

**EUROPEAN REAL ESTATE SENIOR  
DEBT 3 S.à r.l.**

**Unaudited Annual Accounts  
as at and for the year ended 31 December 2020**

*5 Heienhaff,  
L-1736 Senningerberg  
R.C.S. Luxembourg B 197338  
Share capital: EUR 12,500*

# **EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**

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**Annual Accounts Helpdesk :**

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RCSL Nr. : B197338

Matricule : 2015 2427 744

eCDF entry date :

**ABRIDGED BALANCE SHEET**

**Financial year from** <sup>01</sup> 01/01/2020 **to** <sup>02</sup> 31/12/2020 (in <sup>03</sup> EUR )

European Real Estate Senior Debt 3 S.à r.l.

5, Heienhaff  
L-1736 Senningerberg

**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
<b>B. Formation expenses</b>	1107 _____	107 _____	108 _____
<b>C. Fixed assets</b>	1109 _____	109 <u>178.082.415,00</u>	110 <u>220.768.377,00</u>
I. Intangible assets	1111 _____	111 _____	112 _____
II. Tangible assets	1125 _____	125 _____	126 _____
III. Financial assets	1135 _____ 3	135 <u>178.082.415,00</u>	136 <u>220.768.377,00</u>
<b>D. Current assets</b>	1151 _____	151 <u>26.182.037,00</u>	152 <u>23.911.880,00</u>
I. Stocks	1153 _____	153 _____	154 _____
II. Debtors	1163 _____	163 <u>25.293.437,00</u>	164 <u>19.512.076,00</u>
a) becoming due and payable within one year	1203 _____ 4, 5	203 <u>25.293.437,00</u>	204 <u>19.512.076,00</u>
b) becoming due and payable after more than one year	1205 _____	205 _____	206 _____
III. Investments	1189 _____	189 _____	190 _____
IV. Cash at bank and in hand	1197 _____	197 <u>888.600,00</u>	198 <u>4.399.804,00</u>
<b>E. Prepayments</b>	1199 _____	199 _____	200 _____
<b>TOTAL (ASSETS)</b>		201 <u>204.264.452,00</u>	202 <u>244.680.257,00</u>

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B197338

Matricule : 2015 2427 744

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
	1301 _____	301 <u>553.250,00</u>	302 <u>553.250,00</u>
I. Subscribed capital	1303 _____ 6	303 <u>12.500,00</u>	304 <u>12.500,00</u>
II. Share premium account	1305 _____	305 _____	306 _____
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>1.250,00</u>	310 <u>1.250,00</u>
V. Profit or loss brought forward	1319 _____	319 <u>539.500,00</u>	320 <u>347.717,00</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>0,00</u>	322 <u>191.783,00</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
<b>B. Provisions</b>	1331 _____	331 _____	332 _____
<b>C. Creditors</b>	1435 _____	435 <u>203.711.202,00</u>	436 <u>244.127.007,00</u>
a) becoming due and payable within one year	1453 _____ 7	453 <u>1.940.982,00</u>	454 <u>1.330.215,00</u>
b) becoming due and payable after more than one year	1455 _____ 7	455 <u>201.770.220,00</u>	456 <u>242.796.792,00</u>
<b>D. Deferred income</b>	1403 _____	403 _____	404 _____
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 <u>204.264.452,00</u>	406 <u>244.680.257,00</u>



Hannah Hickey  
Manager

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RCSL Nr. : B197338

Matricule : 2015 2427 744

eCDF entry date :

**ABRIDGED PROFIT AND LOSS ACCOUNT**

**Financial year from** <sup>01</sup> 01/01/2020 **to** <sup>02</sup> 31/12/2020 (in <sup>03</sup> EUR )

European Real Estate Senior Debt 3 S.à r.l.

