



Interim Financial Report and Unaudited Condensed Consolidated Financial Statements

for the six-month period from 1 January 2021 to 30 June 2021



Overview

Corporate Summary	2
Chairman's Statement	3
Investment Manager's Report	8
Principal Risks	20

Governance

Board of Directors	22
Statement of Directors' Responsibilities	23

Interim Financial Statements

Independent Review Report	25
Unaudited Condensed Consolidated Statement of Comprehensive Income	26
Unaudited Condensed Consolidated Statement of Financial Position	27
Unaudited Condensed Consolidated Statement of Changes in Equity	28
Unaudited Condensed Consolidated Statement of Cash Flows	29
Notes to the Unaudited Condensed Consolidated Financial Statements	30

Further Information

Alternative Performance Measures	48
Corporate Information	52

CONTENTS

Corporate Summary

PRINCIPAL ACTIVITIES AND 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 in the UK and the European Union’s internal market.

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

STRUCTURE

The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 9 November 2012 with registered number 55836, and has been authorised by the Guernsey Financial Services Commission (“GFSC”) as a registered closed-ended investment company. The Company’s ordinary shares were first admitted to the premium segment of the UK’s Financial Conduct Authority’s Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering 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 issued capital during the period comprises the Company’s Ordinary Shares denominated in Sterling.

The Company received authority at the 2020 Annual General Meeting (“AGM”), to purchase up to 14.99 per cent of the Ordinary Shares in issue on 8 June 2020 and since then, in August 2020, the Board engaged Jefferies International Limited as buy-back agent to effect share buy backs on behalf of the Company. During the third and fourth quarters of 2020 the Company bought back 3,648,125 shares at an average cost per share of 86.9 pence per share and these shares are held in treasury. During January 2021 the Company bought back 660,000 Ordinary Shares at an average price of 89.54 pence per share. Ordinary shares bought back are held in treasury. Share buy backs are subject to sufficient cash being available. This authority was renewed at the 2021 AGM with the Company receiving authority to purchase up to 14.99 per cent of Ordinary Shares in issue on 15th June 2021 (which was 408,911,273 Ordinary Shares), as 4,308,125 Ordinary Shares have already been bought back as described above and are being held in treasury.

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).

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

Chairman's Statement

Dear Shareholder,

I am delighted to present the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements of Starwood European Real Estate Finance Limited (the "Group") for the period from 1 January 2021 to 30 June 2021.

This half year has been a period of consolidation following a turbulent period in the market and for the share price of the Company, although not, it must be said, a turbulent time for the Group's NAV which has once again remained stable throughout. Ultimately, the period under discussion demonstrated the positive fundamentals of the Group's portfolio as an exceptionally attractive risk-adjusted source of alternative income tested in the harshest of market environments. Against these market challenges, the Group not only maintained a stable NAV but also met its dividend targets, delivering an annualised 5.5 pence per share to shareholders. The Board continues to monitor share price moves and has been pleased recently with the reaction to the "back to work" agenda. In the earlier part of the period however, share buybacks had been used on occasion to correct shorter term demand and supply imbalances. Investors now have more clarity that economies are working their way out of Covid-19, and they are gradually recognising the value in the portfolio currently. At the same time, the Investment Manager is seeing the strongest pipeline of available transactions since the Group's inception (partially as a result of post Covid-19 opportunities) providing compelling opportunities for value creation.



STEPHEN SMITH | Chairman
6 September 2021

HIGHLIGHTS OVER THE SIX MONTHS TO 30 JUNE 2021

- **Income stability** - all loan interest and scheduled amortisation payments received in full and on time
- **Strong cash generation** - the portfolio continues to support annual dividend payments of 5.5 pence per share, paid quarterly, and generates an annual dividend yield of 5.9 per cent on the share price as at 30 June 2021
- **Robust portfolio** - despite pandemic-related disruption, the portfolio continues to perform in line with expectations
- **Borrowers remain adequately capitalised** and are expected to continue to pay loan interest and capital repayments in line with contractual obligations
- On 22 April 2021 the Group announced that it had closed a £26.6 million floating rate whole loan secured by a portfolio of four UK life science properties
- **8 per cent** – Share price total return during the six months ended 30 June 2021
- **46.5 per cent** – Share price total return since inception in December 2012
- The Investment Manager believes the current investment pipeline is the strongest since the Company was established

Post 30 June 2021 the Group announced that it had closed a £13.5 million floating rate whole loan secured by a portfolio of a hotel and office complex in Northern Ireland.

Chairman's Statement

INVESTMENT PERFORMANCE

INTEREST & AMORTISATION PAYMENTS

All loan interest and scheduled amortisation payments to date have been received in full and on time. This includes loans in sectors that have been most impacted by the pandemic, namely, hospitality and retail assets, where borrowers continue to remain adequately capitalised as previously reported.

STRONG CASH GENERATION

The portfolio performance continues to support the targeted annual dividend payments of 5.5 pence per share, paid quarterly.

INVESTMENT MOMENTUM

The table below summarises the new commitments made and repayments received in the first six months of each year from 2017 to 2021.

	H1 2017	H1 2018	H1 2019	H1 2020	H1 2021
New Commitments	£115.5m	£147.5m	£49.9m	£72.7m	£26.6m
Repayments & Amortisation	(£85.2m)	(£74.1m)	(£45.9m)	(£65.3m)	(£45.8m)
Net Increase / (Decrease) in Commitments	£30.3m	£73.4m	£4.0m	£7.4m	(£19.2m)

The net change in commitments during the first half of 2021 have fallen for the first time. This is not surprising as activity in the Company's investment markets dropped during the Covid-19 pandemic and is only now recovering. Repayments in 2020 in total were significantly lower than in most previous years as it took borrowers longer to sell or execute their business plans and the opportunities to refinance following completion of business plans were much more limited and continue to be a little subdued as shown above. Importantly, the Group remains close to fully invested, with an outstanding pipeline of new loans, all of which supports the Company's income generation going forward.

As at 30 June 2017 to 2021 the Group had commitments as shown in the table below.

	June 2017	June 2018	June 2019	June 2020	June 2021
Funded loans	£390.7m	£429.9m	£447.0m	£447.5m	£418.5m
Unfunded Commitments	£5.4m	£42.2m	£31.9m	£67.2m	£36.8m
Total Commitments	£396.1m	£472.1m	£478.9m	£514.7m	£455.3m

Subsequent to 30 June 2021 to the date of these Interim Financial Statements the following two significant changes to the portfolio were made:

NEW LOAN: OFFICE AND HOTEL, NORTHERN IRELAND

On 21 July 2021 the Group announced that it had closed a £13.5 million floating rate whole acquisition loan secured by a portfolio of a mixed use hotel and office property.

REPAYMENT OF LOAN: HOTEL, SPAIN

On 11 August 2021 the Group announced that during July 2021 it received the full and final repayment of its €54.2m loan on a resort hotel in Spain.

NAV PERFORMANCE

The table below shows the NAV per share achieved over the 6 months to 30 June 2021.

	January	February	March	April	May	June
Cum-dividend NAV per share (pence)	103.91	104.42	103.56	103.59	104.25	103.63

As anticipated, as shown above and as in the past, we are pleased to report that the Group's NAV has once again remained stable over the first half of the year demonstrating the highly resilient credentials of the asset class that contributes to its success as a reliable source of alternative income. We do not expect to see significant movements in NAV as the Group's loans are held at amortised cost and Euro exposures are hedged.

The NAV would be materially impacted if an impairment in the value of a loan was required but, despite the disruption to markets in general caused by the Covid-19 pandemic, no such impairment has been needed. Please refer to the Investment Manager's report on page 8 for detailed sector performance reporting, information on the accounting for our loans and the current loan to value position for the portfolio as a whole and for each sector.

SHARE PRICE PERFORMANCE

During the first half of 2021, the Company's shares returned 8.0 per cent on a total return basis with the share price trading between 84.2 pence and 94.0 pence and ending the half year at 94.0 pence, a 12-month high for the Company. Despite the Company having bought back 4,308,125 shares in the last twelve months to 30 June 2021, and the Board's regular deliberations about the use and appropriateness of share buybacks, it was decided that the general improvement in market sentiment and "return to work" theme was driving more positive investor sentiment resulting in no share buybacks since January 2021. Notwithstanding this, the Company renewed its authority to purchase up to 14.99 per cent of the Ordinary Shares in issue and may use this authority to address the imbalance in the demand and supply for shares where appropriate going forward.

As at 30 June 2021, the share price discount to the cum-dividend NAV was 9.3 per cent with an average discount to the cum-dividend NAV of 13.2 per cent over the half year. The Board and the Investment Manager and Adviser continue to believe that the shares represent very attractive value at this level as demonstrated by the previously disclosed personal purchases of shares by one of the Directors of the Company and by two senior employees of the Investment Adviser during the period.

