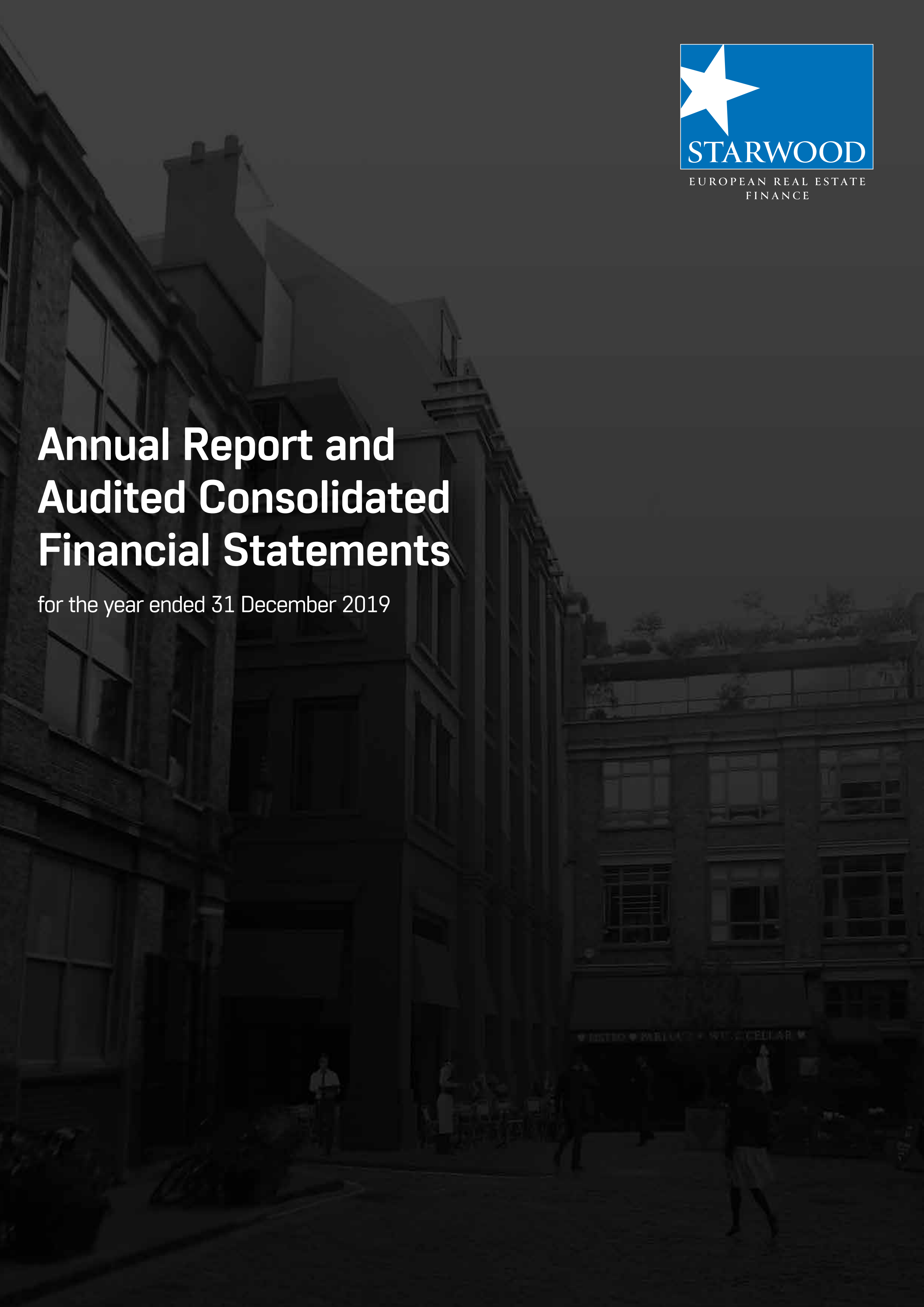
STARWOOD
EUROPEAN REAL ESTATE FINANCE



Annual Report and Audited Consolidated Financial Statements

for the year ended 31 December 2019

CONTENTS

Objective and Investment Policy

INVESTMENT OBJECTIVE

The investment objective of Starwood European Real Estate Finance Limited (the "Company"), together with its wholly owned subsidiaries Starfin Public Holdco 1 Limited, Starfin Public Holdco 2 Limited, Starfin Lux S.à.r.l, Starfin Lux 3 S.à.r.l, and Starfin Lux 4 S.à.r.l, (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 UK and the wider 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

Company or investment level recourse borrowings may be used from time-to-time on a short term basis for bridging investments, financing repurchases of Shares or managing working capital requirements, including foreign exchange hedging facilities and on a longer term basis for the purpose of enhancing returns to shareholders and/or to facilitate the underwriting of whole loans with a view to syndication at a later point. In this regard, the Company is limited to aggregate short- and long-term borrowings at the time of the relevant drawdown in an amount equivalent to a maximum of 30 per cent of NAV but longer-term borrowings will be limited to 20 per cent of NAV in any event.

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

Objective and Investment Policy

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.

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 2018 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, shareholders' 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.

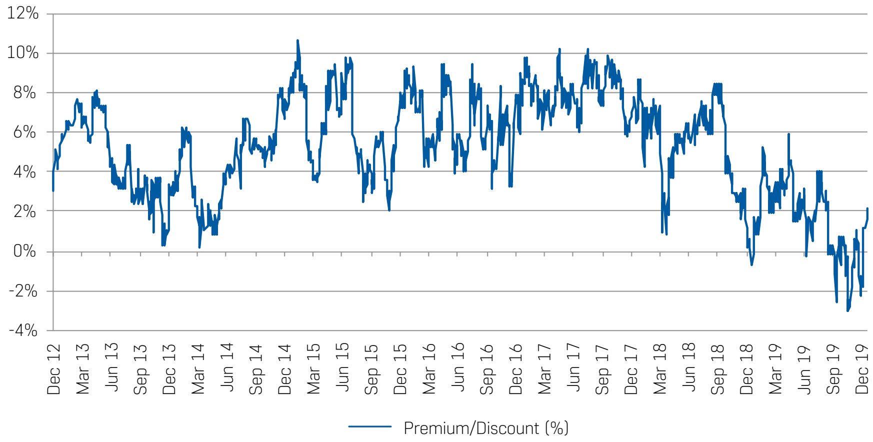
Financial Highlights

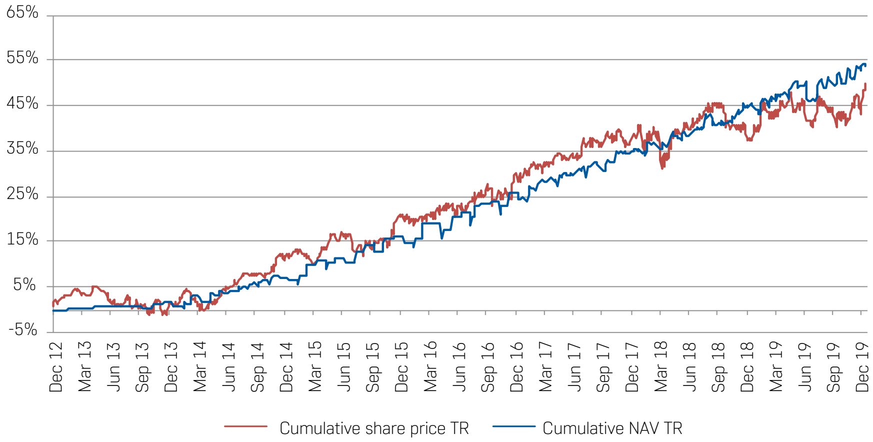
Key Highlights	Year ended 31 December 2019	Year ended 31 December 2018
NAV per Ordinary Share	103.23 p	102.66 p
Share Price	104.50 p	102.00 p
NAV total return [1]	7.1%	7.1%
Share Price total return [1]	9.1%	(1.0)%
Total Net Assets	£426.6 m	£385.0 m
Loans advanced at amortised cost (including accrued income)	£390.6 m	£413.4 m
Financial assets held at fair value through profit or loss (including associated accrued income)	£30.5 m	£21.9 m
Cash and Cash Equivalents	£36.8 m	£28.2 m
Amount drawn under Revolving Credit Facility (excluding accrued interest)	£29.7 m	£68.8 m
Dividends per Ordinary Share	6.5 p	6.5 p
Invested Loan Portfolio unlevered annualised total return [1]	7.1%	7.4%
Invested Loan Portfolio levered annualised total return [1]	7.0%	8.0%
Ongoing charges percentage [1]	1.0%	1.1%
Weighted average portfolio LTV to Group first £ [1]	18.4%	16.7%
Weighted average portfolio LTV to Group last £ [1]	63.0%	64.1%

[1] Further explanation and definitions of the calculation is contained in the section "Alternative Performance Measures" at the end of this financial report.

SHARE PRICE PERFORMANCE

As at 31 December 2019 the NAV was 103.23 pence per Ordinary Share (2018: 102.66 pence) and the share price was 104.50 pence (2018: 102.00 pence).





Source: Thomson Reuters Datastream

Since 31 December 2019, in common with the overall equity market, the Company's share price has fallen sharply and continues to be volatile. These moves have been driven by market conditions and flow rather than a change in the Company's NAV.

Chairman's Statement

STEPHEN SMITH | Chairman
6 April 2020

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 ended 31 December 2019.

OVERVIEW

The Group had another successful origination year in 2019 with £224.7 million of new commitments, equivalent to 52.1 per cent of the loan book at the beginning of the year. Repayments totalled £198.3 million equal to 45.9 per cent of the loan book at the start of the year, marginally higher than the average of 41.9 per cent over the previous four years. Net commitments were therefore £26.4 million during the year.

The Group declared an aggregate dividend for the year of 6.5 pence per Ordinary Share. The Group's NAV for the year remained stable and NAV total return (including dividends) was 7.1 per cent. The Company's share price total return across the financial year was 9.1 per cent, reflecting an increase in the share price from the end of 2018 and 6.5 pence of dividend payments during the year.

As at 31 December 2019, the Group had investments and commitments of £489 million (of which £78 million was committed but unfunded at the end of the year). The average maturity of the Group's loan book was 2.8 years. The Group has cash of £36.8 million and unused liquidity facilities of £96 million (a total capacity of £133 million) which is available to fund undrawn commitments of £78 million and new lending. The gross annualised levered total return at the year end was 7.0 per cent. The Net Asset Value ("NAV") was £426.6 million, being 103.23 pence per Ordinary Share.

The table below shows the loan commitment and repayment profile over the last five years.

	2015	2016	2017	2018	2019
New loans to borrowers (commitment)	£118.7m	£175.9m	£245.8m	£208.0m	£224.7m
Loan repayments and amortisation	-£49.0m	-£129.3m	-£213.1m	-£137.2m	-£198.3m
Net Investment	**£69.7m**	**£46.6m**	**£32.7m**	**£70.8m**	**£26.4m**

Despite recent events, such as the spread of COVID-19 and an oil price drop, the Group still continues to see good opportunities to deploy capital in the target markets. The origination pipeline is healthy, with a number of transactions under review which present attractive risk adjusted returns.

SHARE ISSUANCE AND SHARE PRICE PERFORMANCE

On 15 May 2019, the Company issued 38,200,000 New Ordinary Shares pursuant to the Placing Programme, to raise £40 million before expenses. The Issue Price was 104.75 pence per Ordinary Share, representing a premium of 2.7 per cent to the Net Asset Value per Ordinary Share as at 30 April 2019 of 102.02 pence (ex- dividend). The placing was oversubscribed and investors' demand for the placing exceeded the target placing size, therefore, a scaling back exercise was undertaken with respect to the applications received.

The year-end share price was 104.50 pence reflecting a 1.2 per cent premium to NAV. The Company has traded at a discount to NAV for periods during the year which we believe was a reflection of general market sentiment. As reported previously, the Company's share price in the early part of 2020 has been severely impacted by the general market volatility. In common with the overall equity market, the Company's share price has fallen sharply and continues to be volatile. These moves have been driven by market conditions and flow rather than a change in the Company's NAV. The Board continues to closely monitor the share price performance and believe the shares represent good value to investors at the current price.

At the last Annual General Meeting ("AGM"), the Company sought and received authority to disapply Pre-Emption Rights on the allotment of equity securities for up to 10 per cent of the Ordinary Shares in issue. As at the date of this report, this authority has not been utilised as the share issuance on 15 May 2019 was made utilising the authorities granted at the 2018 AGM. The Company intends to seek approval to renew these authorities at the upcoming AGM.

The Directors believe that having access to capital within a short time frame is important when seeking to secure attractive investment opportunities and ensuring that the Company does not unnecessarily incur cash drag by raising equity in advance of deployment (negatively impacting the Company's dividend target). The Directors believe that immediate access to capital has the following additional benefits for the Company and shareholders:

- to enable the Company to pursue larger investment opportunities and hence broaden its lending range and capacity;
- to enable the Company to further increase the diversification and depth of its portfolio;
- increased scale is attractive to a wider investor base;
- a greater volume of Shares creates increased secondary market liquidity; and
- fixed running costs spread across a larger equity capital base reduce the Company's ongoing expenses per Share.

To take advantage of opportunities as and when they present themselves, the Directors believe it is appropriate for the Company to renew the existing authorities at the forthcoming AGM, in respect of issuance of up to 10 per cent of the Ordinary Shares in issue.

Any new Ordinary Shares issued under this authority will be issued at a minimum issue price equal to the prevailing NAV per Ordinary Share at the time of allotment together with a premium intended at least to cover the costs and expenses of the relevant placing of issue of new Shares. Whilst this precludes the Company from issuing shares in the current uncertain environment, the Board believes that access to this capital once the market begins to recover could enable us to secure attractive and accretive investment opportunities in line with the Company's investment policy.

Chairman's Statement

DIVIDENDS

Total dividends of 6.5 pence per Ordinary Share were declared in relation to the year ended 31 December 2019.

Period	Dividend declared	Payment date	Amount per share
1 January 2019 to 31 March 2019	24 April 2019	24 May 2019	1.625p
1 April 2019 to 30 June 2019	24 July 2019	30 Aug 2019	1.625p
1 July 2019 to 30 September 2019	22 Oct 2019	22 Nov 2019	1.625p
1 October 2019 to 31 December 2019	23 Jan 2020	21 Feb 2020	1.625p
Total			**6.5p**

Total comprehensive income for 2019 was £27.9 million (including £2.9m of unrealised foreign exchange gains on income) and dividends of £25.6 million were declared during the year. The dividend was covered 0.98x when excluding unrealised foreign exchange gains on income or 1.09x when including unrealised foreign exchange gains.

Since 2016, the Group has consistently paid a dividend of 6.5 pence per share per annum in line with its target. This has been achieved despite a macroeconomic environment with significant and sustained reductions in interest rates and a decreasing trend in spreads across credit markets generally since the Group launched in 2012. As an example, since January 2016 the British 10 year Gilt yield has reduced from 1.88 per cent and has traded recently as low as 0.23 per cent. Despite these market conditions, the Group has managed to maintain a covered dividend at a very attractive level. Your Board continually monitors both the appropriateness of the level of leverage in the Group and the dividend level against its earnings.

BREXIT AND MACRO-ECONOMIC OUTLOOK

The outcome of the December 2019 general election with a decisive majority result creates a more stable environment for markets. The UK left the EU on 31 January 2020, although there is some limited comfort for the concerned in the form of the eleven-month transition period under the European Union (Withdrawal Agreement) Act 2020 during which little will in practice change (although the UK will no longer participate in the EU institutions). The Withdrawal Agreement postpones any "hard" departure until the end of the transition period, during which the EU and the UK have the opportunity to negotiate and agree a UK-EU Free Trade Agreement to govern the terms of their future trading relationship. While there are uncertainties about the implementation of Brexit, there is certainty about the direction of travel. And by contrast with the stalemate of much of the last decade, the Government's majority will permit business to be conducted efficiently for the five year life of the current Parliament. A reduction in political tensions may provide a more stable environment and though the positive impact is already evident in both residential and commercial real estate markets, caution is necessary in a turbulent global environment.

The COVID-19 epidemic presents a new and major risk to growth, however, as yet, it is impossible to fully predict the consequences for the world economy. Economic data published in the coming weeks will of course be followed keenly but the situation is likely to remain uncertain for several months.

As stated previously, the Company's share price in the early part of 2020 has been severely impacted by the general market volatility. In common with the overall equity market, the Company's share price has fallen sharply and continues to be volatile. The Company is modestly levered with net debt of just £29.7 million at 31 December 2019 (equal to 6.97 per cent of NAV), has no repo facilities outstanding and significant available but undrawn revolving credit facilities of £96.3 million. As such, the Company considers that the recent share price movements have been driven by market conditions and flows as opposed to a significant change in the Company's fundamental value or outlook.