5, Heienhaff  
L-1736 Senningerberg

	Reference(s)	Current year	Previous year
<b>1. to 5. Gross profit or loss</b>	1651 <u>8</u>	651 <u>-83.526,00</u>	652 <u>-157.333,00</u>
<b>6. Staff costs</b>	1605 _____	605 <u>-28.438,00</u>	606 <u>-18.862,00</u>
a) Wages and salaries	1607 <u>9</u>	607 <u>-25.654,00</u>	608 <u>-16.410,00</u>
b) Social security costs	1609 _____	609 <u>-2.784,00</u>	610 <u>-2.452,00</u>
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 <u>9</u>	655 <u>-2.784,00</u>	656 <u>-2.452,00</u>
c) Other staff costs	1613 _____	613 _____	614 _____
<b>7. Value adjustments</b>	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
<b>8. Other operating expenses</b>	1621 <u>14</u>	621 _____	622 <u>-8.142,00</u>

RCSL Nr. : B197338

Matricule : 2015 2427 744

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	721 10.598.139,00	722 11.669.572,00
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725 10	725 10.598.139,00	726 11.669.572,00
<b>11. Other interest receivable and similar income</b>	1727	727 1.847.927,00	728 175.920,00
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731 7, 11	731 1.847.927,00	732 175.920,00
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663	663	664
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665 4	665 -10.135.280,00	666
<b>14. Interest payable and similar expenses</b>	1627	627 -2.131.804,00	628 -11.396.013,00
a) concerning affiliated undertakings	1629 12	629 -1.014.436,00	630 -9.307.341,00
b) other interest and similar expenses	1631 12	631 -1.117.368,00	632 -2.088.672,00
<b>15. Tax on profit or loss</b>	1635 14	635 -67.018,00	636 -71.554,00
<b>16. Profit or loss after taxation</b>	1667	667 0,00	668 193.588,00
<b>17. Other taxes not shown under items 1 to 16</b>	1637	637	638 -1.805,00
<b>18. Profit or loss for the financial year</b>	1669	669 0,00	670 191.783,00



Hannah Hickey  
Manager

**EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**31 DECEMBER 2020**

**1. ORGANISATION**

European Real Estate Senior Debt 3 S.à r.l. (hereafter the "Company") was incorporated on May 29, 2015 and organised under the laws of Luxembourg as a private limited liability company (*société à responsabilité limitée*). The Company is established for an unlimited period of time and it is registered under R.C.S. in Luxembourg, number B 197338. The registered office of the Company is established at 5, Heienhaff, L-1736 Senningerberg, effective since incorporation.

The Company's financial year starts on January 1 and ends on December 31 of each year , with the exception of the first period which ran from incorporation on 29 May 2015 to 31 December 2015.

The Company is 100% owned by European Real Estate Senior Debt 3 L.P. Limited.

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

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

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

The Company may also render every assistance, whether by way of loans, guarantees or otherwise to its subsidiaries or companies in which it has a direct or indirect interest or any company being a direct or indirect shareholder of the Company or any entity or person belonging to the same group as the Company (hereafter referred to as the "Connected Companies") or any other entity, it being understood that the Company will not enter into any transaction which would cause it to be engaged in any activity that would be considered as a regulated activity of the financial sector.

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

- to borrow money in any form or to obtain any form of credit facility and raise funds through, including, but not limited to, the issue, always on a private basis, of listed or unlisted bonds, notes, promissory notes and other debt or equity instruments convertible or not, the use of financial derivatives or otherwise;
- to advance, lend or deposit money or give credit to or with or to subscribe to or purchase any debt instrument issued by any Luxembourg or foreign entity on such terms as may be thought fit and with or without security;
- to enter into any hedge agreement, as well as into any guarantee, pledge or any other form of security, whether by personal covenant or by mortgage or charge upon all or part of the undertaking, property assets (present or future) or by all or any of such methods, for the performance of any contracts or obligations of the Company and of any of the Connected Companies, within the limits of and in accordance with the provisions of Luxembourg Law;

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

**EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**31 DECEMBER 2020 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) General Principles**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the amended Law of December 19, 2002, determined and applied by the Board of Managers.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the year in which the assumptions changed.

Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**b) Foreign currency translation**

The Company maintains its books and records in Euro ("EUR") and the annual accounts are expressed in this currency. Transactions in currencies other than EUR are translated into EUR at the exchange rates effective at the time of the transaction.

