2014	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	5,023,584	-	5,023,584
Total	**-**	**5,023,584**	**-**	**5,023,584**

There have been no transfers between levels for the year ended 31 December 2015 (31 December 2014: nil).

19. Fair Value Measurement (CONTINUED)

The following table summarises within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2015 but for which fair value is disclosed:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£	£	£	£	£
Assets					
Cash and cash equivalents	-	520,558	-	520,558	520,558
Other receivables and prepayments	-	95,684	-	95,684	95,684
Loans	-	-	320,752,322	320,752,322	307,694,827
Total	**-**	**616,242**	**320,752,322**	**321,368,564**	**308,311,069**

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£	£	£	£	£
Liabilities					
Trade and other payables	-	806,083	-	806,083	806,083
Total	**-**	**806,083**	**-**	**806,083**	**806,083**

The following table summarises within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2014 but for which fair value is disclosed:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£	£	£	£	£
Assets					
Cash and cash equivalents	-	13,172,978	-	13,172,978	13,172,978
Other receivables and prepayments	-	31,962	-	31,962	31,962
Loans	-	-	231,280,183	231,280,183	220,954,400
Total	**-**	**13,204,940**	**231,280,183**	**244,485,123**	**234,159,340**

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£	£	£	£	£
Liabilities					
Trade and other payables	-	1,341,518	-	1,341,518	1,341,518
Total	**-**	**1,341,518**	**-**	**1,341,518**	**1,341,518**

19. Fair Value Measurement (CONTINUED)

The carrying values of the assets and liabilities included in the above table are considered to approximate their fair values, except for loans advanced. The fair value of loans advanced has been determined by discounting the expected cash flows using a discounted cash flow model. For the avoidance of doubt, the Group carries its loans advanced at amortised cost in the consolidated financial statements.

Cash and cash equivalents include cash at hand and fixed deposits held with banks. Other receivables and prepayments include the contractual amounts and obligations due to the Group and consideration for advance payments made by the Group. Trade and other payables represent the contractual amounts and obligations due by the Group for contractual payments.

20. Controlling Party

In the opinion of the Directors, on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

21. Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £1200.

The Luxembourg indirect subsidiary of the Company is subject to the applicable tax regulations in Luxembourg. The table below analyses the tax charges incurred at Luxembourg level:

	31 December 2015 £	31 December 2014 £
Current tax		
Current tax on profit for the year	2,439	2,662
Total current tax	**2,439**	**2,662**

The Luxco had no operating gain on ordinary activities before taxation and was therefore for the year ended 31 December 2015 subject to the Luxembourg minimum corporate income taxation at €3,210 (2014: €3,210).

22. Reconciliation of IFRS to US GAAP

To meet the requirements of Rule 206(4)-2 under the Investment Advisors Act 1940 (the "Custody Rule") the consolidated financial statements of the Company have also been audited in accordance with Generally Accepted Auditing Standards applicable in the United States ("US GAAS"). As such two independent Auditors' reports are included on pages 36 to 38, one under International Standards on Auditing as required by the Crown Dependencies Audit Rules and the other under US GAAS. Compliance with the Custody Rule also requires a reconciliation of the operating profit and net assets under IFRS to US GAAP.

The principal differences between IFRS and US GAAP relate to accounting for financial assets that are carried at amortised cost. Under US GAAP the calculation of the effective interest rate is based on contractual cash flows over the asset's contractual life. International Financial Reporting Standards, however, base the effective interest rate calculation on the estimated cash flows over the expected life of the asset.

The Directors have assessed the operating profit and NAV of the Company and Group under both IFRS and US GAAP and have concluded that no material differences were identified and therefore no reconciliation has been presented in these financial statements.

23. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Details on the Investment Manager and other related party transactions are included in note 3 to the consolidated financial statements.