In these circumstances, the Board continues to keep a particularly watchful eye on the macro position.

PORTFOLIO OUTLOOK

The short term outlook will be dominated by the disruption to markets from the COVID-19. The Company expects significant short term disruption to the income of operational real estate asset classes.

In common with similar crises of the past such as the 9/11 terror attacks and during the SARS virus scare, the market will see a particularly difficult hospitality trading period. The Company's hospitality exposure has been structured defensively by the Investment Manager by conducting thorough due diligence, working with strong sponsors and implementing robust loan structures combined with significant diversification by jurisdiction and asset type. The Company's loans have modest senior LTVs which provide substantial headroom and strong loan structures in line with the Company's investment policy. As at 31 December 2019 the Company's Weighted average portfolio LTV to Group first £ was 18.4 per cent and the Weighted average portfolio

LTV to Group last £ was 63.0 per cent. The corresponding metrics for the hotel portfolio on its own were a weighted average first £ LTV of 4.4 per cent and a weighted average last £ LTV of 60.7 per cent.

The Company's portfolio is comprised of well-structured loans, secured by real estate, with significant equity cushions to high quality borrowers. The Company sees no current impairments with loan balances well covered by the real estate value of the underlying collateral. The Company will continue to closely monitor and work with borrowers to protect its investments

Over the short to medium term the dislocation in the market may also present attractive new investment opportunities. The Company has low leverage, no uncovered liquidity requirements and significant undrawn revolving credit facilities available to fund existing commitments and new lending, and is well positioned to benefit from selective new lending opportunities in this environment.

Overall, in the medium to long term the strategy remains to incrementally grow the size of the Group, to minimise cash drag and to use the revolving credit facility where appropriate, which will continue to be a focus during 2020. Despite the expected short and medium term disruption expected to markets, the Directors remain optimistic about the prospects and opportunities for the Group in the year ahead.

BOARD COMPOSITION AND DIVERSITY

The Board mentioned in the 2019 interim report that it is mindful of the need to plan for succession and to implement changes designed to promote new talent and diversity while sustaining the overall cohesion of the Board. With the 9th year anniversary of the Company's IPO in 2021 fast approaching, the Director retirement process will commence in 2020 as further detailed on page 31 in the Corporate Governance Report. The Board will ensure that new Directors are equipped with the necessary skills, experience and knowledge and fully recognise the value of diversity in the boardroom.

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

Stephen Smith | Chairman

6 April 2020

Strategic Report

The Strategic Report describes the business of the Group and details the uncertainties, principal and emerging risks associated with its activities.

CORPORATE PURPOSE

As an investment company, the general corporate purpose is to provide long-term prosperity to our shareholders through providing regular dividends and preserving capital by limiting downside risk. In addition to this, the Board and Investment Manager also recognise that by furthering their understanding of the needs of other relevant stakeholders, the Company can provide better returns to its shareholders.

OBJECTIVE, INVESTMENT POLICY AND BUSINESS MODEL

The Objective and Investment Policy set out on pages 2 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 Guernsey Financial Services Commission (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 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 are established industry measures to show the progress and performance of the Group and are as follows:

- The movement in NAV per Ordinary Share;
- The movement in share price and the discount / premium to NAV;
- The payment of targeted dividends;
- The portfolio yield, both levered and unlevered;
- Ongoing 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 ongoing viability. 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 considers the following principal and emerging risks could impact the performance and prospects of the Group but do not threaten its ability to continue in operation and meet its liabilities. In deciding which risks are principal risks the Board consider the potential impact and probability of the related events or circumstances, and the timescale over which they may occur. Consequently, it has put in place mitigation plans to manage those identified risks.

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, consequently, 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 the principal on loans may be repaid earlier than anticipated, causing the return on affected investments to be less than expected. Furthermore, 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. The shares may, and have in the past, traded 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 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 this Annual Report, there can be no guarantee that they will do so or that such mechanisms will be successful. Please see page 27 for further information on the discount management mechanisms.

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

The Board monitors investment strategy and performance on an ongoing 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 2019 have been structured so that 20.9 per cent by value of the loans are fixed rate, which provides protection from downward interest rate movements to the overall portfolio (but also prevents the Group from benefitting from any interbank rate rises on these positions). In addition, whilst the remaining 79.1 per cent is classified as floating, 93.4 per cent of these loans are subject to interbank rate floors such that the interest cannot drop below a certain level, which offers some 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 Investment Adviser is monitoring the transition from LIBOR to a new alternative and will manage any transition required on behalf of the Group. The Group has ensured that loan agreements for the current portfolio are in a form which accommodates the flexibilities required to manage the transition.

The Board considers that the following principal and emerging 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 but has identified the mitigating actions in place to manage them.

Foreign Exchange Risk

The majority of the Group's investments are Euro denominated. The Group is subject to the risk that the exchange rates move unfavourably and that a) foreign exchange losses on the loan principal are incurred and b) that interest payments received are lower than anticipated when converted back to Sterling and therefore returns are lower than the underwritten returns.

The Group manages this risk by entering into forward contracts to hedge the currency risk. All non-Sterling loan principal is hedged back to Sterling to the maturity date of the loan. Interest payments are hedged for the period for which prepayment protection is in place. However, the risk remains that loans are repaid earlier than anticipated and forward contracts need to be broken early. In these circumstances, the forward curve may have moved since the forward contracts were placed which can impact the rate received. In addition, if the loan repays after the prepayment protection, interest after the prepayment-protected period may be received at a lower rate than anticipated leading to lower returns for that period. Conversely, the rate could have improved, and returns may increase.

As a consequence of the hedging strategy employed as outlined above, the Group is subject to the risk that it will need to post cash collateral against the mark to market on foreign exchange hedges which could lead to liquidity issues or leave the Group unable to hedge new non-Sterling investments.

The Company had approximately £231.3 million of hedged notional exposure with Lloyds Bank plc at 31 December 2019 (converted at 31 December 2019 FX rates).

As at 31 December 2019 the hedges were in the money. If the hedges move out of the money and at any time this mark to market exceeds £15 million, the Company is required to post collateral, subject to a minimum transfer amount of £1 million. This situation is monitored closely, however, and as at 31 December 2019, the Company had sufficient liquidity and credit available on the revolving credit facility to meet any cash collateral requirements.

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. The Group's exposure to market deterioration risk also arises from Credit Linked Notes held by the Group. The Investment Manager regularly monitors the fair value of Credit Linked Notes and currently there are no specific hedging activities in place in relation to this investment.

In the event of a loan default in the portfolio, the Group is generally entitled to accelerate the loan and enforce security, but the process may be expensive and lengthy, and the outcome is dependent on sufficient recoveries being made to repay the borrower's obligations and associated costs. Some of the investments held 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 by the borrower at maturity 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 63.0 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, measurement and environmental surveys, legal reviews of property title and key leases, and, 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.

Strategic Report

The majority of the Group's loans are held at amortised cost with only one investment (the credit linked notes) held at fair value through profit or loss at the reporting period end. The performance of each loan is reviewed quarterly by the Investment Adviser for any indicators of significant increase in credit risk, impaired or defaulted loans. The Investment Adviser also provides their assessment of any expected credit loss for each loan advanced. The results of the performance review and allowance for expected credit losses are discussed with the Investment Manager and the Board.

Risk of Default Under the Revolving Credit Facilities

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 facilities and fall into default itself.

A number of the measures the Group takes to mitigate market deterioration risk as previously 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 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.

Emerging Risks

Emerging risks to the Group are considered by Board trends, innovations and potential rule changes relevant to real estate mortgage and the financial sector. The challenge to the Group is that they are known to some extent but are not likely to materialise or have an impact for several years. The Board regularly reviews the risk matrix and identified cybercrime and climate change as emerging risks.

The rapid adoption of new technologies and increasingly sophisticated number of cyber-attacks worldwide ranks the cybercrime risk as an emerging one. The cybercrime risk is managed by regular reviews of the Group operational and financial control environment. The matter is also contained within service providers survey which is completed by Group's service providers and is regularly reviewed by the Board.

Climate change, extreme weather events and natural catastrophes and the consequences these could have both on infrastructures and on nature are potentially severe but highly uncertain. The potential high impact of potential losses has done a lot to raise the awareness of this risk in investment circles. The Group currently has no Environmental policy as such but is monitoring closely the regulation and any developments in this area.

Since the year end, a further emerging risk has presented itself in the form of COVID-19. Whilst it has spread rapidly and had a sharp impact on global financial markets, the severity of the impact on both the Group's operations and portfolio of investments is unclear. The Board and Investment Adviser will continue to assess the impact of COVID-19 as its impact on the global economy evolves and will communicate to you any details of the risks posed to the Group's operations and/or investment portfolio as and when these are more clear. Refer to the Portfolio Outlook section of Chairman's statement on page 10 for further details.

ASSESSMENT OF PROSPECTS

The Group's strategy is central to an understanding of its prospects. 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'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 selected principal risks, which are detailed in this Strategic Report, and as described as follows:

- Foreign exchange risk;
- Market deterioration risk (including impact of Brexit); and
- Risk of default under the revolving credit facilities.

An adverse effect of foreign exchange would have a direct impact on NAV per ordinary share, NAV total return and total Net Assets. Market deterioration and default under the credit facility would impact the above mentioned key performance indicators and would affect additionally the share price and share price total return.

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

- A 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 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 the assessment of prospects and viability as set out above, 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 2022, which is also the approximate average remaining loan term.

In connection with the viability statement, the Board confirm that they have carried out a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ("ESG") ISSUES

As an investment company, the Group's activities have minimal direct impact on the environment.

The Investment Manager and Investment Adviser are part of the Starwood Capital Group, which is an authorised signatory to the UN Principles for Responsible Investments (UNPRI). While a borrower's company policy towards the environment and social responsibility is considered as part of the overall assessment of risk and suitability of an investment, the Board recognises that it has no direct control over this and does not make investment decisions based on environment and social grounds. It should be noted that a number of the loans which the Group makes involve refurbishment projects and these will often mitigate the environmental impact of the real estate concerned. Additionaly, whilst it is not an investment criteria currently, the Group's loan portfolio is significantly funded in sectors with positive social impact such as hospitality, education, healthcare and residential apartments.

The Group has no Greenhouse Gas Emissions to report from its operations for the current or prior year, nor does it have responsibility for any other emissions producing sources (including those within the underlying investment portfolio).

The Company's service providers are Guernsey office-based companies, and the majority of the directors are based in Guernsey, thus having a relatively low impact on the environment and negating the need for long commutes or flights to and from Board meetings.

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. Therefore, the Group is not within scope of the Modern Slavery Act 2015 and is therefore not obliged to make a human trafficking statement.

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 and it continues to consider the recommendations of the Davies Report as part of its succession planning.

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

Stephen Smith | Chairman

6 April 2020

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 2019, the portfolio was invested in line with the Group's investment policy and is summarised below.

	31 December 2019	31 December 2018
Number of investments	18	18
Percentage of invested portfolio in floating rate loans [(1)]	79.1%	80.1%
Invested Loan Portfolio unlevered annualised total return [(1)]	7.1%	7.4%
Invested Loan Portfolio levered annualised total return [(1)]	7.0%	8.0%
Weighted average portfolio LTV – to Group first £ [(1)]	18.4%	16.7%
Weighted average portfolio LTV – to Group last £ [(1)]	63.0%	64.1%
Average loan term (stated maturity at inception)	4.1 years	4.0 years
Average remaining loan term	2.8 years	2.8 years
Net Asset Value	£426.6 m	£385.0 m
Amount drawn under Revolving Credit Facility (excluding accrued interest)	(£29.7 m)	(£68.8 m)
Loans advanced at amortised cost (including accrued income)	£390.6 m	£413.4 m
Financial assets held at fair value through profit or loss (including associated accrued income and excluding the value of FX hedges)	£21.9 m	£21.9 m
Cash	£36.8 m	£28.2 m
Other net assets / (liabilities) (including the value of FX hedges)	£7.0 m	(£9.6 m)

[(1)] Further explanation and definitions of the calculation is contained in the section "Alternative Performance Measures" at the end of this financial report.

PORTFOLIO DIVERSIFICATION

Country	% of invested assets
UK – Central London	28.1
Spain	25.9
Republic of Ireland	12.6
UK – Regional England	12.2
UK – Scotland	7.4
Netherlands	6.6
France	3.3
Germany	2.7
Finland	1.2

Sector	% of invested assets
Hospitality	31.4
Residential for sale	21.2
Office	20.7
Retail	13.9
Healthcare	6.1
Light Industrial	3.6
Other	1.4
Logistics	1.1
Residential for rent	0.6

Loan type	% of invested assets
Whole loans	60.5
Mezzanine	34.2
Other debt instruments	5.3

Loan currency	% of invested assets*
Sterling	47.7
Euro	52.3

* The currency split refers to the underlying loan currency; however, the capital and interest during protected periods on all non-sterling exposure is hedged back to sterling.

ANNUALISED RETURNS

One of the key alternative performance measures of the Group is the gross levered return. A definition of how this is calculated is included in the Alternative Performance Measures section of this report. The levered return on the invested loan portfolio was 7.0 per cent per annum at the end of 31 December 2019 (31 December 2018: 8%). With the benefit of a few years of normalised repayment activity, the Group has assessed the impact of the repayments on the quoted annualised return and it is worth noting that the calculation of annualised returns quoted in this report and our quarterly factsheets excludes a number of potential upsides/ downsides that are not incorporated in the returns figures quoted.

- In the quoted return, we amortise all one-off fees (such as arrangement and exit fees) over the contractual life of the loan, which is currently four years for the portfolio. However, it has been our experience that loans tend to repay after approximately 2.5 years and as such, these fees are actually amortised over a shorter period.
- Many loans benefit from prepayment provisions, which means that if they are repaid before the end of the protected period, additional interest or fees become due. As we quote the return based on the contractual life of the loan these returns cannot be forecast in the return.
- The quoted return excludes the impact of any foreign exchange gains/losses on Euro loans. We do not forecast this as the loans are often repaid early and the gains/losses may be different than this once hedge positions are settled.

The above possible upsides to quoted return targets are not incorporated in the gross levered return of 7.0 per cent as they are not guaranteed to occur, are difficult to forecast accurately and to incorporate them could misstate the expected return. However, we expect these to continue to provide an enhancement to the quoted levels of return going forward although the levels of this enhancement may vary depending on when the loans repay versus contractual maturity and prepayment protection, as well as the shape of the Sterling-Euro forward curve. Over the life of the Group to date, we have experienced on average an enhancement of 0.66 percentage points from prepayments and one-off fees when loans repay and in 2019 we recognised £0.9 million of realised foreign exchange gains on the £198.3 million of repayments received which is equal to 0.45 percentage points. The amount of realised foreign exchange may vary from year to year depending on the proportion of Euro loans in the portfolio, the period for which they are outstanding as well as movements in the forward curve.

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 would be effective in protecting against realising FX losses on capital invested.

However, the accounting treatment for the non-Sterling denominated loans is to value the loan at the foreign exchange rate at the relevant valuation date, and to value the hedge based on the market forward rates at the valuation 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.

DIVIDEND POLICY

The Company declared dividends of 6.5 pence per Ordinary Share in respect of the year ended 31 December 2019 (2018: 6.5 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.

The Company may pay dividends out of reserves provided that the Board of Directors is satisfied on reasonable grounds that the Company will, immediately after payment, satisfy the solvency test (as defined in the Companies (Guernsey) Law, 2008, as amended), and satisfy any other requirement in its memorandum and articles.

Investment Manager's Report – Investment Highlights

INVESTMENT OUTLOOK AND MARKET SUMMARY

The market is moving quickly with the emergence of the general market disruption from the COVID-19. The following market update was originally prepared prior to the escalation of the COVID-19 within Europe, and has been updated as at 18 March 2020.

The real estate market and real estate financing markets had been generally positive over 2019, and the beginning of 2020, in Europe. The fourth quarter is typically the busiest quarter for transaction activity levels in the commercial real estate market with a drive to get deals wrapped up before the holiday season, often compounded by year end considerations. This trend continued into 2020 with market participants reporting a high level of deals in execution including acquisitions, loan financing, securitisation, corporate acquisitions and refinancings.

For the UK specifically, the underlying real estate market has been predominantly robust in terms of operational and leasing performance. The election and Brexit deadlines had impacted the financing market with liquidity ebbing and flowing as events unfolded. The Cass UK Commercial mortgage lending survey reported overall UK commercial mortgage lending up 4 per cent for the first half of 2019 versus H1 2018, and when numbers for the second half are reported we expect that theme to have continued.