Long-term assets and liabilities expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets and liabilities are translated at the exchange rate effective at the balance sheet date. Realised exchange gains or losses are recorded in the profit and loss account.

Cash at bank, cash in postal cheque accounts, cheques and cash in hand is translated at the exchange rate effective at the balance sheet date. Exchange gains and losses for the year are recorded in the profit and loss account.

Short term debtors and creditors are, according to their liquid criteria, translated on the basis of the exchange rate effective at the balance sheet date. The realised exchange gains and losses are recognised in the profit and loss account.

Other assets and liabilities are translated separately, respectively, at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recognised in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the time of their realisation.



**EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**31 DECEMBER 2020 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Derivative financial instruments**

The derivative financial instruments entered into by the Company are recorded at fair value. Gains and losses arising from changes in their fair value are included in the profit and loss account in the period in which they arise.

Gains and losses arising from redemption or termination of the Company's hedging swap agreements are included in the profit and loss account in the period in which they arise. Hedging swap agreements are derecognised when the rights to receive cash flows from, or obligations to pay to them have expired or the Company has transferred substantially all risks and rewards of ownership.

**d) Financial assets**

Financial assets are stated at purchase price or nominal value including the expenses incidental thereto. In case of durable depreciation in value according to the opinion of the Managers, value adjustments are made in respect of financial assets, so that they are valued at the lower amount of amortised cost using the effective interest rate method on the basis of the fair market value of each individual asset at balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**e) Tracking Bonds**

Tracking Bonds are initially recorded at nominal value. Tracking Bonds are subsequently valued at their repayable amount.

**f) Formation expenses**

The costs related to the formation of the Company have been recorded directly in the profit and loss account in the period they were incurred.

**g) Expenses**

Expenses are charged in the period to which they relate.

**h) Income**

Income is recognised on an accrual basis.

**i) Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if their reasons for which the value adjustments were made have ceased to apply.

**EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**31 DECEMBER 2020 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Cash at bank and cash in hand**

Cash at bank is valued at the closing date of the financial statements. Consequently, realised exchange gains and losses and unrealised exchange losses are accounted for in the profit and loss account.

**3. FINANCIAL ASSETS**

As at 31 December 2020, the company invests in the following:

	Opening balance 1 January 2020 EUR	Acquisitions during during the period EUR	Repayments during during the period EUR	Amortisation of arrangement fees EUR	Foreign Exchange gain/loss EUR	Impairment EUR	Closing balance 31 December 2020 EUR
Alberta Properties Limited	6,660,781	-	-	22,573	(364,727)	-	6,318,627
Caldas Sarl	25,348,091	-	(25,714,802)	366,711	-	-	-
ELP Property Partners	12,776,716	-	-	31,433	(699,658)	-	12,108,491
Associate Properties	21,676,202	-	-	58,972	(1,186,976)	-	20,548,198
IRAF Gordon S.A.R.L.	17,567,521	-	-	60,694	(961,936)	-	16,666,279
Hotel & Conference Centre Sitges S.L.	34,340,952	748,012	(187,500)	78,383	-	-	34,979,847
Afrodite SPV S.a.r.l	28,755,598	-	(361,955)	35,114	-	-	28,428,757
Guestford Limited	19,810,069	-	(120,001)	(2,718)	-	-	19,687,350
Adelaide Estates Limited	18,708,330	-	-	68,123	(1,024,599)	-	17,751,854
RockSpring HBOS FSPS Supermarkets Spain	6,940,701	-	-	13,691	-	-	6,954,392
Shaviram Silbury Limited	9,406,383	-	(91,833)	26,038	(513,977)	-	8,826,611
Ready Steady Store	6,145,444	-	-	3,352	(336,787)	-	5,812,009
	<u>208,136,788</u>	<u>748,012</u>	<u>(26,476,091)</u>	<u>762,366</u>	<u>(5,088,660)</u>	<u>-</u>	<u>178,082,415</u>

The characteristics of 'other loans' are as follows:

