
DREOF II EUROPE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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DREOF II EUROPE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	S Kakar J Isoda D Boal (resigned 20 August 2021) J Krulick
Registered number	09899667
Registered office	Siguler Guff UK LLP, Brookfield House 4th Floor, 44 Davies Street London W1K 5JA
Independent auditor	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor 45 Pall Mall St James's London SW1Y 5JG

DREOF II EUROPE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business review

The Company invests in pooled investment vehicles (the "Portfolio Funds") managed by investment managers ("Portfolio Managers") and Direct Investments (together with Portfolio Funds, "Portfolio Investments"). Portfolio Investments typically involve direct or indirect equity interests in commercial properties and may also include interests in commercial mortgages and commercial mortgage-backed securities, as well as debt and equity securities of real estate operating companies and real estate investment trusts.

The Company earned distributions and interest from investments of \$5.4m (2019 - £14.5m).

Principal risks and uncertainties

The Company's Portfolio Investments are subject to the market and credit risk of those financial instruments held. At 31 December 2020, the Company's risk of loss related to any one Portfolio Investment is limited to its investment in or commitment to such Portfolio Investment.

The Company invests in real estate, which, in addition to having exposure to the general market risk factors is also subject to risks incidental to the ownership and operation of real estate. Such risks include, but are not limited to: local real estate conditions; the financial condition of tenants and buyers; fluctuations in rental rates, operating expenses, vacancies, and construction costs; the effect of leverage associated with project-level financing; and changes in the tax, real estate, environmental, and zoning laws and regulations.

The ongoing COVID-19 pandemic has created uncertainty and disruption in the global economy. The continued rapid development of this situation and uncertainty regarding potential economic recovery precludes any prediction as to the ultimate adverse impact of COVID-19 on financial market and economic conditions. The estimates and assumptions underlying these financial statements are based on the information available as of December 31, 2020, including judgments about the financial market and economic conditions which may change over time. Material post balance sheet information may be impactful to the judgements and estimates taken by management as of the reporting date.

Financial key performance indicators

Financial key performance indicators consist of internal rate of return, expense and net investment loss ratios.

Net internal rate of return from inception through December 31, 2020: 10.68% (2019: 12.91%)

Expense ratio for the year ended December 31, 2020: (6.98%) (2019: (6.91%))

Net investment loss ratio for the year ended December 31, 2020: 6.98% (2019: 6.91%)

This report was approved by the board and signed on its behalf.



.....
J Isoda
Director

Date: 1/26/2022

DREOF II EUROPE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors

The directors who served during the year were:

S Kakar
J Isoda
D Boal (resigned 20 August 2021)
J Krulick

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reporting currency

The financial information in these financial statements is denominated in US Dollars.

The equivalent sterling conversion rates were:

- At 31 December 2020 £1:\$1.365, average for the period £1:\$1.2841
- At 31 December 2019 £1:\$1.327, average for the period £1:\$1.2769

Results and dividends

The loss for the year, after taxation, amounted to \$11,781,667 (2019 - profit \$2,197,356).

During the year no dividends were declared (2019 - \$7,752,066).

DREOF II EUROPE HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Future developments

The directors aim to maintain the management policies currently in place. No significant changes are anticipated.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

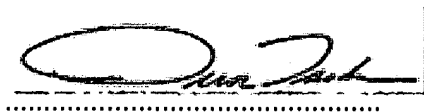
Post balance sheet events

Post balance sheet events are disclosed in note 22.