The outcome of the general election with a decisive majority result had created a more stable environment for the UK markets and we saw the impact of this immediately for both the residential and commercial real estate markets. On the day after the election the iShares UK Property UCITS ETF, which tracks the UK REIT sector, increased by 4 per cent, and at the beginning of 2020 started 25 per cent higher than its 2019 low in August. On the high-end residential side, Savills reported that transactions over £5 million were up a third in December compared to 2018.

However more recently, we can see the immediate impact of the COVID-19 in publically traded real estate shares with the iShares UK Property UCITS ETF trading 37 per cent lower than the year end level (as at 18 March 2020). Market conditions for publicly traded companies are expected to remain volatile.

Since early March, despite unprecedented central bank and fiscal policy reaction, liquidity in global credit markets has deteriorated across the board as a result of the disruption caused by the COVID-19. We anticipate significantly lower liquidity for a period of at least several weeks and transactional activity for new deals to be much reduced until the effects and duration of disruption from the COVID-19 are more certain. This environment is, however, likely to present substantial opportunities for lenders with a long term approach, liquidity and a flexible risk adjusted return to help borrowers with mutually attractive terms, and so provides an opportunity for the Company to make attractive new investments, following thorough due diligence.

EUR and GBP short interest rates had been largely unchanged over the past year, however with some flattening versus 5 years. In the last several weeks, and particularly since the emergency rate cut on March 11th, we have seen the UK interest rate curve come down sharply. GBP 3 month LIBOR is now 46 bps versus 78 bps one month ago and the Company expects rates to decrease further.

In this continued lower interest rate environment, we believe that the risk / reward profile of the Company's investments and potential new investments versus other credit, continues to present a compelling risk adjusted return. The Group's pipeline started the year strongly and well diversified by sector, geography and investment type. The UK, Ireland and Spain remain key geographies for new origination, but the pipeline also includes a number of Scandinavian and other western European countries. The Company has always been disciplined on credit risk and will continue to be very selective in the current environment.

Investment Manager's Report – Portfolio Review

INVESTMENT DEPLOYMENT

As at 31 December 2019, the Group had investments and commitments of £489.3 million (Sterling equivalent at year-end exchange rates) as follows:

Transaction	Sterling equivalent balance [1]	Sterling equivalent unfunded commitment [1]
Hospitals, UK	£25.0m	–
Mixed Use Development, South East UK	£0.7m	£1.1m
Credit Linked Notes, UK Real Estate	£21.8m	-
Hotel & Residential, UK	£39.9m	-
Office, Scotland	£4.4m	£0.6m
Office, London	£12.6m	£7.9m
Residential, London	£49.0m	£5.7m
Hotel, Oxford	£16.7m	£6.3m
Hotel, Scotland	£25.9m	£15.5m
Total Sterling Loans	**£196.0m**	**£37.1m**
Three Shopping Centres, Spain	£32.0m	£5.5m
Shopping Centre, Spain	£14.5m	–
Hotel, Dublin, Ireland	£51.2m	–
Office, Paris, France	£13.7m	–
Hotel, Spain	£25.8m	£20.5m
Office & Hotel, Madrid	£15.8m	£0.9m
Mixed Portfolio, Europe	£43.2m	–
Mixed Use, Dublin	£0.7m	£11.9m
Office Portfolio, Spain	£18.2m	£2.3m
Total Euro Loans	**£215.1m**	**£41.1m**
Total Portfolio	**£411.1m**	**£78.2m**

[1] Euro balances translated to sterling at period end exchange rates.

Investment Manager's Report – Portfolio Review

During the financial year, the following significant investment activity occurred (included in the table below):

New Loans

The table below shows new commitments made in 2019 together with amounts funded under both the new commitments and under the existing commitments.

	Month of Commitment	New Commitments [1]	Funded in 2019 [2]
Office, Scotland	April	£5.0 m	£4.4 m
Mixed Portfolio, Europe	May	£44.9 m	£44.9 m
Office, London	July	£20.5 m	£12.6 m
Residential, London	September	£56.8 m	£51.1 m
Mixed Use, Dublin	September	£12.7 m	£0.7 m
Hotel, Oxford	November	£23.0 m	£16.7 m
Hotel, Scotland	November	£41.3 m	£25.9 m
Office Portfolio, Spain	November	£20.5 m	£18.1 m
Mixed Use Development, South East UK	Prior Years		£0.5 m
Three Shopping Centres, Spain	Prior Years		£2.6 m
Residential, Dublin	Prior Years		£1.9 m
Hotel, Spain	Prior Years		£3.5 m
Hotel & Residential, UK	Prior Years		£6.7 m
Total		**£224.7 m**	**£189.6 m**

[1] Euro amounts converted at rate on date of first loan drawdown.
[2] Euro amounts converted at rate of each drawdown.

Office, Scotland: The Group committed to provide a £5 million whole loan on an office in Scotland of which £4.4 million has been funded to date.

Mixed Portfolio, Europe: The Group committed to participate in the funding of a €104 million mezzanine loan secured by a diversified portfolio of assets located in the Netherlands, Germany and Finland. Starwood Property Trust, Inc (through a wholly owned subsidiary) participated in 50 per cent of the mezzanine loan amount, with the Group funding the balance amounting to a net commitment of €52 million. The portfolio is comprised of 165 assets and provides strong diversification in terms of tenant base, location and asset class. The loan has a term of 3 years with two, 1-year extension options.

Office, London: The Group committed to fund a £20.5 million floating rate whole loan to support an office redevelopment in London. £12.6 million was drawn in July and the balance will be drawn over the life of the development. The term of the loan is approximately 3 years.

Residential, London: The Group committed to fund a £56.8 million floating rate whole loan to support a residential scheme in London. The financing was primarily provided in the form of an initial advance along with a smaller capex facility to support the sponsor's completion of the scheme. The loan term is 2 years.

Mixed Use Dublin: The Group committed to fund a €14.7 million fixed rate whole loan to support a mixed use development in Dublin. The loan is expected to draw down gradually over the first 2.5 years of the loan term.

Hotel, Scotland and Hotel, Oxford: The Group committed to fund two new hotel acquisition financings for a total commitment of £64.3 million. Both investments are with the same sponsor and a repeat borrower for the Starwood Capital Group (but not this Group). Whilst the sponsor is the same on each investment, the two loans are not cross-collateralised as the investments sit in different fund vehicles. Each financing has been provided in the form of a significant initial advance to finance an asset acquisition along with a smaller capex facility to support the sponsor's capital expenditure for improvements and rebranding of the hotels. The day one advance amounts were £25.9 million and £16.7 million whilst the total commitments are £41.3 million and £23 million respectively and expected to be drawn over the first 1-2 years. Each loan is for a term of 5 years.

Office Portfolio, Spain: The Group closed an investment in a 4-year floating rate loan secured by a portfolio of office assets Spain, with Starwood Property Trust, Inc (through a wholly owned subsidiary) participating in 50 per cent of the mezzanine loan amount, providing the Group with a net commitment of €24 million. The financing has been provided in the form of an initial advance along with a capex facility to support the sponsors' business plan to make further investment in the properties. The properties are well-located within the decentralised submarkets of Madrid and Barcelona. The assets are positioned to benefit from the sponsors' active asset management strategy.

Repayments

The following loans were repaid in full during the year:

	Month	Amount [1]	Reason
Varde Partners Mixed Portfolio	January	£1.0 m	Completion of portfolio sale
Student Accomodation, Ireland	March	£9.1 m	Refinancing following completion of borrower's business plan
Irish School	May	£16.3 m	Refinancing following completion of borrower's business plan
Hotel, Barcelona	July	£41.3 m	Sale of hotel
Industrial Portfolio, Europe	July & Sept	£45.0 m	Completion of portfolio sale
Logistics, Dublin, Ireland	December	£12.3 m	Sale of portfolio
Regional Hotel Portfolio, UK	December	£45.9 m	Sale of portfolio
Residential, Dublin, Ireland	December	£8.5 m	Sale in accordance with borrower's business plan
Total		**£179.4 m**	

[1] Sterling equivalent for Euro loans using the spot rate on date of repayment.

Investment Manager's Report – Portfolio Review

In addition to the above full repayments, the Group continued to receive scheduled (i.e. contractual) and unscheduled amortisation on other loans as borrowers continue to execute their business plans in the amounts shown in the table below.

	Amount [1]	Reason
Mixed Use Development, South East UK	£13.6 m	Unscheduled amortisation but in line with business plan
Three Shopping Centres, Spain	£0.6 m	Scheduled amortisation
Hotel & Residential, UK	£1.3 m	Unscheduled
Mixed Portfolio, Europe	£1.3 m	Unscheduled due to small asset sales
Residential, London	£2.1 m	Unscheduled amortisation but in line with business plan execution
Total	**£18.9 m**	

[1] Sterling equivalent for Euro loans using the spot rate on date of repayment.

The average remaining term of the loans is 2.8 years, which is split as shown in the table below.

Remaining years to contractual maturity[1]	Value of loans (£m)	% of invested portfolio
0 to 1 years	28.9	7.0%
1 to 2 years	93.3	22.7%
2 to 3 years	161.5	39.3%
3 to 5 years	102.4	24.9%
5 to 10 years	25.0	6.1%
Total	**411.1**	**100.0%**

[1] excludes any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity

Total comprehensive income for 2019 was £27.9 million (including £2.9m of unrealised foreign exchange gains on income) and dividends of £25.6 million were declared in relation to the year. The dividend was covered 0.98x when excluding unrealised foreign exchange gains on income or 1.09x when including unrealised foreign exchange gains.

EVENTS AFTER THE REPORTING PERIOD

The following new commitments have been made since the year-end, up to 6 April 2020:

Office, Retail & Residential, Dublin: On 2 January 2020, the Group committed to an investment in a c. 6-year floating rate loan secured by a portfolio of assets in Ireland, together with Starwood Property Trust, Inc (through a wholly owned subsidiary) participating in 50 per cent of the mezzanine loan amount, providing the Group with a net commitment of €35.15 million. The portfolio consists of 12 properties in Central Dublin with primarily office and some small amounts of retail and residential space totalling over 600,000 sqf in total.

Hotel, North Berwick, Scotland: On 12th February 2020, the Group committed to fund a hotel acquisition financing for a total commitment of £15.0 million. The sponsor is a repeat borrower for the Group. The financing, which has been provided in the form of a significant initial advance to finance an asset acquisition together with a smaller capex facility, will support the sponsor's capital expenditure for improvement and rebranding of the hotel. The day one advance amount is £10.5 million whilst the total commitment is £15.0 million. The loan is for a term of 5 years.

Hotel & Residential, UK: On 27th February 2020 the Group also committed to fund a £20.0 million upsize to an existing fixed rate mezzanine loan to support the development of a mixed-use scheme in London. Starwood Property Trust, Inc (through a wholly owned subsidiary) is participating in 50 per cent of the loan amount, providing the Company with a net commitment of £10.0 million. The remaining loan term is 1.75 years with a 1 year extension option. The Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy for each of these commitments.

Hotel, Dublin, Ireland: The Borrower of the Hotel, Dublin, Ireland, on which the Company has a €60 million loan, has granted a licence to the Health Service Executive ("HSE"), Ireland's public healthcare provider, which allows the HSE to use the Hotel and Convention Centre for accommodation and the provision of healthcare and other important services to the Irish public. This licence will assist the HSE with delivering significant additional accommodation capacity and in its efforts to manage the expected increased demand for accommodation related to the COVID-19 outbreak. The contract is effective immediately.

The following amounts have been drawn under existing commitments, up to 6 April 2020:

	Local Currency
Hotel, Spain	€8,073,256
Residential, London	£1,547,853
Mixed Use, Dublin	€1,091,164
Office, London	£174,510
Office, Scotland	£77,711

The Company has drawn additional funds on its credit facilities in order to fund the new investments shown above. At 6 April 2020 the amounts drawn under each facility are:

• Morgan Stanley - €nil million

• Lloyds - £24.06 million

The following loan amortisation (both scheduled and unscheduled) has been received since the year-end up to 6 April 2020:

	Local Currency
Residential, London	£11,534,596
Mixed Portfolio, Europe	€12,096,659
Three Shopping Centres, Spain	€167,344

The following loans have been repaid in full since the year-end up to 6 April 2020:

	Local Currency
Office Building, Paris	€16,000,000
Mixed Use Development, South East UK	£698,442

On 23 January 2020 the Directors declared a dividend in respect of the fourth quarter of 1.625 pence per Ordinary Share payable on 21 February 2020 to shareholders on the register at 31 January 2020.

Subsequent to the year end, equity markets experienced substantial falls associated with uncertainties linked to the COVID-19 virus epidemic. See comments in the Chairman's statement on page 10.

As stated previously, the Company's share price in the early part of 2020 has been severely impacted by the general market volatility. In common with the overall equity market, the Company's share price has fallen sharply and continues to be volatile. These moves have been driven by market conditions and flow rather than a change in the Company's NAV.

Starwood European Finance Partners Limited | Investment Manager

6 April 2020

Board of Directors

STEPHEN SMITH | Non-executive Chairman – Chairman of the Board

Stephen is Chairman of The PRS REIT which currently trades on the SFS of the London Stock Exchange. He is also Chairman of AEW UK Long Lease REIT plc which trades on the Main Market of the London Stock Exchange. 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. 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 acts as a non-executive Chairman or Director of listed and unlisted companies comprised mainly of investment funds and investment managers. These include The Renewables Infrastructure Group Limited (FTSE 250), Sequoia Economic Infrastructure Income Fund Limited (FTSE 250) and SME Credit Realisation Fund Limited (in run off) which are listed on the main market of the London Stock Exchange, 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 PriceWaterhouse 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, a Chartered Director and Fellow of 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 and Senior Independent Director

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 which is listed on the main market of London Stock Exchange, Globalworth Real Estate Investments Limited, GLI Finance Ltd and Aberdeen Frontier Markets Investment Company Limited (all listed on AIM), Toro Limited (listed on the SFS segment of the Main Market), 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 PriceWaterhouse in London before embarking on a career in business services, predominantly telecoms. He co- led the business turnaround of Talkland International (which became Vodafone Retail) and was directly responsible for the strategic shift into retail distribution and its subsequent implementation; he subsequently worked on the private equity acquisition of Ora Telecom. John is also a resident of Guernsey.

Report of the Directors

PRINCIPAL ACTIVITIES AND INVESTMENT OBJECTIVE

The Principal Activities and Investment Objective are fully detailed in the Objective and Investment Policy section on pages 2 to 5

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 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 have taken place since IPO and are listed under "Capital" below. 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 (indirectly wholly-owned via a 100% shareholding in Starfin Public Holdco 1 Limited), Starfin Lux 3 S.à.r.l and Starfin Lux 4 S.à.r.l. (both indirectly wholly-owned via a 100% shareholding in Starfin Public Holdco 2 Limited).

References to the Group refer to the Company and its subsidiaries.

DIVIDEND POLICY

The Company has a target dividend of 6.5 pence per Ordinary Share per annum, based on quarterly dividend payments.

DIVIDENDS PAID

The Company declared dividends of 1.625 pence for each of the calendar quarters of 2019. The Company paid a total of £25,617,761 in respect of 2019 (6.5 pence per Ordinary share) (2018: £24,376,261: 6.5 pence per Ordinary Share).

BUSINESS REVIEW

The Group's performance during the year to 31 December 2019, 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 8 to 23.

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.

The following issues have been made since IPO:

Admission Date	Number of Ordinary Shares	Price (pence per Ordinary Share)
21 March 2013	8,000,000	104.25
9 April 2013	1,000,000	104.50
12 April 2013	600,000	104.00
23 July 2015	23,780,000	103.00
29 September 2015	42,300,000	102.75
12 August 2016	70,839,398	103.05
15 May 2019	38,200,000	104.75

Following these issues, the Company now has issued share capital consisting of 413,219,398 Ordinary Shares.

Report of the Directors

SUBSTANTIAL INTERESTS

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure and Transparency Rules ("DTR") is published via a Regulatory Information Service and is available on the Company's website. The Company has been notified under Rule 5 of the DTR of the following holdings of voting rights in its shares as at 31 December 2019 and as at the date of this report.

Name	% holding of Ordinary Shares at 31 December 2019	% holding of Ordinary Shares at 20 March 2020 (the latest available)
BlackRock	7.56	12.37
Close Brothers Asset Management	7.41	8.60
SG Private Banking	7.10	7.08
Quilter Cheviot Investment Management	6.66	6.34
Schroder Investment Management	6.38	6.94
Fidelity International	5.34	5.80

DIRECTORS' INTERESTS IN SHARES

The Directors' interests in shares are shown opposite:

Name	Ordinary Shares at 31 December 2019	Ordinary Shares at 31 December 2018
Stephen Smith	78,929	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 EU Market Abuse Regulation ("MAR"). MAR came into effect across the EU (including the UK) on 3 July 2016. The Board is responsible for taking all proper and reasonable steps to ensure compliance with MAR by the Directors and reviews such compliance on a regular basis.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are contained in note 23 to the consolidated financial statements.