	Total closing loan balance EUR	Cash interest rate	Other fees rate	Maturity
Alberta Properties Limited	6,318,627	3.95%	0.00%	08/12/2022
ELP Property Partners	12,108,491	4.75%	0.00%	21/02/2022
Associate Properties	20,548,198	4.50%	0.00%	06/03/2022
IRAF Gordon S.A.R.L.	16,666,279	5.00%	0.00%	12/04/2022
Hotel & Conference Centre Sitges S.L.	34,979,848	4.25%	0.00%	29/06/2023
Afrodite SPV S.a.r.l	28,428,757	3.96%	0.00%	29/04/2022
Guestford Limited	19,687,349	5.00%+ EURIBOR	0.00%	05/07/2023
Adelaide Estates Limited	17,751,854	4.10%	0.00%	08/12/2022
RockSpring HBOS FSPS Supermarkets Spain	6,954,392	4.00% + EURIBOR	0.00%	20/01/2024
Shaviram Silbury Limited	8,826,611	4.75%	0.00%	28/01/2024
Ready Steady Store	5,812,009	3.25% + LIBOR	0.00%	24/01/2022
	<u>178,082,415</u>			

The Managers considered all factors that affects valuation and noted that the cost of the financial assets as at 31 December 2020 is not materially different from the fair value and that there is no indication of durable depreciation in value.

**EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**31 DECEMBER 2020 (continued)**

**4. CURRENT ASSETS**

Debtors

Amounts owed by affiliated undertakings

	31 December 2020	31 December 2019
	EUR	EUR
Amount owed by European Real Estate Senior Debt 3 L.P.	-	1,439,346
Tracking Bond Interest due back from European Real Estate Senior Debt 3 L.P.	6,186,721	-
	<u>6,186,721</u>	<u>1,439,346</u>

Investments

As at 31 December 2020, the Company invests in the following:

	Opening balance 1 January 2020	Acquisitions during the period	Repayments during the period	Amortisation of arrangement fees	Foreign Exchange gain/loss	Impairment	Closing balance 31 December 2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
BE Wolverhampton BV	4,532,942	29,424	-	(2,679)	(247,989)	(3,139,616)	1,172,082
Infrared UK Retail 2 Limited Partnership	11,444,981	315,416	-	56,369	(621,218)	(6,995,665)	4,199,883
Lingfield Point	12,631,589	-	-	22,009	(691,998)	-	11,961,600
	<u>28,609,512</u>	<u>344,840</u>	<u>-</u>	<u>75,699</u>	<u>(1,561,205)</u>	<u>(10,135,281)</u>	<u>17,333,565</u>

The characteristics of 'loans and claims held as fixed assets' are as follows:

	Total closing loan balance	Cash interest rate	Other fees rate	Maturity
	EUR			
BE Wolverhampton BV	1,172,082	2.65% + LIBOR	0.85%	20/10/2020
Infrared UK Retail 2 Limited Partnership	4,199,883	4.50% + LIBOR	0.00%	25/12/2020
Lingfield Point	<u>11,961,600</u>	3.75% + LIBOR	0.00%	20/07/2021
	<u>17,333,565</u>			

In calculating the impairment, the Company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data. As at 31 December 2020, the impairment arising from Centre and Kestrel is EUR 10,135,281. The Centre and Kestrel loans are secured by shopping centres in the UK. The UK retail sector is suffering and several large retailers have gone into liquidation or closed stores as part of a restructuring, which has impacted upon the lease space within the shopping centre and has therefore decreased the collateral value which has led to the impairment. In relation to the Kestrel loan, receivership has been entered into to enhance the realization of assets.

Other Debtors

	31 December 2020	31 December 2019
	EUR	EUR
Fees receivable	21,877	-
Interest receivable and purchased PIK from financial assets	1,745,726	2,063,231
Costs withheld on behalf of borrower	1,498	30,513
	<u>1,769,101</u>	<u>2,093,744</u>

Costs withheld on behalf of the borrower, consist of amounts paid to the Company by the borrowers. The Company utilise the funds to pay for fees and expenses, directly linked to the arrangement of the loans to the borrowers. They are included in the debtors as the Company has paid more expenses than was originally withheld. It is expected for the costs to be expensed to the borrower.