Chairman's Statement

DIVIDENDS

The Directors declared dividends in respect of the first two quarters of 2021 of 1.375 pence per Ordinary Share, equating to an annualised 5.5 pence per annum. This was covered by earnings excluding unrealised foreign exchange movements. With the current portfolio and pipeline, and based on current forecasts, we expect the dividend to continue to be covered by earnings over the 12 months to 31 December 2021.

The Board and Investment Manager and Adviser recognise the importance of stable and predictable dividends for our shareholders. Accordingly, we hold a small dividend reserve (within retained earnings) of circa £2.9 million built up over several years which, if necessary, we will use to maintain the annual dividend at 5.5 pence per share for the foreseeable future. As a result of this, dividends have not been, and are not anticipated to be, paid out of capital reserves.

On the share price at 30 June 2021, a dividend of 5.5 pence per annum represents a 5.9 per cent dividend yield.

BOARD COMPOSITION AND DIVERSITY

In the full year financial statements to 31 December 2020 published in March the Board set out the next steps in the succession plans which I am pleased to report are now concluded with the appointment today of Gary Yardley (see note 16). In March we outlined that we envisaged a new director being appointed during the second half of 2021, my retirement from the Board in December 2021 and, having allowed for a period of handover to the new Board members, John Whittle's retirement from Board in December 2023. We sought independent recommendations on the best candidates.

The Board believes in the value and importance of diversity in the boardroom and it continues to consider the recommendations of the Davies, Hampton Alexander and Parker Reports and these recommendations were taken into account in its recruitment process for the appointment of a new director.

Having recently appointed Shelagh Mason and Charlotte Denton to the Board, secured John Whittle's involvement until December 2023 and with Gary Yardley now joining the Board, the Company believes that the Board is, and will continue to be, fully equipped with the necessary skills, experience, knowledge and diversity to facilitate the Board's succession process over the coming years.

GOING CONCERN

Under the UK Corporate Governance Code and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Group is a going concern.

The Directors have undertaken a comprehensive review of the Group's ability to continue as a going concern including assessing the 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, reviewing the going concern analysis prepared by the Investment Adviser and having reassessed the principal risks, 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 unaudited condensed consolidated financial statements were signed. A range of scenarios have been evaluated as part of this analysis. The worst case scenario evaluated was an interest payment default on all hotel and retail loans. In this scenario the Company was still able to meet its liabilities as they fall due although the dividend would need to be reduced to reflect the reduced cash received. Accordingly, the Directors continue to adopt a going concern basis in preparing these Unaudited Condensed Consolidated Financial Statements.

COVID-19 AND OUTLOOK

The Board is pleased that the diligent underwriting, loan structuring and active asset management of the Investment Manager and Adviser during this last turbulent 18 months has led to very robust performance of the loans during the period, meaning that all interest has been received in full and on time and no impairments have been required. Importantly, future interest payments continue to be expected to be received in full based on the forecast gradual continued easing of lockdowns across the UK and Europe. For further information on the performance of the various components of the portfolio during the last six months please refer to the Investment Manager's report on page 8.

The Investment Adviser is seeing a strong pipeline of opportunities as the markets continue to stabilise and will continue to apply its rigorous approach to the selection of appropriate opportunities as it re-invests capital into new opportunities. At 30 June 2021, the Group was very modestly levered with net debt of £9.6 million (2.3 per cent of NAV) and undrawn revolving credit facilities (see note 3.g) of the 2020 Annual Report for further information) of £115.0 million to fund existing commitments of circa £37 million. If the Group does not receive any further repayments this year, it means the Group has approximately £70 million of capacity for new loans.

The Board believes that the Company is well placed and that its portfolio and investment pipeline should, over the long term, continue to deliver an attractive risk-adjusted return led by a high level of income supported by a resilient asset class with a relatively low correlation to the broader financial markets. I would like to close by thanking you for your commitment and support.



Stephen Smith

Chairman

6 September 2021

Investment Manager's Report

MARKET SUMMARY AND INVESTMENT OUTLOOK

The largest vaccination campaign in history is underway. According to Bloomberg more than 4.95 billion doses have been administered across 183 countries as at 22 August 2021. The UK had been one of the clear leaders in vaccinations and for the reopening of the economy and society. As of 21st August 2021, in the UK 132 doses have been administered per 100 people, with 70 per cent of people having received a first dose, putting the UK ahead of the US, France and Germany. Ireland and Spain, however, are ahead of the UK. Ireland is at 134 doses per 100 people with 73 per cent having received a first dose and Spain is at 135 doses per 100 people with 76 per cent having received a first dose. The current pace of vaccination in Ireland is also ahead of the other European nations at 0.70 doses per 100 people per day compared with 0.66 for Spain, 0.64 for France, 0.33 for Germany, 0.31 for UK and only 0.27 for the US.

The UK reopening plan post pandemic restrictions that was set out in February has remained almost entirely on schedule. Earlier in the year we expected crowds of 10,000 people at mass events and the opening of short-haul travel later in the year. In sports we have seen progress to more than 60,000 people attending football's Euros final and a capacity crowd of 15,000 for the final weekend on centre court at Wimbledon. This has been enabled by checks on negative test results or vaccination status. In the hotel market we have seen the anticipated performance for UK leisure driven markets coming through as hotels were able to more fully open over the last weeks. One example of a strong leisure performance is the Bath market, where occupancy rates had been running lower than 30 per cent all year to May, which achieved occupancy percentage rates in the 80s during the half term week. While there will be some bumps in the road the general pace of opening for international travel is likely to be similarly facilitated by high levels of vaccination and advances in the tracking of testing and vaccination status.

Previously we commented on a change in sentiment back toward working from the office with a reduction from 69 per cent of CEOs of major companies to 17 per cent expecting to reduce office space between the third quarter of 2020 and the first quarter of 2021. Property Week now reports that the amount of office space available for sub-leasing in London has turned a corner as occupiers begin to U-turn on "knee-jerk" decisions made during the pandemic to sublet space. Savills' data shows that May saw the largest monthly decline in the total amount of tenant-controlled space on the market since March 2020, falling 7 per cent to 5.88 million square feet, although this figure is still 45 per cent higher than the long-term average. Savills' July data also shows West End investment market cumulative annual turnover of £2.1 billion is 38 per cent down on the five year average but comments that with over £2.5 billion of assets under offer it bodes well for a busy second half of the year. In the West End occupier market, while leasing pace is still off historical averages, the available supply in May dropped for the first time since August 2020 and Savills report that leasing activity is picking up. Following on from May, total available supply decreased further in June, reaching 7.8m sq ft, equating to a vacancy rate of 6.8 per cent.

We also commented previously on the leading indicators we were seeing in the hotel investment market in the last few months. Early indications for European second quarter hotel investment volumes are more than a 70 per cent increase quarter on quarter to over €3 billion. This is also over 70 per cent higher than the second quarter of 2020. There is still further to go to get back to the pre-pandemic level of €6 billion in the second quarter of 2019. Other positive indications are the number of large transactions in the market agreed in the second quarter which are likely to close in the third quarter, and, as with many other real estate markets, there is currently very strong demand and relatively low supply of product for sale.

We are also now seeing the beginning of investment market activity on the retail side. We expect to see a more positive sentiment on the retail investment market spread with increased data on post pandemic spending habits, followed by tenant activity then following through to the relevant investment markets. The British Retail Consortium reported retail sales were 6.4 per cent higher in July than in the same month one year ago. This is below the 3-month average growth of 14.7 per cent. UK retail warehouses are leading the way in the sector with Savills reporting the pandemic-related pause in transactional activity to be short-lived, with the investment market off to a good start to 2021 with £476 million of transactions in the first quarter. This is the largest volume of first quarter transactions since 2017 and is up 47 per cent on the same period in 2019. Yields have been moving rapidly and are tighter by as much as 75 basis points for prime assets since last year. The many different types of retail in Europe will move at differing paces and it will be interesting to see how momentum builds in this space.

Inflation has become a concern for markets with uncertainty about whether high short term readings will translate into longer term inflation. The markets are currently signalling that this is a short term effect with continued low long term bond yields. Evercore note the last time US short term inflation was this high, the ten year US treasury bond yielded 7.7 per cent whereas it is only 1.3 per cent today. If expectations changed on long term inflation then we would expect to see interest rate policy responses and in this case the Group's portfolio would benefit as 78 per cent of the portfolio is floating rate debt which would benefit from higher short term interest rates. While the income from floating rate loans would benefit from increases in rates, these loans all feature interest rate floors which protect income against very low interest rates. This results in an asymmetrically better upside to an increasing interest rate environment versus the downside of a decreasing interest rate environment from here. Capital markets generally have continued a positive trajectory. The FTSE 100, FTSE 250 and the iShares UK Property ETF are up 8.9 per cent, 9.2 per cent and 9.5 per cent respectively during the first half of 2021.