INDEPENDENT AUDITOR

The Board of Directors elected to appoint PricewaterhouseCoopers CI LLP as Auditor to the Company at the inaugural meeting of the Company on 22 November 2012 and they have been re-appointed at each AGM held since. PricewaterhouseCoopers CI LLP has indicated their willingness to continue as Auditor. The Directors will place a resolution before the AGM to re-appoint them as independent Auditor 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 and Alternative Investment Fund Management Directive. 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 Apex Fund and Corporate Services (Guernsey) Limited (the "Administrator") during the whole period.

DISCOUNT CONTROL

The Company maintains 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. In addition, the Company may raise fresh capital including through a placing programme (subject to the publication of a prospectus of the Company) and through opportunistic tap issues. This enables issuers such as the Company (subject to obtaining the requisite Shareholder authorities) to issue up to 20 per cent of the securities already listed by way of such issues over 12 months without any requirement to publish a prospectus.

DISCOUNT-TRIGGERED REALISATION

If the Ordinary Shares trade at an average discount to Net Asset Value per Share of five per cent or more during the six-month period, the Directors at their absolute discretion may put a realisation offer to Shareholders, subject to applicable law including the requirements of the Companies (Guernsey) Law, 2008 (a "Realisation Offer").

The provisions relating to the Realisation Offer will first apply by reference to the last six months of the financial year ending 31 December 2022 and the Realisation Vote mechanism would apply (where the discount-triggered realisation mechanism has not been activated) by no later than 28 February 2023 and in each case on successive five year anniversaries of such dates.

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 2023. 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. 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.

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

At the AGM held on 15 May 2019, the Company renewed the authority received at the AGM held on 15 May 2018 to purchase in the market up to 14.99 per cent of the Ordinary Shares in issue on 15 May 2019 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 AGM in 2020. The Directors intend to seek annual renewal of this buyback authority from Shareholders each year at the Company's AGM.

John Whittle | Director

6 April 2020

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.

As per the Company's Articles of Incorporation, 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 on the opposite table.

As outlined in the Articles of Incorporation, 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 have a service contract with the Company. Each of the Directors has entered into a letter of appointment with the Company dated 22 November 2012. The letters of appointment have been reviewed and amended in the year by an external party to ensure that they are in line with current market standards. Each Director is 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.

Director	Total Fee 2019 £	Total Fee 2018 £
Stephen Smith	50,000	50,000
John Whittle	45,000	45,000
Jonathan Bridel	42,500	42,500
Aggregate fees	**137,500**	**137,500**
Aggregate expenses	2,828	4,321
Total	**140,328**	**141,821**

By order of the Board
John Whittle | Director
6 April 22020

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 July 2018 ("UK Code").

As an AIC member, the Board has also considered the principles and provisions of the AIC Code of Corporate Governance dated February 2019 ("AIC Code"). The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and provisions on issues of specific relevance to the Company. The AIC Code 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.

Except as disclosed within the report, the Board is of the view that throughout the year ended 31 December 2019, the Company complied with the principles and provisions of the AIC 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 UK 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 and was amended in February 2016. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the AIC 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 24.

The effectiveness and independence of the Chairman is evaluated on an annual basis as part of the Board's performance evaluation; the Management Engagement 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 consider. 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 but may be counted in the quorum.

STEPHEN SMITH | Chairman

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, 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 that 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 their 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 24. 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. The letters of appointment have recently been reviewed and amended by an external party to ensure that they are in line with current market standards.

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 specific 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 15. All Directors currently sit on all the Committees, with the exception of the Chairman, who resigned from the Audit Committee in 2018; each Director also fills one Committee 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, and 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 any perceived issues, or a resignation is sought. Following discussions and review of the Chairman's evaluation by the other Directors, the Management Engagement 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. The need to appoint an external facilitator is reviewed by the Board on an annual basis.

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 counterproductive. 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. As part of the recommendations of the AIC Code, the Directors put themselves forward for annual re-election as of May 2019. In light of this, Mr John Whittle, Mr Stephen Smith and Mr Jonathan Bridel are therefore submitting themselves for re-election at the AGM on 8 June 2020.

The Audit Committee Members and the Board confirm that all Directors have proven their 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 all Directors are 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. However, the Board intends to appoint a formal search contractor to help with the appointments of the new directors. It is anticipated that this 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 or Director of the Board since prior to launch.

Succession Planning

The Company enters its ninth year in 2021 and the Board has been mindful that a succession plan needs to be implemented. During Q4 2019, the Directors devised a Succession Planning Memo. The Memo states that a new Director will be appointed to the Board during the second half of 2020 giving them time to get up to speed prior to Mr Jonathan Bridel standing down from the Board in December 2020.

A further Director will be appointed in June 2021 with Mr Stephen Smith retiring in December 2021. The same process will be repeated in 2022 with Mr John Whittle retiring from the Board in December 2022. Upon the resignation of Mr Stephen Smith from the Board, Mr John Whittle will be appointed as Chairman until his resignation in December 2022.

In terms of the new appointments, the Directors believe that the current composition of two Guernsey Directors and one Director from the United Kingdom works well in terms of satisfying the Company's requirements. The Board also intend to consider diversity when making the new appointments to the Board. The Directors wish to recruit at least two individuals with a strong financial background and some real estate knowledge with the third having a vast wealth of experience in UK and European real estate and a good understanding of property funding.

At present the Directors wish to leave the succession and the tenure policy of the Chairman open until Mr Whittle's departure from the Board in 2022.

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 32 of the Corporate Governance statement. The Company Secretary acts as the Secretary to the Board.

Audit Committee

The Board has established an Audit Committee which was composed of all the independent members of the Board until 12 November 2018, when the Chairman of the Board resigned from the Committee. The Chairman of the Board, although not a member of the Committee, may still attend the meetings upon invitation by the Audit Committee Chairman. The Audit Committee, its membership and its terms of reference are kept under regular review by the Board, and it is confident all members have sufficient financial skills and experience, and competence relevant to the Company's Sector. Mr John Whittle is the Audit Committee Chairman.

The Audit Committee met three times during 2019 (2018: three times); the meeting attendance record is displayed on page 32. 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, for example as evidenced by the Report on Controls at a Service Organisation ("SOC 1 Type 2 Report") on the internal procedures of 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

Corporate Governance Statement

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 36.

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 Mr 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 2019 (2018: 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.

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	1	3	1
John Whittle	4	5	3	1
Jonathan Bridel	4	6	3	1
Total Meetings for year	**4**	**7**	**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.

Board and Committee Meeting Attendance

In addition to the scheduled quarterly and additional 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. During 2018, a committee of one Director was appointed to approve dividends should a quorum of two Directors not be available.

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 28.

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 2019 is provided in the Statement of Directors' Responsibilities on page 41.

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 43 to 49.

Further information enabling shareholders to assess the Company's performance, business model and strategy can be sourced in the Chairman's Statement on pages 8 to 11, the Strategic Report on pages 12 to 15 and the Report of the Directors on pages 25 to 27.

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 of 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, Apex Fund and Corporate Services (Guernsey) Limited produces an annual SOC 1 Type 2 Report on the internal control procedures in place within Apex Fund and Corporate Services (Guernsey) Limited 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 conducted by the Board as a whole (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 EGMs held on 2 May 2014, 9 March 2015 and 6 May 2016;
- 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;

Corporate Governance Statement

- 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 2019.

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.

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

The Investment Manager does not receive an additional fee, to that stated in note 22, as a result of acting as the AIFM. The Board of the Investment Manager received an aggregate fee of £60,000 for the year ended 31 December 2019.

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.

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 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 complies with FATCA and CRS's requirements to the extent relevant to the Company.

SECTION 172 STATEMENT

Whilst directly applicable to UK domiciled companies, the intention of the AIC Code is that the below matters set out in section 172 of the UK Companies Act, 2006 are reported.

Risk Management

In order to minimise the risk of failure to achieve business objectives, the Company actively identifies, evaluates, manages and mitigates risk as well as continually evolving the approach to risk management. For further details in connection with Risk Management of the Company, please refer to pages 12-15 of the Strategic Report and pages 33-34 of the Corporate Governance Statement.

Our People

The Company has no employees, however, to succeed we need to manage Company's performance by bringing through talent to the Board while ensuring we operate as efficiently as possible, as demonstrated with the succession plan. For further details in connection with the succession plan, please refer to page 31 of the Corporate Governance Statement.

Business Relationships

In order for the Company to succeed, it requires to develop and maintain long term relationships with service providers and borrowers. The Company values all of its service providers and borrowers.

Community and Environment

As an investment company, the Group's activities have minimal direct impact on the environment. Please refer to page 15 of the Annual Report for more details in connection with the impact of the Company's operations on the community and environment.

Business Conduct

The Company is committed to act responsibly and ensure that the business operates in a responsible and effective manner and with high standards in order to meet its objectives.

Shareholders

The Board place a great deal of importance on communication with all shareholders and envisage to continuing effective dialogue with all shareholders. Please refer to section below for more details on how the Company engages with the shareholders.

Throughout 2020, the Board of the Company consider, both individually and together, will continue to review and challenge how the Company can continue to act in good faith to promote the success of the Company for the benefit of its members in the decisions taken.

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.

Should a situation arise where shareholders cast a vote of 20 per cent or more against a board recommendation the directors will consult with shareholders to understand their reasons behind this vote. The Board will publish the views received from the shareholders within six months of the shareholder meeting.

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

6 April 22020

Report of the Audit Committee

The Board is supported by the Audit Committee, which comprises of Mr John Whittle, as chairman and Mr Jonathan Bridel. The Chairman of the Board stepped down from the Committee during the year of 2018 following the release of the 2018 UK Corporate Governance Code. The Board has considered the composition of the Audit Committee and is satisfied it has sufficient recent and relevant skills and experience, in particular the Board has considered the requirements of the AIC Code that the Audit Committee should have at least one Member who has recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the sector in which the Company invests. The Board considers all of the relevant requirements to have been met.

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 Auditor, 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 Auditor 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 Auditor, 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 Auditor 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 Auditor;
- 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 Auditor on the outcomes of their half-year review and annual audit. The Audit Committee supports PricewaterhouseCoopers CI LLP ("PwC") 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 32. The main matters discussed at those meetings were:

- Review and approval of the annual audit plan of the external Auditor;
- Discussion and approval of the fee for the external audit;
- Detailed review of the Annual Report and Audited Consolidated Financial Statements and recommendation for approval by the Board;
- Review and approval of the interim review plan of the external Auditor;
- Detailed review of the Interim Condensed Consolidated Financial Statements and recommendation for approval by the Board;
- Discussion of reports from the external Auditor following their interim review and annual audit;
- Assessment of the effectiveness of the Auditor as described below;
- Assessment of the independence of the external Auditor;
- Review of the Group's key risks and internal controls;
- Adoption of the 2019 AIC Code, FRC Guidance on Audit Committees and other regulatory guidelines.

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 annual SOC 1 Type 2 Report provided by the Administrator, which gives sufficient assurance that a sound system of internal control is maintained at the Administrator.

SIGNIFICANT ISSUES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

During the year, the Audit Committee considered a number of significant risks 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 on the next page sets out the Audit Committee's view of the key areas of risk and how they have addressed the issues.

Report of the Audit Committee

Significant Issues	Actions to Address Issue
Carrying amount and impairment/ expected credit losses of loans advanced	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 and reports on the performance of each loan and discusses with the Investment Manager and Investment Adviser whether there are any indicators of significant increase in credit risk or impaired or defaulted loans. The Audit Committee also assesses the ECL methodology focussing on the estimation of probabilityof default, exposure at default and loss given default. Formal loan performance reviews and credit risk assessments 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 that would warrant a change to the original expected credit loss assessed for each loan advanced. For all new loans advanced, the Investment Manager presents, as part of the investment recommendation process, their assessment of any expected credit loss required at inception of the loan arrangement. All existing loans advanced as at 31 December 2019 were assessed so as to ensure compliance with IFRS 9, however no expected credit losses were considered necessary based on the loan to value ratios at that time and strong security packages in place.
Valuation of credit linked notes ("CLNs")	The fair value of the CLNs is determined by the Investment Adviser using a valuation model. The main inputs into the valuation model for the CLNs are discount rates, market risk premium adjustments to the discount rate, probabilities of default and cash flow forecasts. The Investment Adviser also performs a full analysis of the performance of each underlying loan and with reference to other inputs such as third-party valuations of the underlying collateral. At 31 December 2019 the Group considers the fair value of the CLNs at the year-end approximates £21,885,611. The Audit Committee has discussed the valuation model and made appropriate enquires of the Investment Manager and Investment Adviser and considers the approach reasonable.
Risk of fraud in income from loans advanced	Income from loans advanced is measured in accordance with the effective interest rate method. The requirement to estimate the expected cash flows when forming an effective interest rate model is subject to significant management judgements and estimates. 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 efficiency 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 Auditor to meet and discuss any matters with the Audit Committee without the presence of the Investment Manager or the Administrator. The Chairman of the Audit Committee also ensures that an open dialogue is maintained with the audit team throughout the year.

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

- The quality of service, the Auditor's 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 Auditor, and when tabled, the final audit findings report;
- Meeting with the Auditor regularly to discuss the various papers and reports in detail, market and governance developments and the status of the ongoing audit and related services;
- 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 Auditor's performance.

The Audit Committee is satisfied with the Auditor's effectiveness, and therefore does not consider it necessary to require the Auditor to tender for the audit work.

AUDITOR'S 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. The Board re-considered this during 2017 and it was deemed to still be applicable.

The Group's current Auditor, PwC, have acted in this capacity since the Company's inaugural meeting on 22 November 2012. The Committee reviews the Auditor's performance on a regular basis to ensure the Group receives an optimal service and make regular enquiries to confirm the quality findings of audit work undertaken by both the firm and lead engagement partner on the audit. 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. PwC follows the FRC Ethical Standards and their rotation rules require the lead audit partner to rotate every 5 years, key partners involved in an audit every 7 years and PwC's own internal policy would generally expect senior staff to have consideration given to the threats to their independence after 7 years and to be rotated after 10 years. Rotation ensures a fresh look without sacrificing institutional knowledge.

Rotation of audit engagement partners, key partners involved in the audit and other staff in senior positions is reviewed on a regular basis by the lead audit engagement partner. Roland Mills is currently serving his second year of five as engagement partner.

PwC regularly updates the Audit Committee on the rotation of audit partners, staff, level of fees, details of any relationships between the Auditor and the Group, and also provides overall confirmation of its independence and objectivity. There are no contractual obligations that restrict the Group's choice of Auditor. Any non-audit work would be reviewed by the Audit Committee and approved by the Audit Committee Chairman prior to the Auditor 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 PwC remains independent of the Group, the Investment Manager and other service providers and the Audit Committee has no current plans for re-tendering for the position of auditor to the Company. The Audit Committee therefore recommends the continuing appointment of PwC 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 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, Auditor 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

Report of the Audit Committee

- The existence and content of a satisfactory controls report that has been reviewed and reported upon by the Administrator's service Auditor to verify the effectiveness of the internal controls of the Administrator, such as the SOC 1 Type 2 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 Auditor. It has reported to the Board that the Annual Report for the year ended 31 December 2019, 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 41.

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

John Whittle | Audit Committee Chairman
6 April 22020

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 or 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 Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditor 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, as amended. 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 Auditor is 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 Auditor is 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 Group; 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 fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the report of the Audit Committee on pages 36 to 40. Furthermore, the Board believes that the disclosures set out on pages 6 to 23 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 2019, as outlined in the Chairman Statement, Investment Manager's Report, 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 2019, 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

6 April 2020

Financial Statements

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

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Starwood European Real Estate Finance Limited (the "company") and its subsidiaries (together "the group") as at 31 December 2019, and of their consolidated financial performance and their consolidated cash flows 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.

WHAT WE HAVE AUDITED

The group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

INDEPENDENCE

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the group, as required by the Crown Dependencies' Audit Rules and Guidance, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are also independent in accordance with SEC Independence Rules.

OUR AUDIT APPROACH

Overview

MATERIALITY

- Overall group materiality was £8.5 million which represents 2% of consolidated net assets

AUDIT SCOPE

- The company is based in Guernsey, has subsidiaries located in Guernsey and Luxembourg and engages Starwood European Finance Partners Limited (the "Investment Manager") to manage its assets. The consolidated financial statements are a consolidation of the company and all of the subsidiaries.
- We conducted our audit of the consolidated financial statements from information provided by Apex Fund and Corporate Services (Guernsey) Limited (the "Administrator") and its related group entities to whom the board of directors (the "Board") has delegated the provision of certain functions. We also had significant interaction with Starwood Capital Europe Advisers, LLP (the "Investment Adviser") in completing aspects of our overall audit work.
- We conducted our audit work in Guernsey and we tailored the scope of our audit taking into account the types of investments within the group, the involvement of the third parties referred to above, and the industry in which the group operates.
- We performed an audit of the complete financial information of the Guernsey and Luxembourg components of the group.
- The components of the group where we performed full scope audit procedures accounted for 100% of consolidated net assets and operating profit for the year.