Auditor

The auditor, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



J Isoda
Director

Date: 1/26/2022

DREOF II EUROPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DREOF II EUROPE HOLDINGS LIMITED

Opinion

We have audited the financial statements of DREOF II Europe Holdings Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

DREOF II EUROPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DREOF II EUROPE HOLDINGS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

DREOF II EUROPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DREOF II EUROPE HOLDINGS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the nature of the industry and sector, control environment and business performance including the remuneration incentives and pressures of key management;
- the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We consider the results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and relevant tax legislation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial

DREOF II EUROPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DREOF II EUROPE HOLDINGS LIMITED
(CONTINUED)

Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Franks FCA (Senior Statutory Auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

45 Pall Mall
St James's
London
SW1Y 5JG

Date: 27/01/2022

DREOF II EUROPE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Administrative expenses		(3,059,204)	(174,316)
Operating loss	4	(3,059,204)	(174,316)
Income from fixed asset investments	7	4,767,937	14,530,049
Interest receivable and similar income	8	586,355	200
Interest payable and similar expenses	9	(6,823,230)	(6,603,867)
Fair value movements	11	(7,253,525)	(5,554,710)
(Loss)/profit before tax		(11,781,667)	2,197,356
(Loss)/profit for the financial year		(11,781,667)	2,197,356

There was no other comprehensive income for 2020 (2019:\$NIL).

The notes on pages 14 to 24 form part of these financial statements.

DREOF II EUROPE HOLDINGS LIMITED
REGISTERED NUMBER: 09899667

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Fixed assets			
Investments	11	102,294,742	106,309,196
		<u>102,294,742</u>	<u>106,309,196</u>
Current assets			
Debtors: amounts falling due within one year	12	111,531,838	102,549,733
Cash at bank and in hand	13	553,421	528,612
		<u>112,085,259</u>	<u>103,078,345</u>
Creditors: amounts falling due within one year	14	(34,017)	(12,150)
Net current assets		<u>112,051,242</u>	<u>103,066,195</u>
Total assets less current liabilities		<u>214,345,984</u>	<u>209,375,391</u>
Creditors: amounts falling due after more than one year	15	(89,650,022)	(73,639,729)
Net assets		<u><u>124,695,962</u></u>	<u><u>135,735,662</u></u>
Capital and reserves			
Called up share capital	18	119,889,040	119,147,073
Profit and loss account	19	4,806,922	16,588,589
		<u><u>124,695,962</u></u>	<u><u>135,735,662</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



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J Isoda
 Director

Date: 1/26/2022

The notes on pages 14 to 24 form part of these financial statements.

DREOF II EUROPE HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital \$	Profit and loss account \$	Total equity \$
At 1 January 2019	119,147,073	22,143,299	141,290,372
Comprehensive income for the year			
Profit for the year	-	2,197,356	2,197,356
Total comprehensive income for the year	-	2,197,356	2,197,356
Dividends: Equity capital	-	(7,752,066)	(7,752,066)
Total transactions with owners	-	(7,752,066)	(7,752,066)
At 1 January 2020	119,147,073	16,588,589	135,735,662
Comprehensive income for the year			
Loss for the year	-	(11,781,667)	(11,781,667)
Total comprehensive income for the year	-	(11,781,667)	(11,781,667)
Shares issued during the year	741,967	-	741,967
Total transactions with owners	741,967	-	741,967
At 31 December 2020	119,889,040	4,806,922	124,695,962

The notes on pages 14 to 24 form part of these financial statements.

DREOF II EUROPE HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 \$	2019 \$
Cash flows from operating activities		
(Loss)/profit for the financial year	(11,781,667)	2,197,356
Adjustments for:		
Interest paid	6,823,230	6,603,867
Income from investments	(5,354,292)	(14,530,249)
(Increase) in amounts owed by groups	(8,982,105)	(23,083,324)
Increase/(decrease) in creditors	21,855	(12,906)
Net fair value losses recognised in P&L	7,253,525	5,554,710
Unrealised FX movements	2,993,066	-
Net cash generated from operating activities	(9,026,388)	(23,270,546)
Cash flows from investing activities		
Purchase of unlisted and other investments	(371,384)	(2,505,044)
Sale of unlisted and other investments	3,966,383	20,666,266
Purchase of fixed asset investments	(1,236,421)	(2,254,426)
Sale of fixed asset investments	596,348	1,105,021
Interest received	586,355	200
Income from investments	4,767,937	14,530,049
Net cash from investing activities	8,309,218	31,542,066