The trend in non-bank lending to the real estate market continues to be highlighted by data coming through from the Cass business school survey which is the most comprehensive survey of UK commercial real estate lending. The statistics provide a clear picture of the scale of the migration from domestic balance sheet lenders to other sources of capital in commercial real estate lending. In 2008 £170 billion of UK commercial real estate debt was held by UK banks and building societies. By the end of 2020 this had reduced to £77 billion. That corresponds to a reduction of market share from 66 per cent to 40 per cent. This trend is clearly being seen in the Group's pipeline which includes a diverse set of opportunities and is at the strongest level since the Group was established.

All of the above factors combined give us confidence of positive momentum in our markets and activity amongst our counterparties; we therefore expect our portfolio to continue to perform robustly and we expect to see further opportunities for loan origination.

Investment Manager's Report

PORTFOLIO STATISTICS

As at 30 June 2021, the portfolio was invested in line with the Group's investment policy. The key portfolio statistics are as summarised below.

	30 June 2021	30 June 2020
Number of investments	18	18
Percentage of currently invested portfolio in floating rate loans	78.3%	79.5%
Invested Loan Portfolio unlevered annualised total return ⁽¹⁾	6.6%	6.7%
Portfolio levered annualised total return ⁽¹⁾	6.8%	7.0%
Weighted average portfolio LTV – to Group first £ ⁽¹⁾	18.0%	18.4%
Weighted average portfolio LTV – to Group last £ ⁽¹⁾	63.5%	62.9%
Average loan term (stated maturity at inception)	4.7 years	4.4 years
Average remaining loan term	2.2 years	2.8 years
Net Asset Value	£423.7m	£430.1m
Amount drawn under Revolving Credit Facilities (excluding accrued interest)	(£11.0m)	(£24.1m)
Loans advanced	£420.8m	£448.9m
Cash	£1.4m	£9.0m
Other net assets (including hedges)	£12.5m	£3.8m

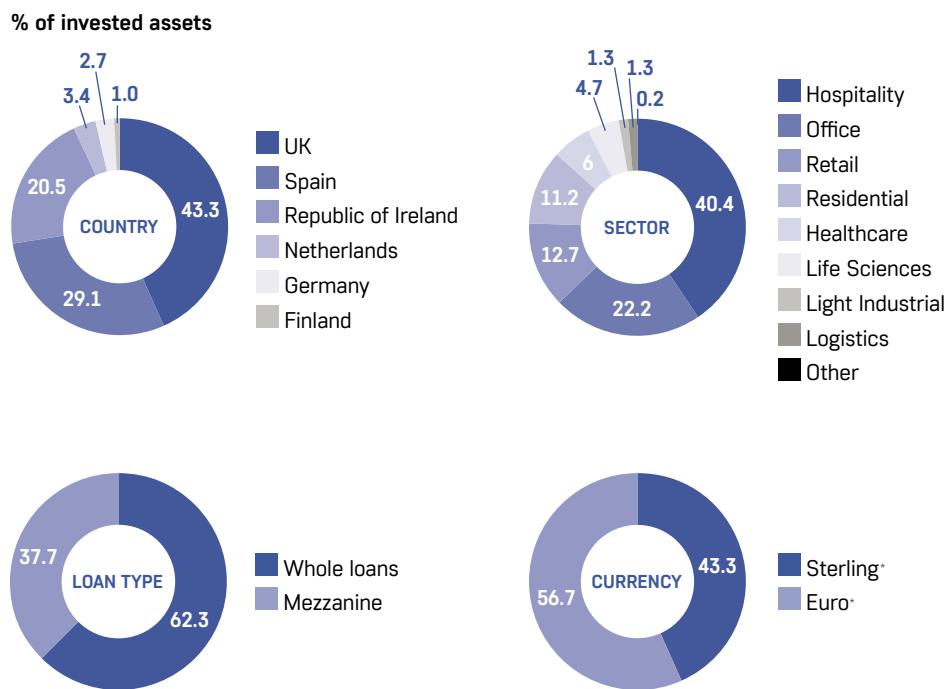
⁽¹⁾ Alternative performance measure - refer to page 48 for definitions and calculation methodology.

The maturity profile of investments as at 30 June 2021 is shown below.

Remaining years to contractual maturity ⁽¹⁾	Principal value of loans £m	% of invested portfolio
0 to 1 years	83.5	20%
1 to 2 years	163.3	39%
2 to 3 years	29.1	7%
3 to 5 years	142.6	34%

⁽¹⁾ Excludes any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity.

The Group continues to achieve good portfolio diversification as shown in the graphs below:



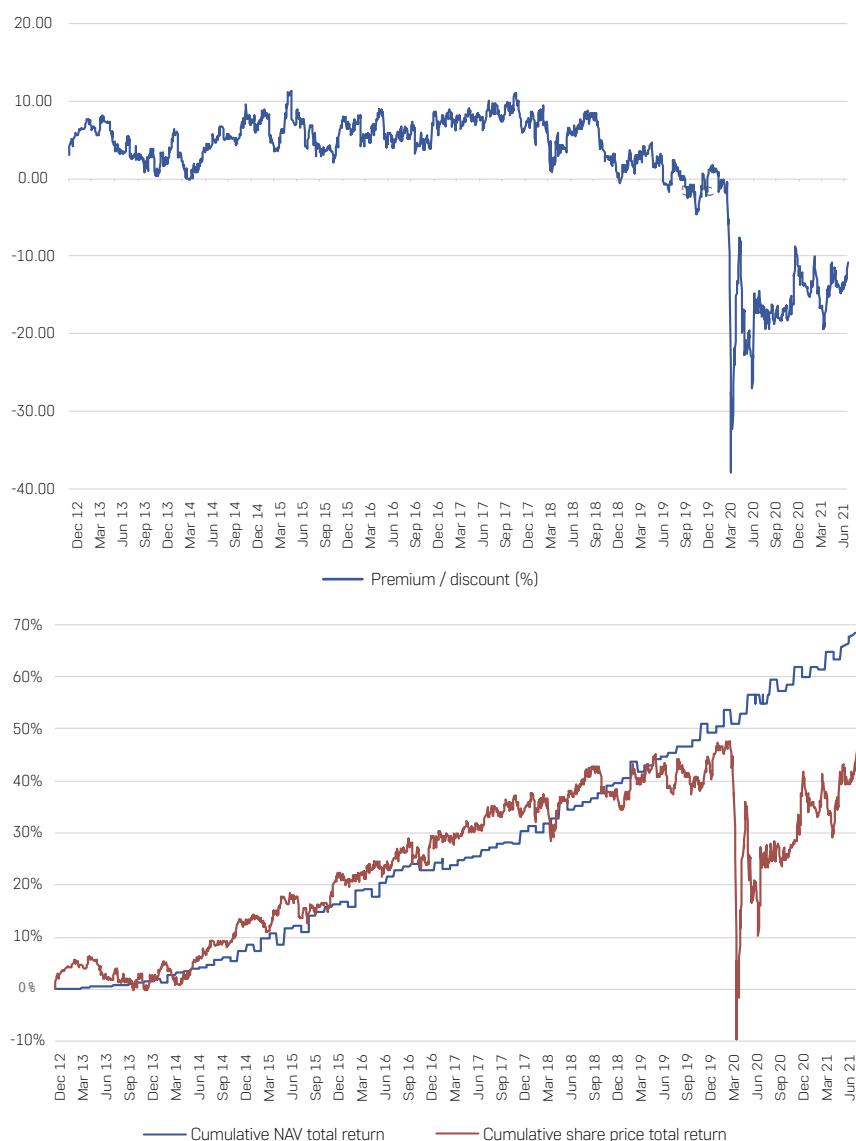
*The currency split refers to the underlying loan currency, however the capital on all non-sterling exposure is hedged back to sterling.

The Board 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.

Investment Manager's Report

SHARE PRICE PERFORMANCE

As at 30 June 2021 the NAV was 103.62 pence per Ordinary Share (31 December 2020: 104.18 pence) and the share price was 94 pence (31 December 2020: 90 pence).



Source: Morningstar

The Company's share price has been volatile since March 2020. This volatility has been driven by market conditions and trading cash flows rather than a change in the Company's NAV.