KEY AUDIT MATTERS

- Carrying amount and impairment/expected credit losses of loans advanced
- Valuation of credit linked notes
- Risk of fraud in income from loans advanced
- Management's consideration of the potential impact of COVID-19

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

AUDIT SCOPE

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The company is based in Guernsey with two subsidiaries located in Guernsey and three underlying subsidiaries located in Luxembourg. The consolidated financial statements are a consolidation of the company and all of the subsidiaries.

Scoping was performed at the group level, irrespective of whether the underlying transactions took place within the company or within the subsidiaries. The group audit was led, directed and controlled by PricewaterhouseCoopers CI LLP and all audit work for material items within the consolidated financial statements was performed in Guernsey by PricewaterhouseCoopers CI LLP.

The transactions relating to the company and the subsidiaries are maintained by the Administrator and its related group entities and therefore we were not required to engage with component auditors from another PwC global network firm operating under our instruction. Our testing was therefore performed on a consolidated basis using thresholds which are determined with reference to the overall group materiality and the risks of material misstatement identified.

As noted in the overview, the components of the group for which we performed full scope audit procedures accounted for 100% of consolidated net assets and operating profit for the year.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	£8.5 million (2018: £7.7 million)
How we determined it	2.0% of consolidated net assets
Rationale for the materiality benchmark	We believe consolidated net assets to be the appropriate basis for determining materiality since this is a key consideration for investors when assessing financial performance. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Carrying amount and impairment/expected credit losses of loans advanced
 	
Loans advanced at the year-end of £390.6 million (note 10) are measured at amortised cost and comprise of both fixed and floating rate loans.
 	
Loans advanced make up a significant part of the consolidated statement of financial position and due to the nature of these transactions their ongoing recoverability and impairment is subject to judgement and estimation, including the calculation of expected credit losses ("ECL").
 	
The judgements exercised in determining the potential for ECL could significantly impact the net asset value of the group and this is considered to be a key source of estimation uncertainty as described in note 2c of the consolidated financial statements.
 	
The specific areas of judgement include:
 	
• How management determine the underlying assumptions when preparing impairment/ECL review analyses such as significant changes in the credit risk of a borrower, changes in the probability of default of a borrower, changes in valuation of underlying collateral, the ability of the borrowers to deliver in their business plans and projected financial performance figures; and
 	
• The impact of changes in the expected cash flows for each loan on the carrying amount of the loans measured at amortised cost.
	We evaluated management's processes and assumptions used to measure the loans at amortised cost and used to determine the level of impairment (if any) required on the loans advanced, either at inception, or on an ongoing basis, using the expected credit loss model. Our procedures included:
	
	• Detailed testing over the effective interest models used by management to value the loans at amortised cost using the effective interest rate method;
	
	• Validating the assumptions and inputs into the amortised cost models and reading the associated agreements and other legal documentation;
	
	• Detailed back-testing procedures were also performed to assist in our conclusions as to the cash flow forecasting reliability applied by the Investment Adviser;
	
	• Understanding of and evaluating the assumptions and judgements made by the Investment Adviser in respect of the ECL for each loan advanced including;
	
	  • assessing the ECL methodology focussing on the estimation of probability of default, exposure at default and loss given default, and how forward looking information was considered in this regard;
	
	  • evaluating the consistency and appropriateness of the Investment Adviser's assumptions applied in determining whether any loan advanced was performing, underperforming or non-performing, including consideration as to whether a significant increase in credit risk of each borrower had occurred;
	
	  • obtaining evidence to support any significant assumptions presented in the assessment of the ECL including consideration of the financial information on the borrower and the collateral in place to assess their ability to meet future payment commitments, and progress against business plans; and
	
	  • inspecting a sample of compliance certificates signed by each respective underlying borrower which confirmed compliance with any covenants as at the year-end.
	
	We did not identify any material issues from our procedures.

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of credit linked notes The group's investments in credit linked notes ("CLNs") of £21.9 million (Note 11) held as at the year-end are measured at fair value through profit or loss. The fair valuation of the CLNs represents a significant risk that we have focused on as the fair value is determined by the Investment Adviser using an internal model with inputs and assumptions that are subjective and therefore judgmental. In determining the fair value, the Investment Adviser considers relevant general market movements and recent market transactions for comparable instruments (where available) and adjusts the valuation model where deemed necessary.	Given the complexity and subjectivity of the model, we engaged with valuation experts from PricewaterhouseCoopers LLP (London) to assist with the following audit procedures: • Discussions with the Investment Adviser on the due diligence performed, continuous monitoring processes and the model functionality; • Determined whether the model was fit for purpose and whether the use of a discounted cash flow methodology was appropriate; • Assessment of the reasonableness of assumptions used which feed into the CLNs' fair value model such as portfolio default rates, portfolio prepayment levels and the internal rate of return; • Sensitivity analysis through quantifying the impact of certain changes to the key assumptions on the overall fair value of the CLNs; • Consideration of the underlying loans' credit quality and the loan-to-value ratios; • Detailed testing was performed over the fair value model used by management to value the credit linked notes at fair value, including reviewing the model mechanics and formulae and ensuring internal consistency throughout the model; and • Assessed the appropriate classification of cash received between interest income versus capital repayments. We did not identify any material issues from our procedures.
Risk of fraud in income from loans advanced Income from loans advanced for the year was £26.9 million (Note 10 – see "effective interest income earned" line) and was measured in accordance with the effective interest rate method. The group has a key investment objective to provide shareholders with regular dividends through investment in debt instruments and therefore we focussed on this risk. The requirement to estimate the expected cash flows when forming an effective interest rate model is subject to significant management judgements and estimates, and as such could be open to manipulation by management of factors including: • Timing of repayments; • Expectations of partial or full prepayments; and • Associated exit fees and make-whole payments. Changes to the estimated timings of cash flows can have a significant impact on the recognition of income from loans advanced and is considered to be a key source of estimation uncertainty as described in note 2c of the consolidated financial statements.	Our procedures included: • Assessing the judgements made in respect of the estimated cash flows including arrangement, origination and commitment fees, through testing of the amortised cost models for each loan; • Recalculating interest income using the original effective interest rate, paying due consideration to any early, partial or full prepayments; • Inspecting supporting documents, such as correspondence with the underlying borrower and timing of cash receipts, as part of our assessment of management's estimates and assumptions; and • For those debt investments also held at 31 December 2018, comparing the estimated cash flows in the amortised cost models as at 31 December 2019 and evaluating the rationale behind any significant changes to those cash flows from the 31 December 2018 models. We did not identify any material issues from our procedures.

Key audit matter	How our audit addressed the Key audit matter

Management's consideration of the potential impact of COVID-19
 	
Management and the Board have considered the potential impact of the non-adjusting post balance sheet events that have been caused by the pandemic, COVID-19 (Note 23), on the current and future operations of the group. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations.
 	
As a result of the impact of COVID-19 on the wider financial markets and the company's share price, we have determined management's consideration of the potential impact of COVID-19 (including their associated estimates and judgements) to be a key audit matter.
	In assessing management's consideration of the potential impact of COVID-19, we have undertaken the following audit procedures:
	
	• We obtained from management their latest financial models that support the Board's assessment and conclusions with respect to the statements of going concern and viability respectively.
	
	• We discussed with management the critical estimates and judgements applied in their latest financial models so we could understand and challenge the rationale for the factors incorporated into these financial models and the sensitivities applied as a result of COVID-19.
	
	• We inspected the financial models provided to assess their consistency with our understanding of the operations of the group, the portfolio of loans advanced and with any market commentary already made by the group. We also agreed any key amendments, estimates and judgements to underlying supporting information and fact patterns where and as appropriate.
	
	• We subjected the financial models to additional stress testing to confirm that both management and the Board have considered a balanced range of outcomes in their assessment of the potential impact of COVID-19 on the group.
	
	• We considered the appropriateness of the disclosures made by management and the Board in respect to the potential impact of COVID-19 on the current and future operations of the group as a non-adjusting post balance sheet event.
	
	• In discussing, challenging and evaluating the estimates and judgments made by management in their financial models, we noted the following factors that were considered to be fundamental by management and the Board in their consideration of the potential impact of COVID-19 on the current and future operations of the group and which support the statements of going concern and viability respectively:
	
	  • The group currently has no impairments or notice of default within its portfolio of loans advanced;
	
	  • The group has low levels of leverage with net debt of £16.5m as of the end of February 2020;
	
	  • The group has undrawn and available credit facilities of £98.5m as of the end of February 2020 and management have confirmed these facilities with the lenders since the spread of COVID-19;
	
	  • The portfolio of loans advanced are considered by management to have modest levels of headroom with respect to the portfolio's ratio of loan-to-values (LTVs); and
	
	  • Management has identified that the loans advanced to the hospitality sector are the most exposed to negative market sentiment and that although the view in this sector in the short-term is negative, we noted that management and the Board remain confident in the fundamentals of the markets in which the group's assets are located and the borrower's business plans for these assets in the hospitality sector over the medium to long term.
	
	Based on our procedures, we have not identified any matters to report with respect to both management's and the Board's considerations of the impact of COVID-19 on the current and future operations of the group.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Audited Consolidated Financial Statements (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

USE OF THIS REPORT

This independent auditor's report, including the opinions, has been prepared for and only for the 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 these opinions, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Company Law exception reporting

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Listing Rules of the Financial Conduct Authority (FCA)

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

We have nothing material to add or draw attention to in respect of the following matters which we have reviewed based on the requirements of the Listing Rules of the FCA:

- The directors' confirmation that they have carried out a robust assessment of the principal and emerging risks facing the group, including a description of the principal risks, what procedures are in place to identify emerging risks, and an explanation of how those risks are being managed or mitigated.
- The directors' explanation as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal and emerging risks facing the group and statement in relation to the longer-term viability of the group. 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 Code; and considering whether the statements are consistent with the knowledge and understanding of the group and its environment obtained in the course of the audit.

Additionally, we have nothing to report in respect of our responsibility to report when:

- The directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.
- The statement given by the directors that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Other matter

As explained in note 21 to the consolidated financial statements, in addition to our responsibility to audit and express an opinion on the consolidated financial statements in accordance with ISAs and Guernsey law, we have been requested by the directors to express an opinion on the consolidated 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 Advisers Act (the "Custody Rule"). We have reported separately in this respect on page 50.

Roland Mills

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

6 April 2020

Independent Auditor's Report to the Members of Starwood European Real Estate Finance Limited (US GAAS)

We have audited the accompanying consolidated financial statements of Starwood European Real Estate Finance Limited and its subsidiaries (together the "group"), which comprise the consolidated statements of financial position as of 31 December 2019 and 31 December 2018, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audits 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 group'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 group'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 2019 and 31 December 2018, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the members of Starwood European Real Estate Finance Limited as a body 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.

PricewaterhouseCoopers CI LLP

Chartered Accountants,
Guernsey, Channel Islands

6 April 2020

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

	Notes	1 January 2019 to 31 December 2019 £	1 January 2018 to 31 December 2018 £
Income			
Income from loans advanced	10	26,890,182	30,137,174
Net foreign exchange gains	6	4,921,541	234,453
Net changes in fair value of financial assets at fair value through profit or loss	18	2,339,222	2,018,771
Income from cash and cash equivalents		535	21,205
Total income		**34,151,480**	**32,411,603**
Expenses			
Investment management fees	22	3,077,665	2,858,556
Credit facility interest		1,003,580	1,074,308
Credit facility commitment fees		520,218	470,700
Credit facility amortisation of fees		390,350	439,950
Administration fees	3(b)	338,604	356,409
Legal and professional fees		263,725	196,806
Audit and non-audit fees	5	241,048	249,500
Other expenses		195,244	287,663
Directors' fees and expenses	4, 22	140,328	141,821
Facility agent fees		22,023	16,506
Broker's fees and expenses	3(d)	167	75,749
Total operating expenses		**6,192,952**	**6,167,968**
Operating profit for the year before tax		**27,958,528**	**26,243,635**
Taxation	20	60,898	68,068
Operating profit for the year		**27,897,630**	**26,175,567**
Other comprehensive income			
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations		6,451	54,740
Other comprehensive income for the year		**6,451**	**54,740**
Total comprehensive income for the year		**27,904,081**	**26,230,307**
Weighted average number of shares in issue	7	399,195,288	375,019,398
Basic and diluted earnings per Ordinary Share (pence)	7	6.99	6.98

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

Consolidated Statement of Financial Position
as at 31 December 2019

	Notes	As at 31 December 2019 £	As at 31 December 2018 £
Assets			
Cash and cash equivalents	8	36,793,674	28,248,515
Other receivables and prepayments	9	28,935	28,935
Credit facility capitalised costs	12	1,359,902	1,212,271
Financial assets at fair value through profit or loss	11	30,480,689	21,886,335
Loans advanced	10	390,647,516	413,444,410
Total assets		**459,310,716**	**464,820,466**
Liabilities			
Financial liabilities at fair value through profit or loss	11	-	8,781,432
Credit facility	12	29,718,949	68,977,214
Trade and other payables	13	3,036,686	2,068,238
Total liabilities		**32,755,635**	**79,826,884**
Net assets		**426,555,081**	**384,993,582**
Capital and reserves			
Share capital	15	411,205,161	371,929,982
Retained earnings		15,286,245	13,006,376
Translation reserve		63,675	57,224
Total equity		**426,555,081**	**384,993,582**
Number of Ordinary Shares in issue	15	413,219,398	375,019,398
Net asset value per Ordinary Share (pence)		103.23	102.66

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 April 2020, and signed on its behalf by:

Chairman 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 2019

Year ended 31 December 2019

	Share capital £	Retained earnings £	Translation reserves £	Total Equity £
Balance at 1 January 2019	371,929,982	13,006,376	57,224	384,993,582
Issue of share capital	40,014,500	-	-	40,014,500
Cost of issues	(739,321)	-	-	(739,321)
Dividends paid	-	(25,617,761)	-	(25,617,761)
Operating profit for the year	-	27,897,630	-	27,897,630
Other comprehensive income: Other comprehensive income for the year	-	-	6,451	6,451
Balance at 31 December 2019	**411,205,161**	**15,286,245**	**63,675**	**426,555,081**

Year ended 31 December 2018

	Share capital £	Retained earnings £	Translation reserves £	Total Equity £
Balance at 1 January 2018	371,929,982	11,207,070	2,484	383,139,536
Dividends paid	-	(24,376,261)	-	(24,376,261)
Operating profit for the year	-	26,175,567	-	26,175,567
Other comprehensive income: Other comprehensive income for the year	-	-	54,740	54,740
Balance at 31 December 2018	**371,929,982**	**13,006,376**	**57,224**	**384,993,582**

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

	1 January 2019 to 31 December 2019 £	1 January 2018 to 31 December 2018 £
Operating activities:		
Operating profit for the year	27,897,630	26,175,567
Adjustments:		
Net interest income	(26,890,182)	(30,137,174)
Interest income on cash and cash equivalents	(535)	(21,205)
Net changes in fair value of financial assets at fair value through profit or loss	(2,339,222)	(2,018,771)
Decrease in prepayments and receivables	-	(152,366)
(Decrease) / Increase in trade and other payables	(4,279)	50,302
Net unrealised (gains) / losses on foreign exchange derivatives	(17,376,510)	2,055,164
Net foreign exchange losses / (gains)	10,824,860	(4,750,126)
Credit facility interest	1,003,580	1,074,308
Credit facility amortisation of fees	390,350	439,950
Credit facility commitment fees	520,218	470,700
Currency translation difference	471,376	-
Corporate taxes paid	(45,909)	(4,217)
	(5,548,623)	**(6,817,868)**
Loans advanced[1]	(185,959,804)	(172,359,770)
Loan repayments and amortisation	198,311,623	137,158,115
Arrangement fees received (not withheld from proceeds)	-	347,490
Origination fees paid	(1,962,601)	(1,509,923)
Interest, commitment and exit fee income from loans advanced	28,411,123	29,398,155
Interest received on Credit Linked Notes	2,339,946	2,245,256
Net cash inflow / (outflow) from operating activities	**35,591,664**	**(11,538,545)**
Cash flows from investing activities		
Interest income from cash and cash equivalents	535	21,205
Net cash inflow from investing activities	**535**	**21,205**
Cash flows from financing activities		
Share issue proceeds received	40,014,500	-
Cost of share issue	(739,321)	-
Dividends paid	(25,617,761)	(24,376,261)
Proceeds under credit facility	148,035,219	129,546,670
Repayments under credit facility	(185,401,045)	(75,603,281)
Credit facility interest paid	(1,137,413)	(924,480)
Credit facility commitment fees paid	(499,063)	(494,779)
Credit facility arrangement fees and expenses paid	(572,358)	(420,567)
Net cash (outflow) / inflow from financing activities	**(25,917,242)**	**27,727,302**
Net increase in cash and cash equivalents	9,674,957	16,209,962
Cash and cash equivalents at the start of the year	28,248,515	11,750,356
Net foreign exchange gains on cash and cash equivalents	(1,129,798)	288,197
Cash and cash equivalents at the end of the year	**36,793,674**	**28,248,515**

[1] Net of arrangement fees of £2,389,453 (2018: £2,396,173) withheld.