DREOF II EUROPE HOLDINGS LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 \$	2019 \$
Cash flows from financing activities		
Issue of ordinary shares	741,967	-
Other new loans	6,823,230	6,603,867
Dividends paid	-	(7,752,066)
Interest paid	(6,823,230)	(6,603,867)
Net cash used in financing activities	<u>741,967</u>	<u>(7,752,066)</u>
Net increase in cash and cash equivalents	<u>24,797</u>	<u>519,454</u>
Cash and cash equivalents at beginning of year	528,612	9,158
Cash and cash equivalents at the end of year	<u><u>553,409</u></u>	<u><u>528,612</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	553,421	528,612
Bank overdrafts	(12)	-
	<u><u>553,409</u></u>	<u><u>528,612</u></u>

The notes on pages 14 to 24 form part of these financial statements.

DREOF II EUROPE HOLDINGS LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020

	At 1 January 2020 \$	Cash flows \$	Acquisition and disposal of subsidiaries \$	Other non- cash changes \$	At 31 December 2020 \$
Cash at bank and in hand	528,612	664,885	(640,076)	-	553,421
Bank overdrafts	-	(12)	-	-	(12)
Debt due after 1 year	(73,639,730)	-	-	(7,387,381)	(81,027,111)
Debt due within 1 year	-	(6,823,229)	-	(1,799,682)	(8,622,911)
	<u>(73,111,118)</u>	<u>(6,158,356)</u>	<u>(640,076)</u>	<u>(9,187,063)</u>	<u>(89,096,613)</u>

The notes on pages 14 to 24 form part of these financial statements.

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

DREOF II Europe Holdings Limited is a company incorporated and domiciled in the UK, registered in England and Wales.

Its registered office can be found on the Company Information page.

The principal activity of the company is to hold European real estate investments on behalf of the Siguler Guff Distressed Real Estate Opportunities Fund Group.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements as all of its subsidiaries are required to be excluded from consolidation by section 402 of the Companies Act 2006 as the interest of the parent company is held exclusively with a view to subsequent disposal in accordance with Section 405(3)(c).

2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes the company's ability to continue trading (and thus pay its debts as they fall due) for the foreseeable future. The Company's activities comprise investing in an investment portfolio on behalf of the participating funds which hold equity and loan capital in the company. The losses reported in the financial statements, which nevertheless show positive net assets at the balance sheet date, arise mainly through fair value movements. As such, those losses have no direct cash flow implication, and do not therefore affect the liquidity of the company. Where fair value movements reflect losses in investment assets, such that further calls might be made on capital, the company is supported either by commitments to contribute further capital by participating funds, or by the option not to provide further calls on capital. In either case, therefore, the liability of the company to contribute to any losses in value in its investment portfolio is limited by the amounts actually contributed. On this basis, the directors consider that the going concern basis is appropriate for the preparation of the financial statements.

DREOF II EUROPE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is US dollars ("USD").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings in the period in which it is incurred.

2.6 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings in the period in which it is due. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.7 Valuation of investments

Investments in Company shares, are remeasured to fair value at each balance sheet date. Gains and losses on remeasurement are recognised in profit and loss for the period.

The Company records its Portfolio Fund investments at fair value in accordance with FRS 102. Such values generally represent the Company's share in the net assets of the Portfolio Funds as reported by the respective Portfolio Manager. The directors use the valuations provided by the Portfolio Managers as a basis for the Company's valuations, but are not bound by such valuations.

Direct Investments where market quotations for securities of the same issue are readily available on an exchange are marked-to-market at the closing price on the financial statement date. Direct Investments of debt, equity and other instruments that are not traded on an exchange are generally valued using three midmarket quotations that are provided by third party broker-dealers, when available. Should three midmarket quotations not be available, a third party market pricing aggregation service may be used to value the Direct Investment. The third party market pricing aggregation service averages a collection of quotations provided by third party broker-dealers. Direct Investments for which market quotations are not available per the methods stated above are valued at such estimated fair value as the directors determine in good faith. Such securities are typically valued initially at cost, which approximates fair value, with subsequent adjustments determined by the directors based on the best available information.