INVESTMENT DEPLOYMENT

As at 30 June 2021, the Group had 18 investments and commitments of £455.3 million as follows:

	Sterling equivalent balance ⁽¹⁾	Sterling equivalent unfunded commitment ⁽¹⁾	Sterling Total (Drawn and Unfunded)
Hospitals, UK	£25.0m	-	£25.0m
Hotel & Residential, UK	£49.9m	-	£49.9m
Office, Scotland	£4.9m	£0.1m	£5.0m
Office, London	£13.6m	£7.0m	£20.6m
Hotel, Oxford	£16.7m	£6.3m	£23.0m
Hotel, Scotland	£38.1m	£4.5m	£42.6m
Hotel, North Berwick	£13.1m	£1.9m	£15.0m
Life Science, UK	£19.5m	£7.1m	£26.6m
Logistics Portfolio, UK ⁽²⁾	£0.6m	-	£0.6m
Total Sterling Loans	£181.4m	£26.9m	£208.3m
Three Shopping Centres, Spain	£31.2m	-	£31.2m
Shopping Centre, Spain	£14.6m	-	£14.6m
Hotel, Dublin	£51.6m	-	£51.6m
Hotel, Spain	£46.6m	-	£46.6m
Office, Madrid, Spain	£15.9m	£0.9m	£16.8m
Mixed Portfolio, Europe	£24.8m	-	£24.8m
Mixed Use, Dublin	£3.9m	£8.7m	£12.6m
Office Portfolio, Spain	£13.2m	£0.3m	£13.5m
Office Portfolio, Ireland	£30.2m	-	£30.2m
Logistics Portfolio, Germany ⁽²⁾	£5.1m	-	£5.1m
Total Euro Loans	£237.1m	£9.9m	£247.0m
Total Portfolio	£418.5m	£36.8m	£455.3m

⁽¹⁾ Euro balances translated to sterling at period-end exchange rate.

⁽²⁾ Logistics Portfolio, UK and Logistics Portfolio, Germany is one single loan agreement with sterling and Euro tranches.

Investment Manager's Report

Between 1 January 2021 and 30 June 2021, the following significant investment activity occurred (included in the table above):

NEW LOAN: LIFE SCIENCE, UK:

On 22 April 2021 the Group announced that it had closed a £26.6 million floating rate whole loan secured by a portfolio of four properties. The properties consist of laboratory and office spaces let to a diverse range of life science occupiers in the UK. The financing has been provided in the form of an initial advance along with a smaller capex facility to support the borrower's value-enhancing capex initiatives. The loan term is 4 years, and the Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

LOAN REPAYMENTS & AMORTISATION:

The following material loan repayments and amortisation were received during the first half of the year:

- a full and final repayment of the Residential, London loan which had had a balance outstanding of £25.1 million on 31 December 2020;
- €3.4 million of unscheduled amortisation on the loan on the mixed portfolio in Europe, following a portfolio of asset sales which was in line with the borrower's business plan;
- £11.5 million of unscheduled amortisation on Logistics Portfolio, UK, following a portfolio of asset sales which was in line with the borrower's business plan;
- €0.6 million of unscheduled amortisation on Logistics Portfolio, Germany, following a portfolio of asset sales which was in line with the borrower's business plan;

- €0.6 million of unscheduled amortisation on Office Portfolio, Spain, following an asset sale; and
- €5.7 million partial repayment of Office Portfolio, Spain, following the successful refinancing of that loan.

The Group also advanced £16.5 million to borrowers to which it has outstanding commitments during the six months to 30 June 2021.

Subsequent to 30 June 2021

Subsequent to 30 June 2021 the following significant changes were made to the portfolio:

REPAYMENT OF LOAN: HOTEL, SPAIN:

On 11th August 2021 the Group announced that during July 2021 it received the full and final repayment of its €54.2m loan on a resort hotel in Spain.

NEW LOAN: HOTEL & OFFICE, NORTHERN IRELAND:

On 21 July 2021 the Group announced that it had closed a £13.5 million floating rate whole loan secured by a portfolio of a mixed use hotel and office property. The financing has been provided in the form of an acquisition loan. The loan term is 3 years, and the Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

PORTRFOIO OVERVIEW

Interest & Amortisation Payments

All loan interest and scheduled amortisation payments to date of these financial statements have been received in full and on time. This includes loans in sectors that have been most impacted by the pandemic, namely, hospitality and retail assets, where borrowers continue to remain adequately capitalised as previously reported.

Loan to Value

The Group's weighted average current loan to value is 63.5 per cent. This is measured against RICS red book standard valuation reports instructed independently of borrowers and are carried out by leading global property consultancy firms such as Savills, CBRE, JLL and Colliers. The weighted average aging of the date of these formal valuation reports is under one year (at 0.8 years). This means that on average across the portfolio, the loan to values are being marked against values that have been updated recently and since the onset of the pandemic. This gives comfort around the robustness of the Group's position, with very significant equity cushions against the average loan basis.

The table below shows the sensitivity of the loan to value calculation for movements in the underlying property valuation and demonstrates that the Group has considerable headroom within the currently reported last LTVs.

Key updates by portfolio sector are outlined below.

Hospitality (40.4 per cent of funded investment portfolio)

- The largest hotel exposure included in the portfolio as at 30 June 2021 was Hotel, Spain (accounting for 27.6 per cent of current hospitality exposure and 11.1 per cent of the total funded investment portfolio). This coastal resort hotel completed a heavy refurbishment programme in 2020 and the hotel re-opened during May 2021 as a luxury destination 5-star property. The property has achieved very high guest ratings since opening and forward bookings for the remainder of the season are excellent, with average room rates ahead of business plan. This demonstrates the strength of pent-up demand for leisure travel, particularly to resort locations. Subsequent to 30 June 2021 the Group was pleased to announce that during July 2021 it received the full and final repayment of this loan. Following repayment of this loan, the Group's exposure to the hospitality sector reduced to 33 per cent of the investment portfolio as at 30 June 2021.
- The next most significant hotel exposure is Hotel, Dublin which accounted for 25.0 per cent of the 30 June 2021 hospitality exposure. As previously reported this property has, to a significant

extent, mitigated the negative impacts of reduced conference and leisure business caused by the pandemic, by leasing the property to the Irish government's Health Service Executive ("HSE"). This contract is expected to be in place for most of 2021. The sponsor has continued to work on value accretive asset management initiatives across the wider estate which is subject to the loan's security and this has been verified such that following a recently updated formal valuation, the loan has been further de-risked with the loan to value ratio decreasing by approximately 2.6 per cent.

- The UK hotel exposures predominately comprise of three hotels (Hotel, Oxford, Hotel, Scotland and Hotel, North Berwick, accounting for 40.2 per cent of hotels in the portfolio as at 30 June 2021). These hotels have been undergoing comprehensive refurbishments in line with the underwritten business plan. Hotel, Oxford and Hotel, Scotland partially reopened over summer 2021 with full opening of all three hotels anticipated by the end of September. They re-open with the benefit of attractive new branding and a fully refurbished offering which is expected to be well placed to benefit from pent-up UK domestic leisure travel demand, particularly with two of these assets being located directly adjacent to well-known landmark Scottish golf courses.
- Remaining UK hotel exposure as at 30 June 2021 comprises a 50-key hotel ground up development within the Hotel and Residential, UK loan. Construction is progressing well, with completion forecast in 2022. This loan is residential-led and the value of pre-sold residential units is higher than the total loan commitment (inclusive of the hotel), which very significantly reduces hospitality exposure on this loan.
- All hospitality loans have adequate resources to meet their cash needs in the medium term.

Change in Valuation	Hospitality	Retail	Residential	Other	Total
-25%	82.0%	101.1%	79.6%	83.3%	84.6%
-20%	76.9%	94.8%	74.6%	78.1%	79.3%
-15%	72.3%	89.2%	70.2%	73.5%	74.7%
-10%	68.3%	84.3%	66.3%	69.4%	70.5%
-5%	64.7%	79.8%	62.9%	65.7%	66.8%
0%	61.5%	75.8%	59.7%	62.5%	63.5%
5%	58.6%	72.2%	56.9%	59.5%	60.4%
10%	55.9%	69.0%	54.3%	56.8%	57.7%
15%	53.5%	66.0%	51.9%	54.3%	55.2%

Investment Manager's Report

Retail (12.7 per cent of funded investment portfolio)

- The Group's exposure to retail is predominantly comprised of the "Three Shopping Centres, Spain" and "Shopping Centre, Spain" loans. These are the only stand-alone retail loans in the portfolio and comprise 11 per cent of the Group's total funded investment portfolio. All other retail exposure is contained in a limited number of mixed use portfolios where the retail sector represents less than 25 per cent of the total loan balance.
- With pandemic related restrictions beginning to be eased, along with vaccine progress in Spain being one of the strongest in Continental Europe, retail footfall traffic is beginning to increase. Footfall in May 2021 had recovered, on average, to over 70 per cent of the same period, pre-pandemic, in 2019. This is expected to continue to increase over the coming months. Occupancy on average in the centres has remained robust with limited tenant failures in contrast to the level of retailer insolvencies in the UK and US. The sponsor's asset manager has been successful in leasing up some vacant space to gym operators and sports brands in particular, amongst others. This has involved the sponsor injecting new equity into the deals in order to assist with capital expenditure for new store fit outs and they continue to be very actively engaged in the assets.
- Across the investment portfolio, loans with retail exposure continue to have adequate cash reserves and underlying income generation to pay interest.