As at 31 December 2020, the Company also has accrued interest receivable and purchased PIK from the financial assets amounting EUR 1,745,726 (2019: EUR 2,063,231).

# **EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**

## **NOTES TO THE ANNUAL ACCOUNTS**

**31 DECEMBER 2020 (continued)**

### **5. PREPAYMENTS**

As at 31 December 2020, prepayments were as follows:

	31 December 2020	31 December 2019
	EUR	EUR
Prepaid tracking bond listing fees	4,050	1,063
	<u>4,050</u>	<u>1,063</u>

### **6. CAPITAL AND RESERVES**

As at 31 December 2020, the fully paid-in share capital amounted to EUR 12,500, consisting of 12,500 shares with a nominal value per share of EUR 1.

During the financial year ended 31 December 2020, the Company did not acquire nor dispose of any of its own shares and the Company did not hold any of its own shares at 31 December 2020.

Under Luxembourg law, an amount equal to at least 5% of the annual net income must be allocated to a legal reserve until such reserve equals 10% of the paid-in share capital. This reserve is not available for dividend distribution.

### **7. CREDITORS**

#### **Amounts owed to affiliated undertakings**

Due and payable within one year

	31 December 2020	31 December 2019
	EUR	EUR
Tracking Bond interest payable to European Real Estate Senior Debt 3 LP	-	4,932,675
	<u>-</u>	<u>4,932,675</u>

The tracking bonds accrue fixed interest at a rate of 0.5% of the Issue Price, computed on the basis of a 365 days year. The tracking bonds also accrue a coupon which is calculated as the income & gains of the Company, less all realised losses & losses carried forward and all issuer expenses including the fixed interest. The accrued unpaid fixed interest for the year ended 31 December 2020 amounts to EUR Nil (2019: Nil).

The tracking bonds also accrue a variable coupon which is calculated as all income less losses, less the gross margin and all issuer expenses. The coupon accrued as at 31 December 2020 is EUR Nil (2019: EUR 4,932,675), a portion of the variable accrued interest is due back from European Real Estate Senior Debt 3 LP due to the impairment at year end causing a significant loss in the P&L, please refer to note 4.

Due and payable after one year

	31 December 2020	31 December 2019
	EUR	EUR
Tracking Bonds issued to European Real Estate Senior Debt 3 LP	202,887,280	237,864,117
Fair Value adjustment on Tracking Bonds	(1,117,060)	-
	<u>201,770,220</u>	<u>237,864,117</u>

As at 31 December 2020, amounts due and payable after more than one year is EUR 201,770,220 (2019: EUR 237,864,117) which relates to tracking bonds issued to European Real Estate Senior Debt 3 LP, a Cayman Islands registered Limited Partnership, pursuant to the tracking bonds agreement dated 26 July 2016 and as amended from time to time.

# **EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**

## **NOTES TO THE ANNUAL ACCOUNTS**

**31 DECEMBER 2020 (continued)**

### **7. CREDITORS (continued)**

Amounts owed to affiliated undertakings (continued)

The nominal value of tracking bonds is EUR 202,887,280 however due to impairments made in financial assets at 31 December 2020, the Company recognized a loss. Pursuant to the tracking bond terms and conditions, the bonds are limited recourse the repayable amount of the Company's financial liabilities are dependent upon and equal to the fair value of all the financial assets designated at fair value through profit or loss.

#### Other creditors

Due and payable within one year

	31 December 2020	31 December 2019
	EUR	EUR
Professional fees	67,449	79,890
Administration fees	8,239	9,115
Tax Payable	13,967	13,967
Fair value of derivative contracts	1,850,594	1,226,862
CCSS fees	733	381
	<u>1,940,982</u>	<u>1,330,215</u>

Costs withheld on behalf of the borrower, consist of amounts paid to the Company by the borrowers. The Company utilise the funds to pay for fees and expenses, directly linked to the arrangement of the loans to the borrowers.

### **8. OTHER EXTERNAL EXPENSES**

	31 December 2020	31 December 2019
	EUR	EUR
Professional fees	27,227	92,400
Administration fees	49,752	55,915
Bank charges	6,547	9,018
	<u>83,526</u>	<u>157,333</u>

### **9. STAFF COSTS**

During the year the Company had four employees, the total staff salaries for the year amounted to EUR 25,654 (2019: EUR 16,410).