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

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 Guernsey Financial Services Commission as registered closed-ended investment scheme. 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. Further issues took place in March 2013, April 2013, July 2015, September 2015, August 2016 and May 2019.

The consolidated financial statements comprise the financial statements of the Company, Starfin Public Holdco 1 Limited (the "Holdco 1"), Starfin Public Holdco 2 Limited (the "Holdco 2"), Starfin Lux S.à.r.l ("Luxco"), Starfin Lux 3 S.à.r.l ("Luxco 3") and Starfin Lux 4 S.à.r.l ("Luxco 4") (together the "Group") as at 31 December 2019.

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 Holdco 1 and Holdco 2 (the "Holdcos"), invests in the Luxco, Luxco 3 and Luxco 4 (the "Luxcos") through both equity and profit participation instruments or other funding instruments. The Luxcos then grant or acquire loans (or other debt instruments) to borrowers in accordance with the Group's investment policy. The Group expects all of its investments to be debt obligations of corporate entities domiciled or with significant operations in the UK 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 Apex Fund and Corporate Services (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 years presented, unless otherwise stated.

a) Going Concern

Note 17 includes the Group's objectives, policies and processes for managing 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 assessing possible impact of the COVID-19 pandemic on the Group's portfolio, reviewing the ongoing 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.

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 and not separate financial statements for the year.

(i) Standards and amendments to existing standards effective 1 January 2019

Certain new accounting standards and interpretations have been published that are effective 1 January 2019 and have not been adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

(ii) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing the Group's consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Group.

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:

(i) Critical accounting estimates and assumptions

- Models used for loans accounted at amortised cost use assumptions and estimate the receipt of and estimated timing of scheduled and unscheduled pre-payments of loans advanced. Changes in these assumptions and estimates could impact liquidity risk and the interest income (see note 17).
- The discounted cash flow models used to calculate the fair value of the credit linked notes involves approximates and estimates of the timing of cash flows and uses significant unobservable inputs that will directly impact the valuation of financial assets at fair value through profit or loss (see note 11).
- The measurement of both the initial and ongoing expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about credit behaviour such as likelihood of borrowers defaulting and the resulting losses (see note 2(h)).

(ii) Critical accounting judgements

- The functional currency of subsidiary undertakings of the Company, which is considered by the Directors to be Euro for Luxco 3; Sterling for all other subsidiaries (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, being the provision of a diversified portfolio of real estate backed loans (see note 2(f)).
- The valuation of the credit linked notes is derived from a model prepared by the Investment Adviser. The main inputs into the valuation model for the CLNs are discount rates, market risk factors, probabilities of default, expected credit loss ("ECL") levels and cash flow forecasts. The key area of judgement are the methodology and approach to model the fair value of credit linked notes.
- A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as determining the criteria for significant increase in credit risk, choosing the appropriate model and assumptions for the measurement of ECL, determining the probabilities of default and loss given default.

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 end of the reporting period. 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 Lux S.à.r.l	30/11/12	100	Luxembourg	Luxembourg
Starfin Public Holdco 1 Limited	11/09/17	100	Guernsey	Guernsey
Starfin Public Holdco 2 Limited	11/09/17	100	Guernsey	Guernsey
Starfin Lux 3 S.à.r.l	19/09/17	100	Luxembourg	Luxembourg
Starfin Lux 4 S.à.r.l	11/12/17	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 except for Lux 3 share capital which is denominated in Euro;
- the dividends are paid in Sterling;
- Euro non-investment transactions represent only a small proportion of transactions in the Luxembourg entities; and
- proportion of non Sterling investments in each portfolio of Luxembourg entities.

The functional and presentation currency of each Group entity is Sterling, apart from Starfin Lux 3 S.à.r.l for which the functional currency is Euro. Starfin Lux 3 S.à.r.l holds loans and investments in Euro currencies. 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.

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 and liabilities

Classification and subsequent measurement

The Group classifies its financial assets into the following measurement categories: at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income. 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 measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 2(h). Interest income from these financial assets is included in "Income from loans advanced" using the effective interest rate method.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial instruments that (a) either designated in this category upon initial recognition or subsequently or (b) not classified in any of the other categories. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes currency forward contracts and credit linked notes. Gains or losses on credit linked notes measured at fair value through profit or loss are recognised in profit or loss net of interest income received from these financial assets and presented in the profit or loss statements within "Net changes in fair value of financial assets at fair value through profit or loss" in the period in which it arises. Gains or losses on currency forward contracts are recognised within "Net foreign exchange gains or losses".

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. These comprise currency forward contracts which represent contractual obligations to purchase domestic currency and sell foreign currency on a future date.

Financial liabilities measured at amortised cost

Financial liabilities that are not classified through profit or loss, including bank loans, are measured at amortised cost.

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. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs. 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 at fair value through profit or loss and financial assets at fair value through other comprehensive income are subsequently carried at fair value. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment using the expected credit loss model. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

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.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of financial assets or financial liability to the gross carrying amount of a financial asset (i.e., its amortised cost before any loss allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs and all fees paid or received that are integral to the effective interest rate.

Fair value estimation

The fair value of financial assets which comprise financial instruments such as debt securities, not traded in an active market, is determined using valuation techniques. The fair value of the CLNs will be determined by the Investment Adviser using a valuation model. The main inputs into the valuation model for the CLNs are discount rates, market risk premium adjustments to the discount rate, probabilities of default and cash flow forecasts. The Investment Adviser also performs a full analysis of the performance of each underlying loan and with reference to other inputs such as third party valuations of the underlying collateral.

The fair value of financial assets, which comprise derivatives not designated as hedges, are valued based on the difference between the agreed price of selling or buying the financial instruments on a future date and the price quoted on the year end date for selling or buying the same or similar financial instruments.

h) Expected credit loss measurement

The Group follows a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored by the Group. The expected credit loss is measured over a 12 month period of time.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. The ECL is measured on a lifetime basis.
- If the financial instrument is credit-impaired it is then moved to Stage 3. The ECL is measured on a lifetime basis.

The Group's financial assets at amortised cost are classified within Stage 1 for the following reasons:

- All loans are the subject of very detailed underwriting, including the testing of resilience to aggressive downside scenarios with respect to the loan specifics, the market and general macro economic changes, and therefore the Group considers that value of losses given default ("LGD") currently have a nil value for all loans;

- Loans have very robust covenants in place which trigger as an early warning (long before there would be any indicators of significant increase in credit risk) and this enables the Investment Adviser to become highly involved in the execution of business plans to avoid ECL;
- Loans have strong security packages and many are amortising with relatively short terms which further reduces the risk; and
- All loans have significant loan-to-value headroom which further mitigates the risk of ECL.

No loans in the portfolio to date have had an increase in credit risk that would have required them to be classified within Stage 2. The paragraph below describes how the Group determines when a significant increase in credit risk has occurred. However, even if this were to occur, the Group would not anticipate the recognition of material credit losses for the reasons outlined above – the value of ECL would still be expected to be nil.

The Group considers that for prepayments and capitalised cost, the ECL is by default nil as these are non- monetary items with no credit risks. For trade and other receivables the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Significant increase in credit risk - Stage 2

The Group uses both quantitative and qualitative criteria which is monitored no less than quarterly in order to assess whether an increase in credit risk has occurred. Increased credit risk would be considered if, for example, all or a combination of the following has occurred:

- underlying income performance is at a greater than 10 per cent variance to the underwritten loan metrics;
- Loan to Value is greater than 75-80 per cent;
- Loan to Value or income covenant test results are at a variance of greater than 5-10% of loan default covenant level (note that loan default covenant levels are set tightly to ensure that an early cure is required by the borrower should they breach which usually involves decreasing the loan amount until covenant tests are passed);
- late payments have occurred and not been cured within 3 days;
- loan maturity date is within six months and the borrower has not presented an achievable refinance or repayment plan;
- covenant and performance milestones criteria under the loan have required more than two waivers;
- increased credit risk has been identified on tenants representing greater than 25 per cent of underlying asset income;
- income rollover / tenant break options exist such that a lease up of more than 30 per cent of underlying property will be required within 12 months in order to meet loan covenants and interest payments; and
- borrower management team quality has adversely changed.

Non-performing assets - Stage 3

Non-performing financial assets would be classified in Stage 3, which is fully aligned with the definition of credit- impaired, when one or more of the following has occurred:

- the borrower is in breach of all financial covenants;
- the borrower is in significant financial difficulty; and
- it is becoming probable that the borrower will enter bankruptcy.

An instrument is considered to have been cured, that is no longer in default, when it no longer meets any of the default criteria for a sufficient period of time.

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practically recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity; and
- where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Sensitivity analysis

The most significant period-end assumptions used for the expected credit loss estimates are the LGD and probability of default ("PD") as described above.

The default probabilities are based on initial loan-to-value ("LTV") headroom which the Investment Adviser believes to be a good predictor of the PD, in accordance with recent market studies of European commercial real estate loans.

In measuring the LGD for this sensitivity analysis, the loans advanced have been assessed on a collective basis as they possess similar covenants and security package characteristics. The selected LGD of 0.30% is based on the aggregate losses of all AAA rated notes issued in Europe from 1995 to 2017 (totalling €177 billions), accordingly to recent market studies of European commercial real estate loans. The Investment Adviser considers this to be a reasonable estimate for loss given default parameter.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

As explained previously, the year-end ECL are nil. Set out below is the sensitivity to the ECL as at 31 December 2019 and 31 December 2018 that could result from reasonable possible changes in the LTV and LGD actual assumptions used for calculation of ECL as at the respective year-end. On an individual loan basis, the LTV was increased by 5%, and a new PD determined, which was multiplied by a constant LGD of 0.30% for all loans and the loan exposure as at each year-end. All other variables are held constant.

	Reasonable possible shift (absolute value)	31 December 2019 £	31 December 2018 £
LTV	+5%	351,780	278,861
LGD	+0.3%		

Change in ECL allowance (+)

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 losses/(gains)".

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 end of the reporting period;

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);

iii. share capital is translated at historical cost (translated using the exchange rates at the transaction date); and

iv. all resulting exchange differences are recognised in other comprehensive income.

The cumulative amount of translation exchange differences is presented in a separate component of equity until disposal of the entity.

Starfin Lux 3 S.à.r.l has Euro as its functional currency.

l) Interest income

Interest income on financial assets within Stage 1 and 2 is recognised by applying the effective interest rate to the gross carrying amount of financial assets. For financial assets that are classified within Stage 3, interest revenue is calculated by applying the effective interest rate to their amortised cost (that is net of expected credit loss provision). Interest income on non-performing financial assets at amortised cost is recognised to the extent the Group expects to recover the interest receivable.

Interest on cash and cash equivalents is recognised at amortised cost 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 Holdcos are exempted for Guernsey tax purposes, and therefore no provision for taxes has been made.

The Luxcos are subject to the applicable general tax regulations in Luxembourg and taxation is provided based on the results for the year (see note 20).

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 allowance for ECL.

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 at amortised cost

Financial liabilities at amortised cost, including bank loans are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

u) Capitalised expenses on credit facilities

Expenses in connection with the process of originating, prolongation, or restructuring of a credit facility, such as application and underwriting fees, are capitalised and subsequently amortised over the period of the relevant credit facility in the Consolidated Statement of Comprehensive Income within "credit facility amortisation of fees".

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"), (which was amended on 7 March 2014, 14 May 2014, 7 September 2015 and 6 October 2017) pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company's assets 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. In calculating such fee, there shall be excluded from the Net Asset Value attributable to the Ordinary Shares the uninvested portion of the cash proceeds of any new issue of Shares (or C Shares) until at least 90 per cent of such proceeds are invested in accordance with the Company's investment policy (or deployed to repay borrowings under any credit facility of the Group or other liabilities of the Group) for the first time. 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 22). 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. The Company is also able to terminate the appointment of the Investment Manager in the event of a change of control of the Investment Manager. A change of control shall be deemed to occur where a person acquires a direct or indirect interest in the Investment Manager, which is calculated by reference to 15 per cent or more of the voting rights. In addition the Investment Management Agreement can be terminated by the Company for any failure to act in good faith with the due skill, care and diligence which would reasonably be expected from an experienced manager in the sector and to exercise appropriate prudence in the management of the Group's portfolio.

Pursuant to the Investment Management Agreement's provisions, a performance fee would apply from 1 January 2018. The amount of such Performance Fee is 20 per cent of the excess (if any) of the returns generated by the Group over the Hurdle Total Return (described below). The measurement period over which the Performance Fee is calculated is two years, with the payment of any performance fee earned being made at the end of each such two year period.

The Hurdle Total Return will be achieved when the NAV of the Company at the end of the two-year period, plus the total of all dividends declared and paid to Ordinary Shareholders in that

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

two-year period, is equal to the NAV of the Company at the start of each two year measurement period, as increased by 8 per cent per annum, on a simple interest basis (but excluding performance fees accrued and deemed as a creditor on the balance sheet at the start of the two year measurement period). No performance fee will be payable in relation to performance that recoups previous losses (if any).

To the extent that the Company makes further issues of Ordinary Shares and/or repurchases or redeems Ordinary Shares, the Hurdle Total Return will be adjusted accordingly, by reference to the issue proceeds of such further issues and dividends declared subsequent to such issues. Other corporate actions will also be reflected as appropriate in the calculation of the Hurdle Total Return.

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) Administration agreement

The Company has engaged the services of Apex Fund and Corporate Services (Guernsey) Limited (the "Administrator") to act as Administrator and Company Secretary. Under the terms of the service agreement dated 25 September 2018, the Administrator is entitled to a fee of no less than £225,000 per annum for Guernsey registered companies of the Group, €96,000 for Luxembourg registered subsidiaries 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.

c) 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.

d) Brokerage agreement

On 21 March 2018, the Company appointed Stifel Nicolaus Europe Limited ("Stifel") to act as Broker to the Group. Stifel is entitled to receive a fee of £50,000 per annum plus expenses. The previous brokerage agreement with Fidante Partners Europe Limited was terminated on 19 March 2018.

e) 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.

f) 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.

g) Revolving credit facilities

Under its investment policy, the Company is limited to borrowing an amount equivalent to a maximum of 30 per cent of its NAV at the time of drawdown, of which a maximum of 20 per cent can be longer term borrowings. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded.

On 4 December 2014, the Company entered into a £50 million revolving credit facility with Lloyds Bank plc (the "Lloyds Facility") which is intended for short-term liquidity. This facility was amended and extended on 30 September 2019. The current maturity date is 7 May 2021. The facility is secured by a pledge over the bank accounts of the Company, its interests in Starfin Public Holdco 1 Limited and the intercompany funding provided by the Company to Starfin Public Holdco 1 Limited. Starfin Public Holdco 1 Limited 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.

3. MATERIAL AGREEMENTS (CONTINUED)

On 18 December 2017, the Group entered into a separate £64 million secured borrowing facility with Morgan Stanley (the "MS Facility"). This facility was amended and extended on 14 November 2019. The current maturity date is 14 November 2024 and the borrowing facility was increased to £76 million. The debt can be drawn in respect of underlying loans which are eligible under the facility. Certain loans will not be eligible, for example mezzanine loans and loans above 75 per cent loan to value. It is secured by a customary security package of bank account pledges, intercompany receivables security, share security over the two borrower entities (Starfin Lux 3 S.à.r.l and Starfin Lux 4 S.à.r.l) and their shares. The MS Facility does not have recourse to the Company. The undertakings and events of default are customary for a facility of this nature.

4. DIRECTORS' FEES

	31 December 2019 £	31 December 2018 £
Directors' emoluments	137,500	137,500
Other expenses	2,828	4,321
	140,328	**141,821**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

5. AUDIT AND NON-AUDIT FEES

	31 December 2019 £	31 December 2018 £
Audit and non-audit fees expensed in the Consolidated Statement of Comprehensive Income		
Audit of company	125,800	139,500
Audit of subsidiaries	63,811	53,084
Total audit	**189,611**	**192,584**
Audit related assurance services (Interim review)	22,145	21,500
Total assurance services	**22,145**	**21,500**
Non-audit services not covered above	29,292	35,416
Total non-audit services	**51,437**	**56,916**
Total fees expensed	**241,048**	**249,500**

Other non-audit services of £29,292 (2018: £35,416) expensed in the consolidated statement of comprehensive income relate to tax advisory and other disbursements.

6. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	31 December 2019 £	31 December 2018 £
Loans advanced gains - realised	3,608,147	1,289,722
Loans advanced losses - realised	(1,053,256)	(310,845)
Forward contracts gains - realised	1,515,324	397,648
Forward contracts losses - realised	(3,145,524)	(2,858,157)
Other gains - realised	1,754,235	-
Other losses - realised	(636,339)	(833,196)
Loans advanced gains - unrealised	83,487	4,604,445
Loans advanced losses - unrealised	(14,581,053)	-
Forward contracts gains - unrealised	17,650,771	3,280,025
Forward contracts losses - unrealised	(274,261)	(5,335,189)
	4,921,541	**234,453**

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 £27,897,630 (2018: £26,175,567) and on the weighted average number of Ordinary Shares in issue during the year of 399,195,288 (2018: 375,019,398) Ordinary Shares.

The calculation of NAV per Ordinary Share is based on a NAV of £426,555,081 (2018: £384,993,582) and the actual number of Ordinary Shares in issue at 31 December 2019 of 413,219,398 (2018: 375,019,398).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	31 December 2019 £	31 December 2018 £
Cash at bank	36,793,674	28,248,515
	36,793,674	**28,248,515**

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 17.

9. OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2019 £	31 December 2018 £
Prepayments	28,935	28,935
	28,935	**28,935**

10. LOANS ADVANCED

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

	31 December 2019 £	31 December 2018 £
UK		
Residential, London	49,522,631	-
Hotel & Residential	39,861,178	34,532,132
Hospitals	25,354,300	25,346,479
Hotel, Scotland	25,861,391	-
Hotel, Oxford	16,724,638	-
Office, London	12,697,122	-
Office, Scotland	4,470,792	-
Mixed Use Development, South East	766,877	14,927,500
Regional Hotel Portfolio	-	46,752,485
Varde Partners Mixed Portfolio	-	981,502
Ireland		
Hotel, Dublin	51,576,017	54,458,838
Mixed Use, Dublin	592,335	-
School, Dublin	-	17,319,861
Logistics, Dublin	-	13,168,789
Student Accommodation, Dublin	-	9,667,282
Residential, Dublin	-	6,931,790
Spain		
Three Shopping Centres	31,709,624	31,527,080
Hotel	25,225,534	23,394,315
Office Portfolio	18,050,874	-
Office and Hotel, Madrid	15,832,398	16,712,680
Shopping Centre	14,672,253	15,357,522
Hotel, Barcelona	-	41,697,630
France		
Office Building, Paris	13,854,691	14,653,866
Rest of Europe		
Mixed Portfolio, Europe	43,874,861	-
Industrial Portfolio, Europe	-	46,014,659
	390,647,516	**413,444,410**

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

10. LOANS ADVANCED (CONTINUED)

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

	31 December 2019 £	31 December 2018 £
Loans advanced at the start of the year	413,444,410	369,955,983
Loans advanced	189,678,726	175,161,798
Loan repayments and amortisation	(198,311,623)	(137,158,115)
Arrangement fees earned	(2,389,453)	(2,396,173)
Commitment fees earned	(688,884)	(575,559)
Exit fees earned	(1,983,925)	(2,730,382)
Origination fees for the year	1,684,798	1,543,468
Effective interest income earned [1]	26,890,182	30,137,174
Interest payments received / accrued	(25,738,458)	(26,092,214)
Foreign exchange (losses) / gains	(11,938,257)	5,598,430
Loans advanced at the end of the year	**390,647,516**	**413,444,410**
Loans advanced at fair value	**402,825,998**	**426,379,370**

[1] The decline in effective interest income earned is mainly due to overall decrease of average interest rate of floating interest bearing loans..

For further information on the fair value of loans advanced, refer to note 18.

11. FINANCIAL ASSETS AND LIABILITIES 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 and financial instruments designated at fair value through profit or loss which are debt securities that are managed by the Group and their performance is evaluated on a fair value basis.

The underlying instruments of currency forwards 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 foreign exchange derivatives are subject to offsetting, enforceable master netting agreements for each counterparty.

The fair value of financial assets and liabilities at fair value through profit or loss are set out below:

31 December 2019	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Investments at fair value through profit or loss				
Credit Linked Notes, UK Real Estate	N/A	21,885,611	-	21,885,611
Total	**-**	**21,885,611**	**-**	**21,885,611**
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	231,251,616	8,819,545	(224,467)	8,595,078
Total	**231,251,616**	**8,819,545**	**(224,467)**	**8,595,078**

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

31 December 2018	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Investments at fair value through profit or loss				
Credit Linked Notes, UK Real Estate	N/A	21,886,335	-	21,886,335
Total	**-**	**21,886,335**	**-**	**21,886,335**
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	263,815,899	50,055	(8,803,266)	(8,753,211)
Goldman Sachs	959,174	-	(28,221)	(28,221)
Total	**264,775,073**	**50,055**	**(8,831,487)**	**(8,781,432)**

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

12. CREDIT FACILITIES

Under its investment policy, the Group is limited to borrowing an amount equivalent to a maximum of 30 per cent of its NAV at the time of drawdown, of which a maximum of 20 per cent can be longer term borrowings. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded. The Group has two credit facilities as described in note 3(g) of these financial statements.

As at 31 December 2019 an amount of £29,704,000 (2018: £68,818,554) was drawn and interest of £14,949 (2018: £158,660) was payable.

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

The changes in liabilities arising from financing activities are shown in the table below.

	31 December 2019 £	31 December 2018 £
Borrowings at the start of the year	**68,977,214**	**13,338,329**
Proceeds during the year	148,035,219	129,979,408
Repayments during the year	(185,401,045)	(75,603,281)
Arrangement fees payable	-	432,738
Arrangement fees retained	-	(432,738)
Interest expenses recognised for the year	1,003,580	1,074,308
Interest paid during the year	(1,137,413)	(924,480)
Foreign exchange and translation difference	(1,758,606)	1,112,930
Borrowings at the end of the year	**29,718,949**	**68,977,214**

13. TRADE AND OTHER PAYABLES

	31 December 2019 £	31 December 2018 £
Loan amounts payable	1,717,003	405,855
Investment management fees payable	801,074	723,652
Refinancing and restructuring fees payable	207,098	239,081
Commitment fees payable	104,055	82,900
Audit fees payable	86,131	95,943
Tax provision	76,773	64,401
Origination fees payable	31,572	309,375
Administration fees payable	12,980	74,360
Accrued expenses	-	60,196
Legal and professional fees payable	-	12,475
	3,036,686	**2,068,238**

14. COMMITMENTS

As at 31 December 2019 the Group had outstanding commitments in respect of loans not fully drawn of £77,997,899 (2018: £45,572,999).

As at 31 December 2019 the Group has entered into forward contracts under the Hedging Master Agreement with Lloyds Bank plc to sell €270,913,327 (2018: €292,511,253) to receive Sterling. At the end of the reporting period, these forward contracts have a fair value of £8,595,078 asset (2018: £8,753,211 liability).

As at 31 December 2019 the Group has entered into forward contracts under the Professional Client Agreement with Goldman Sachs to sell €nil (2018: €1,063,504) and receive Sterling. At the end of the reporting period, these forward contracts have a fair value of £nil liability (2018: £28,221 liability).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

15. 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 2019 Number of shares	31 December 2018 Number of shares
Ordinary Shares of no par value Issued and fully paid	413,219,398	375,019,398

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.

Significant share movements

1 January 2019 to 31 December 2019:

Ordinary Shares	Number	£
Balance at the start of the year	375,019,398	379,480,650
Shares issued in 2019	38,200,000	40,014,500
Balance at the end of the year	**413,219,398**	**419,495,150**
Issue costs since inception		(8,289,989)
Net proceeds		**411,205,161**

1 January 2018 to 31 December 2018:

Ordinary Shares	Number	£
Balance at the start of the year	375,019,398	379,480,650
Shares issued in 2018	-	-
Balance at the end of the year	**375,019,398**	**379,480,650**
Issue costs since inception		(7,550,668)
Net proceeds		**371,929,982**

16. 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 Group passed the solvency test for each dividend paid.

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

The Group paid the following dividends in respect of the year to 31 December 2019:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2019	1.625	6,094,065	24 May 2019
30 June 2019	1.625	6,714,815	30 August 2019
30 September 2019	1.625	6,714,815	22 November 2019

After the end of the year, the Directors declared a dividend in respect of the financial year ended 31 December 2019 of 1.625 pence per share, £6,714,815 to be paid on 21 February 2020 to shareholders on the register as at 31 January 2020.

The Group paid the following dividends in respect of the year to 31 December 2018:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2018	1.625	6,094,065	17 May 2018
30 June 2018	1.625	6,094,065	31 August 2018
30 September 2018	1.625	6,094,065	16 November 2018
31 December 2018	1.625	6,094,065	22 February 2019

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

17. 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:

a) Market risk

Market risk includes market price risk, currency risk and interest rate risk.

i) Market price 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. The Group's exposure to market price risk arises from Credit Linked Notes held by the Group and classified as financial assets at fair value through profit or loss. The Investment Manager regularly monitors the fair value of Credit Linked Notes and no specific hedging activities are undertaken in relation to this investment. 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 ongoing basis.

ii) 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 ongoing basis and is reported to the Board accordingly.

The Group and Lloyds Bank plc entered into an international forward exchange master agreement dated 5 April 2013 and on 7 February 2014 the Group 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 Group 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 reporting date and movements in the fair value are included in the Consolidated Statement of Comprehensive Income under net foreign exchange losses/(gains). The Group does not adopt hedge accounting in the financial statements. At the end of the reporting period the Group had 113 (2018: 165) open forward contracts.

As at 31 December 2019 the Group had the following currency exposure:

31 December 2019	Danish Krone £	Sterling £	Euro £	Total £
Assets				
Loans advanced	-	125,736,298	264,911,218	390,647,516
Financial assets at fair value through profit or loss	-	30,480,689	-	30,480,689
Other receivables and prepayments	-	28,935	-	28,935
Cash and cash equivalents	671	6,566,136	30,226,867	36,793,674
Liabilities				
Revolving credit facility	-	-	(29,718,949)	(29,718,949)
Trade and other payables	-	(139,704)	(2,896,982)	(3,036,686)
Net currency exposure	**671**	**162,672,354**	**262,522,154**	**425,195,179**

31 December 2018	Danish Krone £	Sterling £	Euro £	Total £
Assets				
Loans advanced	-	122,540,098	290,904,312	413,444,410
Financial assets at fair value through profit or loss	-	21,886,335	-	21,886,335
Other receivables and prepayments	-	28,935	-	28,935
Cash and cash equivalents	(249)	13,953,085	14,295,679	28,248,515
Liabilities				
Financial liabilities at fair value through profit or loss	-	(8,781,432)	-	(8,781,432)
Revolving credit facility	-	(11,010,233)	(57,966,981)	(68,977,214)
Trade and other payables	-	(297,883)	(1,770,355)	(2,068,238)
Net currency exposure	**(249)**	**138,318,905**	**245,462,655**	**383,781,311**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

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 2019 would increase or decrease by £26,252,215 (2018: £24,546,266). 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 2019 would increase or decrease by £67 (2018: £25). 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 Group's policy, the Investment Manager monitors the Group's currency position, and the Board of Directors reviews this risk on a regular basis.

iii) 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 at amortised cost, credit linked notes, 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 and 79.1% (2018: 80.1%) of investments designed as loans advanced at 31 December 2019 have a floating interbank interest rate. The interest rate risk is mitigated by the inclusion of interbank rate floors on floating rate loans, preventing interest rates from falling below certain levels.

The following table shows the portfolio profile of the financial assets at 31 December 2019:

	31 December 2019 £	31 December 2018 £
Floating rate		
Loans advanced[1]	309,007,305	327,185,839
Cash and cash equivalents	36,793,674	28,248,515
Financial assets at fair value through profit or loss	21,885,611	21,886,335
Fixed rate		
Loans advanced	81,640,211	86,258,571
Total financial assets subject to interest rate risk	**449,326,801**	**463,579,260**

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

At 31 December 2019, if interest rates had changed by 50 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 2019 £	31 December 2018 £
Floating rate		
Increase of 50 basis points (2018: 25 basis points)[1]	1,838,433	943,302
Increase of 50 basis points (2018: 25 basis points)	(1,838,433)	(943,302)

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

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

b) 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 investment portfolio, shown as loans advanced at amortised cost and credit linked notes designated at fair value through profit or loss, 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 2019 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 derivative assets classified as financial assets through profit or loss which is diversified between hedge providers in order to spread credit risk to which the Group is exposed.

With respect to the credit linked notes designated at fair value through profit or loss, the Group holds junior notes linked to the performance of a portfolio of high quality UK real estate loans owned by a major commercial bank. The transaction is structured as a synthetic securitisation with risk transfer from the bank to the Group achieved via the purchase of credit protection by the bank on the most junior tranches. The credit risk to the Group is the risk that one of the underlying borrowers defaults on their loan and the Group is required to make a payment under the credit protection agreement. Despite the different way in which the transaction has been structured the Group considers the risks to be fundamentally the same as any other junior loan in the portfolio and monitors and manages this risk in the same way as the other loans advanced by the Group.

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 2019, the maximum credit risk exposure was £457,921,879 (2018: £463,579,260).

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 ongoing basis. After the advancing of a loan a dedicated debt asset manager employed by the Investment Adviser monitors ongoing 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 measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Directors consider both historical analysis and forward looking information in determining any expected credit loss. The Directors consider the loss given default to be close to zero as all loans are the subject of very detailed underwriting, including the testing of resilience to aggressive downside scenarios with respect to the loan specifics, the market and general macro changes. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

The Group uses both quantitative and qualitative criteria for monitoring the loan portfolio as described in note 2(h). The gross carrying amount of loan portfolio is presented in the table below and also represents the Group's maximum exposure to credit risks on these assets.

	Stage 1 £	Stage 2 £	Stage 3 £	Total as at 31 December 2019 £	Total as at 31 December 2018 £
Loans advanced	390,647,516	-	-	390,647,516	413,444,410
Gross carrying amount	390,647,516	-	-	390,647,516	413,444,410
Less ECL allowance	-	-	-	-	-
Carrying amount	**390,647,516**	**-**	**-**	**390,647,516**	**413,444,410**

A reconciliation of changes in the ECL allowance was not presented as the allowance recognised at the end of the reporting period was £nil (2018: £nil).

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.

	Total as at 31 December 2019 £	Total as at 31 December 2018 £
Barclays Bank plc	35,818,792	27,634,114
Lloyds Bank plc	818	816
HSBC Bank plc	331	424
Royal Bank of Scotland International	81	88
ING Luxembourg, SA	973,652	613,073
Total cash and cash equivalents	**36,793,674**	**28,248,515**

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

c) 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 30 per cent of NAV and has entered into revolving credit facilities of total of £126,000,000 (2018: £114,000,000) of which £29,704,000 (2018: £68,818,554) was drawn at the end of the reporting period.

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 end of the reporting date. 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 2019	Up to 3 months £	Between 3 and 12 months £	Over 12 months £	Total £
Assets				
Loans advanced	766,877	28,526,943	361,353,696	390,647,516
Financial assets at fair value through profit or loss	-	-	21,885,611	21,885,611
Liabilities and commitments				
Loan commitments[1]	(14,896,152)	(31,183,758)	(25,455,384)	(71,535,294)
Credit facilities	(29,718,949)	-	-	(29,718,949)
Trade and other payables	(3,036,686)	-	-	(3,036,686)
	(46,884,910)	**(2,656,815)**	**357,783,923**	**308,242,198**

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

31 December 2018	Up to 3 months £	Between 3 and 12 months £	Over 12 months £	Total £
Assets				
Loans advanced	-	22,840,793	390,603,617	413,444,410
Financial assets at fair value through profit or loss	-	-	21,886,335	21,886,335
Liabilities and commitments				
Loan commitments[1]	(13,300,350)	(14,166,013)	(15,091,631)	(42,557,994)
Credit facilities	(13,663,161)	-	(55,314,053)	(68,977,214)
Trade and other payables	(2,068,238)			(2,068,238)
	(29,031,749)	**8,674,780**	**342,084,268**	**321,727,299**

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

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 end of the reporting date. The amounts disclosed are the contractual undiscounted cash flows:

31 December 2019

Derivatives	Up to 3 months £	Between 3 and 12 months £	Over 12 months £	Total as at 31 December 2019 £
Lloyds Bank plc:				
Foreign exchange derivatives				
Outflow[1]	2,753,442	7,160,751	221,337,422	231,251,615
Inflow	2,735,217	7,156,425	228,928,347	238,819,989

31 December 2018

Derivatives	Up to 3 months £	Between 3 and 12 months £	Over 12 months £	Total as at 31 December 2018 £
Goldman Sachs:				
Foreign exchange derivatives				
Outflow[1]	-	-	959,174	959,174
Inflow	-	-	991,632	991,632
Lloyds Bank plc:				
Foreign exchange derivatives				
Outflow[1]	3,515,092	12,752,592	247,548,215	263,815,899
Inflow	3,505,937	12,824,551	257,003,592	273,334,080

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

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.