Construction & heavy refurbishment (25.2 per cent of funded investment portfolio)

- Over 95 per cent of the Group's construction and heavy refurbishment loans are located in the UK. These projects have continued to operate on site throughout the period since the outbreak of the pandemic, albeit at times, on-site capacity was reduced for safety reasons. Notwithstanding this, all projects are progressing satisfactorily and no unfunded cost overruns have occurred.
- Non-essential construction sites in the Republic of Ireland were mandated by the government to close from 8 January 2021 through to early May 2021; however we note that the Group's exposure to Irish construction loans is limited to under one per cent of total loans funded as of 30 June 2021. In any event this project has remained adequately capitalised with no unfunded cost overruns projected, and we do not consider that the delay in timing of final completion to adversely impact asset value or the loan.
- Please note that the construction & heavy refurbishment exposure noted above will include assets also included in hospitality and in office, industrial, logistics & residential.

Office, industrial, logistics, healthcare, life science & residential (46.9 per cent of funded investment portfolio)

- These sectors continue to display resilient characteristics in terms of overall performance with high rent collection and robust rental and investment yields. Sponsors with asset sell down strategies are succeeding in achieving above underwrite pricing, particularly on the disposals that we have witnessed within the industrial and residential sectors.
- The Group's exposure to office is 22.2 per cent of the funded investment portfolio. Within this sector, the exposures are well diversified across Europe. The largest exposure within this sector represents 31 per cent of total office and just 7 per cent of the total investment portfolio. This loan has a high occupancy of institutional tenants in prime city centre locations. While generally new lease tenant incentives have increased slightly as a result of a slower take up related to pandemic disruption, rental levels and investment yields based on actual transactions have remained fairly robust. The Group's weighted average loan to value of the loans with a greater than 50 per cent office weighting is 64 per cent which reflects a modest position.
- The Group's exposure to residential is under construction product, of which a large proportion has been pre-sold. The level of legally exchanged unit pre-sales has now reached a level that exceeds the total loan commitment, which has therefore significantly de-risked the loan.

LIQUIDITY AND HEDGING

The Group is very modestly levered with net debt of £9.6 million (2.3 per cent of NAV) at 30 June 2021 and has significant liquidity available with undrawn revolving credit facilities (see note 3.g) of the 2020 Annual Report for further information) of £115.0 million to fund existing commitments as summarised below.

As at 30 June 2021	£ million
Drawn on Group debt facilities	(11.0)
Cash at hand	1.4
Net Debt	(9.6)
Undrawn Debt Facilities available to Group	115.0
Undrawn Commitments to Borrowers	(36.8)
Available Capacity	78.2

The way in which the Group's borrowing facilities are structured means that it does not need to fund mark to market margin calls. The Group does have the obligation to post cash collateral under its hedging facilities. However, cash would not need to be posted until the hedges were more than £20 million out of the money. The mark to market of the hedges at 30 June 2021 was £11.0 million (in the money) and with the robust hedging structure employed by the Group, cash collateral has never been required to be posted since inception.

The Group has the majority of its investments currently denominated in Euros (although this can change over time) and is a sterling denominated group. The Group is therefore subject to the risk that 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 (unless it was funded using the revolving credit facilities in which case it will have a natural hedge). Interest payments are generally 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.

TRANSITION TO SONIA AND LIBOR

The Investment Manager is overseeing the transition from LIBOR to SONIA for each of the loans impacted 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. In addition, the two new Sterling loans entered into during 2021 (and referred to elsewhere) have interest charges linked to SONIA rather than LIBOR.

Investment Manager's Report

EXPECTED CREDIT LOSSES (IMPAIRMENT)

All loans within the portfolio are classified and measured at amortised cost less impairment.

Under IFRS 9 a three stage approach for recognition of impairment is used, based on whether there has been a significant deterioration in the credit risk of a financial asset since initial recognition. These three stages then determine the amount of impairment provision recognised.

At initial recognition (if asset is not credit impaired)	Recognise a loss allowance equal to 12 months expected credit losses resulting from default events that are possible within 12 months.
After initial recognition:	
Stage 1	Credit risk has not increased significantly since initial recognition. Recognise 12 months expected credit losses. Interest income is recognised by applying the effective interest rate to the gross carrying amount of financial assets.
Stage 2	Credit risk has increased significantly since initial recognition. Recognise lifetime expected losses. Interest income is recognised by applying the effective interest rate to the gross carrying amount of financial assets.
Stage 3	Credit impaired financial asset. Recognise lifetime expected losses. Interest income is recognised by applying the effective interest rate to the amortised cost (that is net of the expected loss provision) of financial assets.

The Group has not recognised expected credit losses at initial recognition on any of its loans due to the detailed and conservative underwriting undertaken, robust loan structures in place and a strong equity cushion with an average LTV of 63.5 per cent (based on the latest available valuation for each asset).

A detailed description of how the Group determines on what basis loans are classified as stage 1, stage 2 and stage 3 post initial recognition is provided in page 65 to the full year accounts.

Six loans with a carrying value as at 30 June 2021 of £160,620,492 (31 December 2020: £150,331,450) have been classified as stage 2 since 30 June 2020. No loans have been moved to Stage 2 or to Stage 3 during 2021. Subsequent to 30 June 2021 one of the loans classified as stage 2 (with a 30 June 2021 carrying value of £46.6 million) was repaid by the borrower.

FAIR VALUE OF THE PORTFOLIO COMPARED TO AMORTISED COST

The table below represents the fair value of the loans based on a discounted cash flow basis using a range of potential discount rates.

Discount Rate	Value Calculated	% of book value
4.7%	£ 439.3m	104.4%
5.02%	£ 436.3m = fair value	103.8%
5.2%	£ 434.6m	103.3%
5.7%	£ 429.9m	102.2%
6.2%	£ 425.3m	101.1%
6.7%	£ 420.8m = book value	100.0%
7.2%	£ 416.4m	98.9%
7.7%	£ 412.0m	97.9%
8.2%	£ 407.8m	96.9%
8.7%	£ 403.6m	95.9%

The effective interest rate ("EIR") – i.e. the discount rate at which future cash flows equal the amortised cost, is 6.7 per cent. We have sensitised the cash flows at EIR intervals of 0.5 per cent up to +/- 2.0 per cent. The table reflects how a change in market interest rates or credit risk premiums may impact the fair value of the portfolio versus the amortised cost. Further, the Group considers the EIR of 6.7 per cent to be conservative as many of these loans were part of a business plan which involved transformation and many of these business plans are advanced in the execution and therefore significantly de-risked from the original underwriting and pricing (for example the Hotel, Spain). The volatility of the fair value to movements in discount rates is low due to the low remaining duration of most loans.

RELATED PARTY TRANSACTIONS

Related party disclosures are given in note 15 to the Unaudited Condensed Consolidated Financial Statements.

FORWARD LOOKING STATEMENTS

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Starwood European Finance Partners Limited

Investment Manager

6 September 2021

Principal Risks

PRINCIPAL RISKS FOR THE REMAINING SIX MONTHS OF THE YEAR TO 31 DECEMBER 2021

The principal risks assessed by the Board relating to the Group were disclosed in the Annual Report and Audited Consolidated Financial Statements for the year to 31 December 2020 on pages 12 to 15. The Board and Investment Manager have reassessed the principal risks and do not consider these risks to have changed. Therefore, the following are the principal risks assessed by the Board and the Investment Manager as relating to the Group for the remaining six months of the year to 31 December 2021:

CYBERCRIME

The Group is subject to the risk of unauthorised access into systems, identification of passwords or deleting data, which could result in loss of sensitive data, breach of data physical and electronic, amongst other potential consequences.

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. Since the Covid-19 pandemic the shares have 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.

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.

FOREIGN EXCHANGE RISK

The majority of the Group's investments are Euro denominated (circa 56.7 per cent as at 30 June 2021). 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.

Forward contracts used to manage the above risk could be broken early and in these circumstances, the forward curve may have moved since the forward contracts were placed which can impact the rate received. The Group is subject to the risk that it will need to post cash collateral against the mark to market on the forward contracts which could lead to liquidity issues or leave the Group unable to hedge new non-Sterling investments.

MARKET DETERIORATION RISK

The Group's investments are comprised principally of debt investments in the UK, and the 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 Covid-19 pandemic has had a material impact on global economies and on the operations of the Group's borrowers during 2020 and this has continued in 2021. The Covid-19 pandemic presents a major risk to growth and the full impact of the consequences for the world economy is unclear.