2.8 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.11 Financial instruments

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgments or estimations are necessarily applied are summarised below.

Valuation of Investments

The Company recognises its Portfolio Fund investments at fair value in accordance with FRS 102. Such values generally represent the Company's share in the net assets of the Portfolio Funds as reported by the respective Portfolio Manager. The directors use the valuations provided by the Portfolio Managers as a basis for the Company's valuations, but are not bound by such valuations. The directors have reviewed information provided by the Portfolio Managers as of 31 December 2020 for each respective Portfolio Fund. After reviewing such information, the Company has valued its investment in each Portfolio Fund using the respective Portfolio Funds' net asset value without any adjustment.

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Operating loss

The operating loss is stated after charging:

	2020	2019
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	9,555	7,829
Exchange differences	3,029,731	148,171
	<u>3,039,286</u>	<u>156,000</u>

5. Auditor's remuneration

	2020
	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	9,555
	<u>9,555</u>
Fees payable to the Company's auditor and its associates in respect of:	
Taxation compliance services	6,825
All other services	1,502
	<u>8,327</u>

6. Employees

The Company has no employees other than directors, who did not receive any remuneration (2019 - \$nil).

7. Income from investments

	2020	2019
	\$	\$
Income from fixed asset investments	4,767,937	14,530,049
	<u>4,767,937</u>	<u>14,530,049</u>

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Interest receivable

	2020 \$	2019 \$
Other interest receivable	586,355	200
	<u>586,355</u>	<u>200</u>

9. Interest payable and similar expenses

	2020 \$	2019 \$
Other loan interest payable	6,823,230	6,603,867
	<u>6,823,230</u>	<u>6,603,867</u>

10. Dividends

	2020 \$	2019 \$
D Shares	-	2,730,454
E Shares	-	3,325,871
F1 Shares	-	275,565
F2 Shares	-	196,859
H Shares	-	666,964
K Shares	-	556,353
	<u>-</u>	<u>7,752,066</u>

DREOF II EUROPE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Fixed asset investments

	Investments in subsidiary companies \$	Unlisted equity investments \$	Total \$
Cost or valuation			
At 1 January 2020	85,189,504	21,119,692	106,309,196
Additions	1,236,421	371,384	1,607,805
Disposals	(596,345)	(3,966,383)	(4,562,728)
Foreign exchange movement	5,081,990	1,112,007	6,193,997
Revaluations	(4,947,615)	(2,305,913)	(7,253,528)
At 31 December 2020	<u>85,963,955</u>	<u>16,330,787</u>	<u>102,294,742</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Holding
DREOF II UK Meridia Holdings I Limited	100%
DREOF II UK Meridia Holdings II Limited	100%
DREOF II UK Meridia Holdings III Limited	100%
SG-Praxis Real Estate Venture, LP	95%
Union Real Estate, LP	85%
Union Real Estate B, LP	100%

12. Debtors

	2020 \$	2019 \$
Amounts owed by participators	111,525,851	102,543,746
Other debtors	5,987	5,987
	<u>111,531,838</u>	<u>102,549,733</u>

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	553,421	528,612
Less: bank overdrafts	(12)	-
	<u>553,409</u>	<u>528,612</u>

14. Creditors: Amounts falling due within one year

	2020	2019
	\$	\$
Bank overdrafts	12	-
Accruals and deferred income	34,005	12,150
	<u>34,017</u>	<u>12,150</u>

15. Creditors: Amounts falling due after more than one year

	2020	2019
	\$	\$
Other loans	89,650,022	73,639,729
	<u>89,650,022</u>	<u>73,639,729</u>

The company has issued €49,218,879 12% loan notes redeemable on 3 February 2026. At the balance sheet date the full amount remained outstanding and is included in other loans due after more than one year totalling \$60,165,010. At the balance sheet date, interest totalling \$29,485,012 has been accrued and is included in loans from group companies falling due after more than one year.