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, ongoing 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 ongoing basis. The Company has no imposed capital requirements.

The Company's capital at the end of the reporting period comprises:

	31 December 2019 £	31 December 2018 £
Equity		
Equity share capital	411,205,161	371,929,982
Retained earnings and translation reserve	15,349,920	13,063,600
Total capital	**426,555,081**	**384,993,582**

18. 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:

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

b) 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 rates, credit risks and default rates) or other market corroborated inputs (level 2).

c) 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 2019

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	8,595,078	-	8,595,078
Investments at fair value through profit or loss	-	-	21,885,611	21,885,611
Total	**-**	**8,595,078**	**21,885,611**	**30,480,689**
Liabilities				
Derivative liabilities	-	-	-	-
Total	**-**	**-**	**-**	**-**

31 December 2018

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Investments at fair value through profit or loss	-	-	21,886,335	21,886,335
Total	**-**	**-**	**21,886,335**	**21,886,335**
Liabilities				
Derivative liabilities	-	(8,781,432)	-	(8,781,432)
Total	**-**	**(8,781,432)**	**-**	**(8,781,432)**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

There have been no transfers between levels for the year ended 31 December 2019 (2018: nil).

Investments classified within Level 3 consist of Credit Linked Notes ("CLNs"). The fair value of the CLNs is determined by the Investment Adviser using a discounted cash flow valuation model. The main inputs into the valuation model for the CLNs are discount rates, market risk factors, probabilities of default, expected credit loss levels and cash flow forecasts. The Investment Adviser also considers the original transaction price and recent transactions of comparable instruments (where available), the credit quality on the underlying reference portfolios and adjusts the valuation model as deemed necessary.

The Directors are responsible for considering the methodology and assumptions used by the Investment Adviser and for approving the fair values reported at the financial period end.

The most significant input to the valuation model is the discount rate applied to the cash flows. As at 31 December 2019, if the discount rate was to increase/decrease by 1%, the fair value of the CLNs would reduce/increase by £298,155 / £306,372 (2018: £474,000 / £494,000).

The table below presents the movement in level 3 investments.

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	31 December 2019 £	31 December 2018 £
Balance at the start of the year	**21,886,335**	**22,112,820**
Cash interest received	(2,339,946)	(2,245,256)
Net gains recognised in profit or loss [1]	2,339,222	2,018,771
Balance at the end of the year	**21,885,611**	**21,886,335**
Changes in unrealised gains or losses for Level 3 assets held at year end and included in net changes in fair value of financial assets at fair value through profit or loss	-	-

[1] The net gains comprise of £2,339,222 interest income recognised on CLNs (2018: £2,306,921 of interest income net of £288,150 origination fees).

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 2019 but for which fair value is disclosed:

31 December 2019

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Cash and cash equivalents	-	36,793,674	-	36,793,674	36,793,674
Other receivables and prepayments	-	28,935	-	28,935	28,935
Loans advanced	-	-	402,825,998	402,825,998	390,647,516
Total	**-**	**36,822,609**	**402,825,998**	**439,648,607**	**427,470,125**
Liabilities					
Trade and other payables	-	3,036,686	-	3,036,686	3,036,686
Credit facility	-	29,718,949	-	29,718,949	29,718,949
Total	**-**	**32,755,635**	**-**	**32,755,635**	**32,755,635**

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 2018 but for which fair value is disclosed:

31 December 2018

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Cash and cash equivalents	-	28,248,515	-	28,248,515	28,248,515
Other receivables and prepayments	-	28,935	-	28,935	28,935
Loans advanced	-	-	426,379,370	426,379,370	413,444,410
Total	**-**	**28,277,450**	**426,379,370**	**454,656,820**	**441,721,860**
Liabilities					
Trade and other payables	-	2,068,238	-	2,068,238	2,068,238
Credit facility	-	68,977,214	-	68,977,214	68,977,214
Total	**-**	**71,045,452**	**-**	**71,045,452**	**71,045,452**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

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 at a market rate of interest using the discounted cash flow model. For the avoidance of doubt, the Group carries its loans advanced at amortised cost in the consolidated financial statements, consistent with the requirement of IFRS 9 as the Group's intention and business model is to collect both interest and the capital repayments thereof.

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. Credit facilities and trade and other payables represent the contractual amounts and obligations due by the Group for contractual payments.

19. CONTROLLING PARTY

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

20. 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 £1,200.

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

	31 December 2019 £	31 December 2018 £
Current tax		
Tax expenses on profit of the reporting period	62,307	50,384
Tax adjustments on profit of previous periods	(395)	17,684
Tax refund for previous periods	(1,014)	-
Total current tax	**60,898**	**68,068**

The Luxco had no operating gains on ordinary activities before taxation and were therefore for the year ended 31 December 2019 subject to the Luxembourg minimum corporate income taxation at €4,815 (2018: €3,810). The Luxco 3 and Luxco 4 are subject to Corporate Income Tax and Municipal Business Tax based on a margin calculated on an arm's-length principle. The effective tax rate in Luxembourg during the reporting period was 24.94% (2018: 26.01%).

21. 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 Group have also been audited in accordance with Generally Accepted Auditing Standards applicable in the United States ("US GAAS"). As such two independent Auditor's reports are included on pages 43 to 50, 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 consolidated financial statements.

22. 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.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019

The following tables summarise the transactions occurred with related parties during the reporting period and outstanding at 31 December 2019 and 31 December 2018:

2019

Fees, expenses and other payments	Outstanding at 31 December 2019 £	For the year ended 31 December 2019 £
Directors' fees and expenses paid		
Stephen Smith	-	50,000
John Whittle	-	45,000
Jonathan Bridel	-	42,500
Expenses paid	-	2,828
Investment Manager		
Investment management fees	801,074	3,077,665
Origination fees	31,572	1,684,798
Expenses	-	100,624

2018

Fees, expenses and other payments	Outstanding at 31 December 2018 £	For the year ended 31 December 2018 £
Directors' fees and expenses paid		
Stephen Smith	-	50,000
John Whittle	-	45,000
Jonathan Bridel	-	42,500
Expenses paid	-	4,321
Investment Manager		
Investment management fees	723,652	2,858,556
Origination fees	309,375	1,543,468
Expenses paid	-	175,531

The following tables summarise the dividends paid to related parties during the reporting period and number of Company's shares held by related parties at 31 December 2019 and 31 December 2018:

2019

Shareholdings and dividends paid	Dividends paid for the year ended 31 December 2019 £	As at 31 December 2019 Number of shares
Starwood Property Trust Inc.	594,100	9,140,000
SCG Starfin Investor LP	148,525	2,285,000
Stephen Smith	5,130	78,929
John Whittle	771	11,866
Jonathan Bridel and Spouse	771	11,866

2018

Shareholdings and dividends paid	Dividends paid for the year ended 31 December 2018 £	As at 31 December 2018 Number of shares
Starwood Property Trust Inc.	594,100	9,140,000
SCG Starfin Investor LP	148,525	2,285,000
Stephen Smith	5,130	78,929
John Whittle	771	11,866
Jonathan Bridel and Spouse	771	11,866

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

Other

The Group continues to participate in a number of loans in which Starwood Property Trust, Inc. ("STWD") acted as a co-lender. The details of these loans are shown in the table below.

Loan	Related party co-lenders
Hotel and Residential, UK	STWD
Mixed Use Development, South East UK	STWD
Hotel, Spain	STWD
Credit Linked Notes, UK Real Estate	STWD
Mixed Portfolio, Europe	STWD
Office Portfolio, Spain	STWD
Mixed Use, Ireland	STWD

23. EVENTS AFTER THE REPORTING PERIOD

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

	Local Currency
Office, Retail & Residential, Dublin	€35,150,000
Hotel, North Berwick, Scotland	£15,000,000
Hotel & Residential, UK	£9,975,000

The following cash amounts have been funded since the year end up to the date of publication of this report:

	Local Currency
Hotel, Spain	€8,073,256
Residential, London	£1,547,853
Mixed Use, Dublin	€1,091,164
Office, London	£174,510
Office, Scotland	£77,711

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

	Local Currency
Residential, London	£11,534,596
Mixed Portfolio, Europe	€12,096,659
Three Shopping Centres, Spain	€167,344

Office Building, Paris totalling €16,000,000 and Mixed Use Development, South East UK totalling £698,442 have been repaid in full since 31 December 2019.

Following the above activity the Company has repaid part of the revolving credit facilities. At the date of publication of this report the amount drawn under each facility are:

- Lloyds Facility: £24.06 million
- Morgan Stanley Facility: €nil

On 23 January 2020 the Company declared a dividend of 1.625 pence per Ordinary Share payable to shareholders on the register on 31 January 2020.

Management and the Board have considered the impact of COVID-19 on the current and future operations of the Group and its portfolio of loans advanced. Because of the cash and loan facilities available to the Group and the underlying quality of the portfolio of loans advanced, both management and the Board still believe the fundamentals of the portfolio remain optimistic and that the Group can adequately support the portfolio of loans advanced despite current market conditions. See further the comments in the Chairman's statement on page 10.

As stated previously, the Company's share price in the early part of 2020 has been severely impacted by the general market volatility. In common with the overall equity market, the Company's share price has fallen sharply and continues to be volatile. These moves have been driven by market conditions and flow rather than a change in the Company's NAV.

Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the Annual Financial Report and Audited Consolidated Financial Statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

NAV PER ORDINARY SHARE

The NAV per Ordinary Share represents the net assets attributable to equity shareholders divided by the number of Ordinary Shares in issue, excluding any shares held in treasury. The NAV per Ordinary Share is published monthly. This APM relates to past performance and is used as a comparison to the share price per Ordinary Share to assess performance. There are no reconciling items between this calculation and the Net Asset Value shown on the balance sheet (other than to calculate by Ordinary Share).

NAV TOTAL RETURN

The NAV total return measures the combined effect of any dividends paid, together with the rise or fall in the NAV per Ordinary Share. This APM relates to past performance and takes into account both capital returns and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in the assets of the Company at its NAV per Ordinary Share.

SHARE PRICE TOTAL RETURN

The share price total return measures the combined effects of any dividends paid, together with the rise or fall in the share price. This APM relates to past performance and assesses the impact of movements in the share price on total returns to investors. Any dividends received by a shareholder are assumed to have been reinvested in additional shares of the Company at the time the shares were quoted ex-dividend.

NAV TO MARKET PRICE DISCOUNT / PREMIUM

The discount / premium is the amount by which the share price of the Company is lower (discount) or higher (premium) than the NAV per Ordinary Share at the date of reporting and relates to past performance. The discount or premium is normally expressed as a percentage of the NAV per Ordinary Share.

INVESTMENT LOAN PORTFOLIO UNLEVERED ANNUALISED TOTAL RETURN

The unlevered annualised return is a calculation at the quarterly reporting date of the estimated annual return on the portfolio at that point in time. It is calculated individually for each loan by summing the one-off fees earned (such as up-front arrangement or exit fees charged on repayment) and dividing these over the full contractual term of the loan, and adding this to the annual returns. Where a loan is floating rate (partially or in whole or with floors), the returns are based on an assumed profile for future interbank rates, but the actual rate received may be higher or lower. The return is calculated only on amounts funded at the quarterly reporting date and excludes committed but undrawn loans and excludes cash un-invested. The calculation also excludes origination fees paid to the Investment Manager, which are accounted for within the interest line in the financial statements.

An average, weighted by loan amount, is then calculated for the portfolio.

This APM gives an indication of the future performance of the portfolio (as constituted at the reporting date). The calculation, if the portfolio remained unchanged, could be used to estimate "income from loans advanced" in the Consolidated Statement of Comprehensive Income if adjusted for the origination fee of 0.75 basis points amortised over the average life of the loan. As discussed earlier in this report the figure actually realised may be different due to the following reasons:

- In the quoted return, we amortise all one-off fees (such as arrangement and exit fees) over the contractual life of the loan, which is currently four years for the portfolio. However, it has been our experience that loans tend to repay after approximately 2.5 years and as such, these fees are actually amortised over a shorter period.
- Many loans benefit from prepayment provisions, which means that if they are repaid before the end of the protected period, additional interest or fees become due. As we quote the return based on the contractual life of the loan these returns cannot be forecast in the return.
- The quoted return excludes the benefit of any foreign exchange gains on Euro loans. We do not forecast this as the loans are often repaid early and the gain may be lower than this once hedge positions are settled.

Generally speaking, the actual annualised total return is likely to be higher than the reported return for these reasons, but this is not incorporated in the reported figure, as the benefit of these items cannot be assumed.

PORTFOLIO LEVERED ANNUALISED TOTAL RETURN

The levered annualised total return is calculated on the same basis as the unlevered annual return but takes into account the amount of leverage in the Group and the cost of that leverage at current LIBOR/EURIBOR rates.

ONGOING CHARGES PERCENTAGE

Ongoing charges represents the management fee and all other operating expenses excluding finance costs and transactions costs, expressed as a percentage of the average monthly net asset values during the year and allows users to assess the running costs of the Group. This is calculated in accordance with AIC guidance and relates to past performance. The charges include the following lines items within the Consolidated Statement of Comprehensive Income:

- Investment management fees
- Administration fees
- Audit and non-audit fees
- Other expenses
- Legal and professional fees
- Directors' fees and expenses
- Broker's fees and expenses
- Agency fees

The calculation adds back any expenses unlikely to occur absent any loan originations or repayments and as such, the costs associated with hedging Euro loans back to sterling have been added back. The calculation does not include origination fees paid to the Investment Manager; these are recognised through "Income from loans advanced".

Alternative Performance Measures

WEIGHTED AVERAGE PORTFOLIO LTV TO GROUP FIRST AND LAST £

These are calculations made as at the quarterly reporting date of the loan to value ("LTV") on each loan at the lowest and highest point in the capital stack in which the Group participates. 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 quarterly reporting date. 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 development projects, the calculation includes the total facility available and is calculated against the assumed market value on completion of the project.

An average, weighted by the loan amount, is then calculated for the portfolio.

This APM provides an assessment of future credit risk within the portfolio and does not directly relate to any financial statement line items.

PERCENTAGE OF INVESTED PORTFOLIO IN FLOATING RATE LOANS

This is a calculation made as at the quarterly reporting date, which calculates the value of loans, which have an element of floating rate in part, in whole and including loans with floors, as a percentage of the total value of loans. This APM provides an assessment of potential future volatility of the income on loans, as a large percentage of floating rate loans would mean that income would move up or down with changes in EURIBOR or LIBOR.

AVERAGE LOAN TERM AND AVERAGE REMAINING LOAN TERM

The average loan term is calculated at the quarterly reporting date by calculating the average length of each loan from initial advance to the contractual termination date. An average, weighted by the loan amount, is then calculated for the portfolio.

The average remaining loan term is calculated at the quarterly reporting date by calculating the average length of each loan from the quarterly reporting date to the contractual termination date. An average, weighted by the loan amount, is then calculated for the portfolio.

This APM provides an assessment of the likely level of repayments occurring in future years (absent any early repayments) which will need to be reinvested. In the past, the actual term of loans has been shorter than the average contractual loan term due to early repayments and so the level of repayments is likely to be higher than this APM would suggest. However, this shorter actual loan term cannot be assumed as it may not occur and therefore it is not reported as part of this APM.

NET CASH

Net cash is the result of the Group's total cash and cash equivalents minus total credit facility utilised as reported on its consolidated financial statements.

UNUSED LIQUID FACILITIES

Unused liquid facilities is the result of the Group's total cash and cash equivalents plus the available balance to withdraw under existing credit facilities at the reporting date.

PORTFOLIO DIVERSIFICATION

The portfolio diversification statistics are calculated by allocating each loan to the relevant sectors and countries based on the value of the underlying assets. This is then summed for the entire portfolio and a percentage calculated for each sector / country.

This APM provides an assessment of future risk within the portfolio due to exposure to specific sectors or countries and does not directly relate to any financial statement line items.

Corporate Information

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Jonathan Bridel (Non-executive Director)
John Whittle (Non-executive Director)
(all care of the registered office)

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