The UK's departure from the European Union represents a potential threat to its economy as well as wider Europe. On a cyclical view, national economies across Europe appear to be heading at best towards lower growth and alongside the economic impact of Covid-19, towards recession.

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.

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.

Board of Directors



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

Stephen is Chairman of The PRS REIT which currently trades on the Main Market, and a non-executive director of Sancus Lending Group Limited (appointed on 11 May 2021) which trades on the AIM of the London Stock Exchange. He was (resigned 1 May 2021) 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.



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 Globalworth Real Estate Investments Limited, Sancus Lending Group Limited (formerly GLI Finance Limited) (both listed on AIM), Chenavari Toro Limited Income Fund Limited (listed on the SFS segment of the Main Market of the London Stock Exchange), and The Renewable Infrastructure Group Limited, a FTSE 250 company. 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 a resident of Guernsey.



SHELAGH MASON | Non-executive Director

Shelagh Mason is a solicitor specialising in English commercial property who retired as a consultant with Collas Crill LLP on 31st October 2020. She is the non-executive Chairman of the Channel Islands Property Fund Limited listed on the International Stock Exchange and is also non-executive Chairman of Riverside Capital PCC, sits on the board of Skipton International Limited, a Guernsey Licensed bank, and is a non-executive Director of The Renewable Infrastructure Group Limited, a FTSE 250 company, and Ruffer Investment Company Limited. Previously Shelagh was a member of the board of directors of Standard Life Investments Property Income Trust, a property fund listed on the London Stock Exchange for 10 years until December 2014. She retired from the board of Medicix Fund Limited, a main market listed investment company investing in primary healthcare facilities, in 2017 after 10 years on the board. She is a past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce, the Guernsey International Legal Association and she also holds the IOD Company Direction Certificate and Diploma with distinction. Shelagh is a resident of Guernsey.



CHARLOTTE DENTON | Non-executive Director (appointed 1 January 2021)

During Charlotte's executive career she worked in various locations through roles in diverse organisations, including KPMG, Rothschild, Northern Trust, a property development start up and a privately held financial services group. She has served on boards for over fourteen years and is currently a non-executive Director of various entities including Butterfield Bank (Guernsey) Limited, the GP boards of private equity groups Cinven and Hitec and the Investment Manager for Next Energy. Charlotte is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a degree in politics from Durham University. She is also a member of the Society of Trust and Estate Practitioners, a Chartered Director and a fellow of the Institute of Directors. Charlotte is a resident of Guernsey.

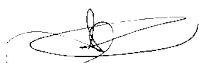
Statement of Directors' Responsibilities

To the best of their knowledge, the Directors of Starwood European Real Estate Finance Limited confirm that:

1. The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union as required by DTR 4.2.4 R; and
2. The Interim Financial Report, comprising of the Chairman's Statement, the Investment Manager's Report and the Principal Risks, meets the requirements of an interim management report and includes a fair review of information required by:
 - (i) DTR 4.2.7R of the UK Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months and their impact on the Unaudited Condensed Consolidated Financial Statements, and a description of the principal risks and uncertainties for the remaining six months; and
 - (ii) DTR 4.2.8R of the UK Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months and that have materially affected the financial position or performance of the Company during that period, and any material changes in the related party transactions disclosed in the last Annual Report.

By order of the Board

For Starwood European Real Estate Finance Limited



Stephen Smith

Chairman

6 September 2021



John Whittle

Director

6 September 2021

Interim Financial Statements



Independent Review Report to Starwood European Real Estate Finance Limited

Report on the unaudited condensed consolidated financial statements

OUR CONCLUSION

We have reviewed Starwood European Real Estate Finance Limited's unaudited condensed consolidated financial statements (the "interim financial statements") in the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements (the "Interim Report") of Starwood European Real Estate Finance Limited for the 6-month period ended 30 June 2021. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

WHAT WE HAVE REVIEWED

The interim financial statements comprise:

- the unaudited condensed consolidated statement of financial position as at 30 June 2021;
- the unaudited condensed consolidated statement of comprehensive income for the period then ended;
- the unaudited condensed consolidated statement of cash flows for the period then ended;
- the unaudited condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is The Companies (Guernsey) Law, 2008 and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

WHAT A REVIEW OF INTERIM FINANCIAL STATEMENTS INVOLVES

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.


Michael Hare
PricewaterhouseCoopers CI LLP

Chartered Accountants,
Guernsey, Channel Islands

6 September 2021

(a) The maintenance and integrity of the Starwood European Real Estate Finance Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Unaudited Condensed Consolidated Statement of Comprehensive Income for the period ended 30 June 2021

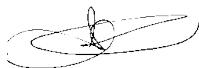
	Notes	1 January 2021 to 30 June 2021 £ (unaudited)	1 January 2020 to 30 June 2020 £ (unaudited)	1 January 2020 to 31 December 2020 £ (audited)
Income				
Income from loans advanced	7	14,472,491	14,433,090	29,052,521
Net foreign exchange (losses) / gains	3	(1,279,202)	4,281,241	5,993,767
Net changes in fair value of financial assets at fair value through profit or loss	13	-	1,097,722	1,097,722
Total income		13,193,289	19,812,053	36,144,010
Expenses				
Investment management fees	15	1,561,503	1,584,891	3,186,943
Credit facility commitment fees		414,060	376,430	762,074
Credit facility interest		380,607	508,194	945,771
Legal and professional fees		174,184	155,133	288,111
Administration fees		172,485	154,606	331,591
Other expenses		127,943	94,259	198,350
Audit and non-audit fees		117,763	127,885	227,386
Directors' fees and expenses	15	89,500	69,991	152,564
Broker's fees and expenses		25,000	-	50,000
Agency fees		-	10,781	10,781
Total operating expenses		3,054,645	3,082,170	6,153,571
Operating profit for the period / year before tax		10,138,644	16,729,883	29,990,439
Taxation	14	58,388	59,808	81,953
Operating profit for the period / year		10,080,256	16,670,075	29,908,486
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		(190,056)	292,900	232,417
Other comprehensive (loss) / income for the period / year		(190,056)	292,900	232,417
Total comprehensive income for the period / year		9,890,200	16,962,975	30,140,903
Weighted average number of shares in issue	4	408,968,207	413,219,398	412,469,890
Basic and diluted earnings per Ordinary Share (pence)	4	2.46	4.03	7.25

The accompanying notes form an integral part of these Unaudited Condensed Financial Statements.

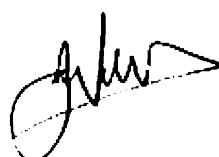
Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2021

	Notes	As at 30 June 2021 £ (unaudited)	As at 30 June 2020 £ (unaudited)	As at 31 December 2020 £ (audited)
Assets				
Cash and cash equivalents	5	1,359,957	9,024,042	2,939,408
Other receivables and prepayments	6	1,129,774	1,107,701	17,094
Financial assets at fair value through profit or loss	8	11,975,731	-	918,259
Loans advanced	7	420,807,466	448,891,684	442,659,649
Total assets		435,272,928	459,023,427	446,534,410
Liabilities				
Financial liabilities at fair value through profit or loss	8	-	4,536,384	-
Credit facilities	10	10,215,635	22,931,943	18,626,837
Trade and other payables	9	1,328,457	1,466,674	1,210,066
Total liabilities		11,544,092	28,935,001	19,836,903
Net assets		423,728,836	430,088,426	426,697,507
Capital and reserves				
Share capital		407,440,011	411,205,161	408,031,544
Retained earnings		16,182,789	18,526,690	18,369,871
Translation reserve		106,036	356,575	296,092
Total equity		423,728,836	430,088,426	426,697,507
Number of Ordinary Shares in issue		408,911,273	413,219,398	409,571,273
Net asset value per Ordinary Share (pence)		103.62	104.08	104.18

These Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 6 September 2021, and signed on its behalf by:



Stephen Smith
Chairman



John Whittle
Director

The accompanying notes form an integral part of these Unaudited Condensed Financial Statements.