The Company paid social security costs on behalf of the employees amounting to EUR 2,784 (2019: EUR 2,452).

### **10. INCOME FROM PARTICIPATING INTERESTS**

Income from participating interest for the year ending 31 December 2020, is as follows:

	31 December 2020	31 December 2019
	EUR	EUR
Interest income	<u>10,598,139</u>	<u>11,669,572</u>
	<u>10,598,139</u>	<u>11,669,572</u>

**EUROPEAN REAL ESTATE SENIOR DEBT 3 S.à r.l.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**31 DECEMBER 2020 (continued)**

**11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

Other interest receivable and similar income is made up of the foreign exchange gains for the year from the translation of the GBP investments into EUR at the exchange rates effective at the time of the transaction. The gain for the year amounts to EUR 718,532 (2019: EUR 175,920).

**12. INTEREST PAYABLE AND SIMILAR EXPENSES**

Interest payable and similar expenses concerning affiliated undertakings is the fixed interest accrued on the tracking bonds, the tracking bonds accrue fixed interest at a rate of 0.5% of the issue price. The fixed interest expense for the year is EUR 1,014,436 (2019: EUR 1,206,922). The tracking bonds also accrue a variable coupon based upon the below all income and gains arising from the investments held less all realised losses, less the Margin (11.25 b.p. per annum) and less all issuer expenses including but not limited to taxes and fixed interest. The variable coupon accrued for the year ended 31 December 2020 amounted to EUR Nil (2019: EUR 8,100,419).

Other interest and similar expenses is made up of the foreign exchange gains & losses on the derivatives held by the Company, the expense for the year ended 31 December 2020 amounts to EUR 1,117,368 (2019: 2,088,672).

**13. RELATED PARTY TRANSACTIONS**

Three Managers are also Directors of wholly owned subsidiaries of Sanne Fiduciary Services Limited. Administration fees for the year amounted to EUR 49,752 (2019: EUR 55,915) of which EUR 8,239 (2019: EUR 9,115) was still outstanding and payable to Sanne Fiduciary Services Limited as at 31 December 2020.

**14. TAXATION**

The Company is subject to all taxes applicable to Luxembourg *société à responsabilité limitée*.

The Company may be subject to Luxembourg VAT in respect of fees charged for certain services rendered to the Company. During the year the Company paid corporate tax amounting to EUR 67,018 (2019: EUR 71,554).

**15. POST BALANCE SHEET EVENTS**

There was a full repayment of GBP 18,468,000 relating to Project Jermyn on 20/01/2021.

There was a full repayment of GBP 15,000,000 relating to Project Gordon on 26/04/2021.

# **EUROPEAN REAL ESTATE SENIOR DEBT 2 S.à r.l.**

## **NOTES TO THE ANNUAL ACCOUNTS**

**31 DECEMBER 2020 (continued)**

### **16. EFFECTS DUE TO THE COVID-19 VIRUS**

The COVID-19 pandemic and measures taken by various governments worldwide to contain the virus can have a significant impact on the liquidity and/or solvency of the Company. The COVID-19 event creates uncertainty about long term outlook as measures taken might change, the disease might spread further, which could have an impact on the Company.

Although at this moment unknown there could be an impact in the following areas:

- Increased credit risk as counterparties fail to perform their obligations which could result in increased credit losses which impact the net assets attributable to the partners;
- Increased operational risk as the Company, the Investment advisor and service providers could suffer from the lack of availability of resources; and
- Increased liquidity risk as counterparties or financial institutions can come under financial distress.

The Company has existing measures in place as part of its internal control environment and has taken the following additional measures to manage these risks:

- A stricter risk and performance monitoring of the loan portfolio, frequent dialogues with the counterparties involved, more frequent creditworthiness assessment by loan agents and security agent.
- The Company, the Investment advisor and service providers all take measures to ensure flexible working by its staff. Adequate measures are taken on the relevant IT systems to ensure remote access to data and systems.



Hannah Hickey  
Manager