Fees, expenses and other payments

	Outstanding at 31 December 2015 £	For the year ended 31 December 2015 £
Directors' fees and expenses paid		
Stephen Smith	-	46,250
John Whittle	-	37,500
Jonathan Bridel	-	33,750
Placing programme fees	-	15,000
Expenses paid	-	6,341
Investment Manager		
Investment management fees earned	575,154	1,976,640
Origination fees earned	-	946,069
Expenses	18,012	41,754
Hatfield Phillips International [1]		
Origination expenses	-	50,000

	Outstanding at 31 December 2014 £	For the year ended 31 December 2014 £
Directors' fees and expenses paid		
Stephen Smith	-	45,000
John Whittle	-	35,000
Jonathan Bridel	-	32,500
Expenses paid	-	2,783
Investment Manager		
Investment management fees earned	446,949	1,528,333
Origination fees earned	426,375	1,072,949
Expenses	5,216	16,010
StarConsult S.à.r.l [2]		
Administrative services	-	8,369

[1] Hatfield Phillips International is a subsidiary of Starwood Property Trust.
[2] StarConsult S.à.r.l is a Company managed by Thierry Drinka, who is also a Director of Luxco.

23. Related Party Transactions (CONTINUED)

Shareholdings and dividends paid

	Dividends paid for the year ended 31 December 2015	As at 31 December 2015
	£	Number of shares
Starwood Property Trust Inc	639,331	9,180,000
SCG Starfin Investor LP	158,808	2,285,000
Stephen Smith	7,566	78,929
John Whittle	572	11,866
Jonathan Bridel	572	11,866

	Dividends paid for the year ended 31 December 2014	As at 31 December 2014
	£	Number of shares
Starwood Property Trust Inc	475,280	9,140,000
SCG Starfin Investor LP	118,820	2,285,000
Stephen Smith	2,080	40,000
John Whittle	364	7,000
Jonathan Bridel	364	7,000

Other

The Group continues to participate in a number of loans in which Starwood Property Trust, Inc. (“STWD”) and Starfin European Debt TC, L.P. (“Starfin TC”) acted as a co-lender. The details of these loans are shown in the table below.

Loan	Related party co-lenders
Lifecare Residences, London	STWD
Salesforce Tower, London	STWD
Centre Point, London	STWD, Starfin TC
Aldgate Tower, London	STWD, Starfin TC
5 Star Hotel, London	Starfin TC
W Hotel, Netherlands	STWD, Starfin TC
Retail Portfolio, Finland	STWD

Starwood Capital Europe Advisers, LLP acts as Investment Adviser to Starwood European Finance Partners, the Investment Manager of the Group and Starfin GP Limited, the General Partner of Starfin TC. On 10 December 2015 Starfin TC transferred its rights and obligations under the Industrial Portfolio, Netherlands loan agreement to the Group in consideration for a payment equal to the principal balance and accrued interest of Starfin TC’s proportion of the existing loan, being the amount, €5,609,131, that it would receive if the existing loan were repaid in full by the borrower. A fairness opinion was received from Dexion in relation to this transaction.

24. Events After the Reporting Period

The following new investments have closed since the year end, up to the date of publication of this report:

	Sterling equivalent
Hotel, Channel Islands	£27.0 million
Residential Portfolio, Dublin	£6.2 million

Amounts also continue to be drawn under the outstanding commitments on the W Hotel, Amsterdam and Aldgate Tower facilities.

The Company has drawn additional funds on the revolving credit facility in order to fund the new investments shown above. At 17 March 2016 £42 million is outstanding on the revolving credit facility.

The following loan amortisation (both scheduled and unscheduled) has been received since the year end up to the date of publication of this report:

	Sterling equivalent
Salesforce Tower, London	£867,607
Retail Portfolio, Finland	£354,374
Office, Amsterdam	£26,948
5 Star Hotel, London	£13,173
Retail & Residential Portfolio, Ireland	£52,275
Residential Portfolio, Cork	£27,241
Industrial Portfolio, Denmark	£1,083,456

Corporate Information

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Stephen Smith *(Non-executive Chairman)*
Jonathan Bridel *(Non-executive Director)*
John Whittle *(Non-executive Director)*

(all care of the registered office)

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