Unaudited Condensed Consolidated Statement of Changes in Equity

for the period ended 30 June 2021

Period ended 30 June 2021	Share capital £ (unaudited)	Retained earnings £ (unaudited)	Translation reserve £ (unaudited)	Total equity £ (unaudited)
Balance at 1 January 2021	408,031,544	18,369,871	296,092	426,697,507
Share buy backs	(591,533)	-	-	(591,533)
Dividends paid	-	(12,267,338)	-	(12,267,338)
Operating profit for the period	-	10,080,256	-	10,080,256
Other comprehensive income:				
Other comprehensive loss for the period	-	-	(190,056)	(190,056)
Balance at 30 June 2021	407,440,011	16,182,789	106,036	423,728,836

Period ended 30 June 2020	Share capital £ (unaudited)	Retained earnings £ (unaudited)	Translation reserve £ (unaudited)	Total equity £ (unaudited)
Balance at 1 January 2020	411,205,161	15,286,245	63,675	426,555,081
Dividends paid	-	(13,429,630)	-	(13,429,630)
Operating profit for the period	-	16,670,075	-	16,670,075
Other comprehensive income:				
Other comprehensive income for the period	-	-	292,900	292,900
Balance at 30 June 2020	411,205,161	18,526,690	356,575	430,088,426

Year ended 31 December 2020	Share capital £ (audited)	Retained earnings £ (audited)	Translation reserve £ (audited)	Total equity £ (audited)
Balance at 1 January 2020	411,205,161	15,286,245	63,675	426,555,081
Share buy backs	(3,173,617)	-	-	(3,173,617)
Dividends paid	-	(26,824,860)	-	(26,824,860)
Operating profit for the year	-	29,908,486	-	29,908,486
Other comprehensive income:				
Other comprehensive income for the year	-	-	232,417	232,417
Balance at 31 December 2020	408,031,544	18,369,871	296,092	426,697,507

The accompanying notes form an integral part of these Unaudited Condensed Consolidated Financial Statements.

Unaudited Condensed Consolidated Statement of Cash Flows

for the period ended 30 June 2021

	1 January 2021 to 30 June 2021 £ (unaudited)	1 January 2020 to 30 June 2020 £ (unaudited)	1 January 2020 to 31 December 2020 £ (audited)
Operating activities:			
Operating profit for the period / year	10,138,644	16,670,075	29,990,439
Adjustments			
Net interest income	(14,472,491)	(14,433,090)	(29,052,521)
Net changes in fair value of financial assets at fair value through profit or loss - Credit Linked Notes	-	(1,097,722)	(1,097,722)
Decrease / (increase) in prepayments and receivables	5,535	(1,078,766)	11,841
Increase / (decrease) in trade and other payables	221,199	188,944	(159,467)
Net unrealised (gains) / losses on foreign exchange derivatives	(11,057,472)	13,131,462	7,676,819
Net foreign exchange losses / (gains)	12,187,021	(17,346,174)	(12,848,644)
Credit facility interest	380,607	508,194	945,771
Credit facility commitment fees	414,060	376,430	762,074
Currency translation difference	180,885	(404,293)	(463,709)
Corporate taxes paid	(87,724)	(82,766)	(151,052)
	(2,089,736)	(3,567,706)	(4,386,171)
Loans advanced ¹	(35,607,633)	(85,689,578)	(98,731,281)
Loan repayments and amortisation	45,824,727	43,513,026	59,619,767
Credit Linked Notes repayments	-	21,773,000	21,773,000
Origination fees paid	(199,206)	(576,287)	(577,233)
Interest, commitment and exit fee income from loans advanced	12,885,675	14,020,648	28,256,205
Interest received on Credit Linked Notes	-	1,210,333	1,210,333
Net cash inflow / (outflow) from operating activities	20,813,827	(9,316,564)	7,164,620
Cash flows from investing activities			
Shares buy backs	(677,120)	-	(3,088,030)
Dividends paid	(12,267,338)	(13,429,630)	(26,824,860)
Proceeds under credit facility	29,400,000	44,952,688	41,985,860
Repayments under credit facility	(37,900,000)	(50,472,045)	(52,067,717)
Credit facility interest paid	(191,809)	(293,798)	(492,331)
Credit facility commitment fees paid	(417,751)	(339,296)	(616,146)
Credit facility arrangement fees and expenses paid	(100,000)	-	-
Net cash outflow from financing activities	(22,154,018)	(19,582,081)	(41,103,224)
Net decrease in cash and cash equivalents	(1,340,191)	(28,898,645)	(33,938,604)
Cash and cash equivalents at the start of the period / year	2,939,408	36,793,674	36,793,674
Net foreign exchange (losses) / gains on cash and cash equivalents	(239,260)	1,129,013	84,338
Cash and cash equivalents at the end of the period / year	1,359,957	9,024,042	2,939,408

¹Net of arrangement fees of £357,009 (period ended 30 June 2020: £778,691, year ended 31 December 2020: £780,584) withheld.

The accompanying notes form an integral part of these Unaudited Condensed Consolidated Financial Statements.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

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 a registered closed-ended investment scheme.

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's Financial Conduct 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. On 10 August 2020 the Company announced the appointment of Jefferies International Limited as buy-back agent to effect share buy backs on behalf of the Company. During the period ended 30 June 2021, the Company had repurchased 660,000 (year ended 31 December 2020: 3,648,125) Ordinary Shares at an average price of 89.54 (year ended 31 December 2020: 86.9) pence per share respectively. These Ordinary Shares are held in treasury.

The Unaudited Condensed 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 30 June 2021.

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 the 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 Company has prepared these Unaudited Condensed Consolidated Financial Statements on a going concern basis in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

This Interim Financial Report does not comprise statutory Financial Statements within the meaning of the Companies (Guernsey) Law, 2008, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Companies (Guernsey) Law, 2008. The statutory Consolidated Financial Statements for the year ended 31 December 2020 were approved by the Board of Directors on 25 March 2021. The opinion of the Auditor on those Financial Statements was unqualified and did not contain an emphasis of matter. This Interim Financial Report and Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021 has been reviewed by the Auditor but not audited.

There are a number of new and amended accounting standards and interpretations that became applicable for annual reporting periods commencing on or after 1 January 2021.

These amendments have not had a significant impact on these Unaudited Condensed Consolidated Financial Statements and therefore the additional disclosures associated with first time adoption have not been made.

The preparation of the Unaudited Condensed Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Unaudited Condensed Consolidated Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Consolidated Financial Statements for the year ended 31 December 2020.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

3. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Loans advanced - realised gains	124,994	249,626	647,000
Loans advanced - realised losses	(65,004)	(1,128,198)	(1,134,619)
Forward contracts held at fair value through profit or loss - realised gains	147,710	1,117,973	1,131,404
Forward contracts held at fair value through profit or loss - realised losses	(296,355)	(75,586)	(328,698)
Other - realised gains	189,031	3,460	1,229
Other - realised losses	(51,454)	(468,567)	(422,347)
Loans advanced - unrealised gains	-	17,713,996	13,776,618
Loans advanced - unrealised losses	(12,385,596)	-	-
Forward contracts held at fair value through profit or loss - unrealised gains	11,817,856	319,915	397,778
Forward contracts held at fair value through profit or loss - unrealised losses	(760,384)	(13,451,378)	(8,074,598)
	(1,279,202)	4,281,241	5,993,767

4. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The calculation of basic earnings per Ordinary Share is based on the operating profit of £10,080,256 (30 June 2020: £16,670,075 and 31 December 2020: £29,908,486) and on the weighted average number of Ordinary Shares in issue at 30 June 2021 of 408,968,207 (30 June 2020: 413,219,398 and 31 December 2020: 412,469,890).

The calculation of NAV per Ordinary Share is based on a NAV of £423,728,836 (30 June 2020: £430,088,426 and 31 December 2020: £426,697,507) and the actual number of Ordinary Shares in issue at 30 June 2021 of 408,911,273 (30 June 2020: 413,219,398 and 31 December 2020: 409,571,273).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Cash at bank	1,359,957	9,024,042	2,939,408

Cash and cash equivalents comprises cash and short-term deposits held with various banking institutions with original maturities of three months or less.

6. OTHER RECEIVABLES AND REPAYMENTS

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Prepayments	11,559	12,198	17,094
Taxation prepayments	22,712	-	-
Investment interest receivable	1,095,503 ¹	1,095,503 ¹	-
	1,129,774	1,107,701	17,094

¹ Investment interest receivables are related to Hotel & Residential, UK and were received on 1 July 2021 and 1 July 2020 respectively.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

7 . LOANS ADVANCED

	30 June 2021 £	30 June 2020 £	31 December 2020 £
UK			
Hotel & Residential	49,918,080	49,918,078	49,914,595
Hospitals	25,357,713	25,355,368	25,362,367
Residential, London	-	37,450,724	25,124,499
Hotel, North Berwick	13,127,256	10,522,972	10,497,593
Hotel, Scotland	37,910,554	25,841,675	26,727,408
Hotel, Oxford	16,744,853	16,727,400	16,705,485
Life Science, UK	19,594,589	-	-
Office, London	13,764,463	12,964,026	13,368,457
Office, Scotland	5,017,965	4,688,936	4,894,738
Logistics Portfolio	552,699	11,905,419	11,981,154
Ireland			
Hotel, Dublin	52,119,113	55,484,069	54,730,169
Office Portfolio, Dublin	30,233,451	32,217,021	31,753,439
Mixed use, Dublin	3,843,782	1,870,185	3,112,893
Spain			
Three Shopping Centres	31,273,245	34,097,509	33,367,582
Hotel	46,564,064	39,590,856	47,379,721
Office, Madrid	15,991,232	17,015,583	16,792,398
Shopping Centre	15,000,520	15,792,369	15,653,661
Office Portfolio	13,474,355	19,669,822	19,375,687
Germany			
Logistics Portfolio	5,078,596	5,957,035	5,909,892
Europe			
Mixed Portfolio	25,240,936	31,822,637	30,007,911
	420,807,466	448,891,684	442,659,649