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16. Loans

Analysis of the maturity of loans is given below:

	2020 \$	2019 \$
Amounts falling due after more than 5 years		
Other loans	89,650,022	73,639,730
	<u>89,650,022</u>	<u>73,639,730</u>

17. Financial instruments

	2020 \$	2019 \$
Financial assets		
Financial assets measured at fair value through profit or loss	<u>102,848,163</u>	<u>106,837,809</u>

Financial assets measured at fair value through profit or loss comprise investments in subsidiaries and unlisted investments

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. Share capital

	2020 \$	2019 \$
Allotted, called up and fully paid		
1 (2019 - 1) A1 share of €1.00	1	1
2 (2019 - 2) A2 shares of €1.00 each	2	2
2,665,451 (2019 - 2,665,451) B shares of €1.00 each	2,874,745	2,874,745
3 (2019 - 3) C shares of £1.00 each	5	5
26,389,842 (2019 - 26,389,842) D shares of €1.00 each	29,263,147	29,263,147
699,722 (2019 - 3) E shares of €1.00 each	741,970	3
127,304,402 (2019 - 127,304,402) F1 shares of NOK1.00 each	15,154,279	15,154,279
90,931,721 (2019 - 90,931,721) F2 shares of NOK1.00 each	10,824,486	10,824,486
3,584,385 (2019 - 3,584,385) G shares of NOK1.00 each	423,972	423,972
26,405,726 (2019 - 26,405,726) H shares of £1.00 each	35,376,186	35,376,186
12,385,083 (2019 - 12,385,083) I shares of £1.00 each	16,605,717	16,605,717
62,127,120 (2019 - 62,127,120) K shares of NOK1.00 each	7,371,196	7,371,196
1,071,394 (2019 - 1,071,394) L shares of €1.00 each	1,253,334	1,253,334
	<u>119,889,040</u>	<u>119,147,073</u>

During the year, 699,719 E shares of €1 each were issued at par.

19. Reserves

Profit and loss account

The profit and loss account includes all current period retained profits. Of the retained profits, an amount of \$4,806,922 (2019 - £16,588,589) relates to unrealised profits which are not generally available for distribution.

20. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020 \$	2019 \$
Contracted for but not provided in these financial statements	14,886,698	14,698,747
	<u>14,886,698</u>	<u>14,698,747</u>

DREOF II EUROPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

21. Related party transactions

During the period, the company was charged interest totalling \$6,823,230 (2019 - \$6,603,867) on debt instruments issued to its controlling party. At the balance sheet date \$21,875,829 (2019 - \$28,904,016) was due from the controlling parties.

During the period, income of \$4,007,200 (2019 - \$2,102,484) was received through distributions made by subsidiary entities in which the company has significant control. At the balance sheet date \$nil (2019 - \$nil) was owed to the company in respect of these distributions.

During the period, income of \$760,737 (2019 - \$12,427,565) was received through distributions made by entities in which the company has an investment but does not have significant control. At the balance sheet date \$nil (2019 - \$nil) was owed to the company in respect of these distributions.

During the period, no key management personnel received remuneration from the company.

22. Post balance sheet events

Since the balance sheet date, a storm caused structural damage and the partial collapse of the roof of a property owned by a participation representing a significant part of the Company's investment. In addition, there was a fire at this building that worsened the damage. At the date of these financial statements, discussions with the insurance company were ongoing to ensure that it bears the cost of the damages in accordance with the insurance policy.

23. Controlling party

The company is jointly controlled by Siguler Guff Distressed Real Estate Opportunities Fund II LP, Siguler Guff Distressed Real Estate Opportunities Fund II (E) LP and Siguler Guff Distressed Real Estate Opportunities Fund II (T) LP. All entities were incorporated in the United States of America.

The directors believe that there is no ultimate controlling party.