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

7. LOANS ADVANCED (CONTINUED)

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

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Loans advanced at the start of the period / year	442,659,649	390,647,516	390,647,516
Loans advanced	35,964,642	84,751,266	97,794,862
Loan repayments and amortisation	(45,824,727)	(43,513,026)	(59,619,767)
Arrangement fees earned	(357,009)	(778,691)	(780,584)
Commitment fees earned	(365,634)	(683,762)	(1,215,996)
Exit fees earned	(485,435)	(243,680)	(250,772)
Origination fees paid	199,206	545,248	546,194
Effective interest earned	14,472,491	14,433,090	29,052,521
Interest payments received	(13,130,109)	(13,093,206)	(26,789,437)
Foreign exchange (losses) / gains	(12,325,608)	16,826,929	13,275,112
Loans advanced at the end of the period / year	420,807,466	448,891,684	442,659,649
Loans advanced at fair value	436,334,012	462,295,383	459,549,015

For further information on the fair value of loans advanced, refer to note 13.

8. FINANCIAL ASSETS AND FINANCIAL 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.

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 gains and losses relating to the currency forwards are included within "Net foreign exchange (losses) / gains" in the Unaudited Condensed Consolidated Statement of Comprehensive Income.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

30 June 2021	Notional contract amount ¹ £	Fair values		Total £
		Assets £	Liabilities £	
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	248,024,170	12,724,121	(748,391)	11,975,731
Total	248,024,170	12,724,121	(748,391)	11,975,731

30 June 2020	Notional contract amount ¹ £	Fair values		Total £
		Assets £	Liabilities £	
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	303,343,342	1,142,927	(5,679,311)	(4,536,384)
Total	303,343,342	1,142,927	(5,679,311)	(4,536,384)

31 December 2020	Notional contract amount ¹ £	Fair values		Total £
		Assets £	Liabilities £	
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	273,442,149	3,897,550	(2,979,291)	918,259
Total	273,442,149	3,897,550	(2,979,291)	918,259

¹ Euro amounts are translated at the period / year end exchange rate

9. TRADE AND OTHER PAYABLES

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Investment management fees payable	785,134	795,148	799,584
Audit fees payable	188,315	182,996	98,902
Commitment fees payable	156,340	144,124	161,430
Accrued expenses	89,444	-	17,079
Administration fees payable	24,137	79,167	7,771
Legal and professional fees payable	58,087	-	5,000
Directors' fees payable	2,000	-	-
Broker fees payable	25,000	-	25,000
Refinancing and restructuring fees payable	-	208,558	-
Share buyback payable	-	-	85,587
Tax provision	-	56,681	9,713
	1,328,457	1,466,674	1,210,066

10. 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 Group's borrowings for this purpose, any liabilities incurred under the Group's foreign exchange hedging arrangements shall be disregarded.

As at 30 June 2021 an amount of £11,000,000 (30 June 2020: £24,062,500 and 31 December 2020: £19,500,000) was drawn and interest of £17,667 (30 June 2020: £23,144 and 31 December 2020: £69,585) was payable.

The revolving credit facility capitalised costs are directly attributable costs incurred in relation to the establishment of the credit loan facilities and an amount of £802,032 (30 June 2020: £1,153,701 and 31 December 2020: £942,748) was netted off against the loan facilities outstanding.

The Group has maintained sufficient headroom against the measures under, and is full compliance with, all loan covenants.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

10. CREDIT FACILITIES (CONTINUED)

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

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Borrowings at the start of the period /year	18,626,837	28,359,047	28,359,047
Proceeds during the period / year	29,400,000	44,952,688	41,985,860
Repayments during the period / year	(37,900,000)	(50,472,045)	(52,067,717)
Interest expense recognised for the period / year	139,892	301,993	558,323
Interest paid during the period / year	(191,809)	(293,798)	(492,331)
Credit facility fees incurred	(100,000)	-	-
Credit facility amortisation of fees	240,715	206,201	387,448
Foreign exchange and translation difference	-	(122,143)	(103,793)
Borrowings at the end of the period/year	10,215,635	22,931,943	18,626,837

11. DIVIDENDS

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

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

The Company paid the following dividends in respect of the period to 30 June 2021:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2021	1.375	5,622,530	04 June 2021

After the end of the period, the Directors declared a dividend in respect of the financial period ended 30 June 2021 of 1.375 pence per share which was paid on 3 September 2021 to Shareholders on the register on 6 August 2021.

11. DIVIDENDS (CONTINUED)

The Company paid the following dividends in respect of the year to 31 December 2020:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2020	1.625	6,714,815	20 May 2020
30 June 2020	1.625	6,714,815	28 August 2020
30 September 2020	1.625	6,680,414	20 November 2020
31 December 2020	1.625	6,644,808	05 March 2021

12. RISK MANAGEMENT POLICIES AND PROCEDURES

The COVID-19 outbreak is an ongoing situation that is evolving and changing on a weekly basis. There has been a negative impact on global economies and the future impact and outcome is still largely unknown. While the outbreak has had a significant negative impact on a lot of businesses worldwide, it has also created opportunities in other sectors. The Directors continue to monitor the impact on the Group and its investments.

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.

The Directors monitor and measure the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Even though the risks detailed in the Annual Report and Financial Statements for the year ended 31 December 2020 still remain appropriate, further information regarding these risk policies are outlined below:

(i) Market 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 arose from Credit Linked Notes held by the Group and classified as assets at fair value through profit or loss. The Investment Manager regularly monitored the fair value of credit linked notes (repaid in 2020 and no longer outstanding) and no specific hedging activities were 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.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

12. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

a) Currency risk

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

b) Interest rate risk

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

The majority of the Group's financial assets are loans advanced at amortised cost, credit linked notes (repaid in 2020 and no longer outstanding), receivables, receivables and cash and cash equivalents. The Group's investments have some exposure to interest rate risk which is limited to interest earned on cash deposits and floating interbank rate exposure for investments designated as loans advanced. Loans advanced have been structured to include a combination of fixed and floating interest rates to reduce the overall impact of interest rate movements. Further protection is provided by including interbank rate floors and preventing interest rates from falling below certain levels.

The Investment Adviser is monitoring the transition from LIBOR to SONIA 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.

(ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's main credit risk exposure is in the investment portfolio, shown as loans advanced at amortised cost and credit linked notes (repaid in 2020 and no longer outstanding) 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 30 June 2021 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 financial instruments which is diversified between hedge providers in order to spread credit risk to which the Group is exposed. At period end our derivative exposures were with one counterparty.

With respect to the credit linked notes designated at fair value through profit or loss, the Group held junior notes linked to the performance of a portfolio of high-quality UK real estate loans owned by a major commercial bank. The credit linked notes were repaid in June 2020. The transaction was 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 was the risk that one of the underlying borrowers defaulted on their loan and the Group being required to make a payment under the credit protection agreement.

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 end of the reporting period. As at 30 June 2021, the maximum credit risk exposure was £435,238,657 (30 June 2020: £459,011,229 and 31 December 2020: £446,517,316).

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. In addition to this, all loans have very robust covenants in place, strong security packages and significant loan-to-value headroom. Despite the fact that six loans with a carrying value of £160,620,492 (31 December 2020: the same six loans amounting to £150,331,450) have been classified as Stage 2 since 30 June 2020 (refer to the Investment Manager's Report), no loss allowance has been recognised based on 12-month and lifetime expected credit losses for Stage 1 and Stage 2 loans advanced respectively, as based on the information available there is no reason to believe that there has been any impairment in the value of the loans held by the Group. No loans have been moved to Stage 2 or to Stage 3 during 2021. Subsequent to 30 June 2021 one of the loans classified as Stage 2 (with a 30 June 2021 carrying value of £46,564,064) was repaid by the borrower.

(iii) Liquidity risk

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

The Group manages its liquidity risk through short term and long-term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 30 per cent of NAV and has entered into revolving credit facilities totalling £126,000,000 (30 June 2020: £126,000,000 and 31 December 2020: £126,000,000) of which £11,000,000 was drawn on 30 June 2021 (30 June 2020: £24,062,500 and 31 December 2020: £19,500,000).

As at 30 June 2021, the Group had £1,359,957 (30 June 2020: £9,024,042 and 31 December 2020: £2,939,408) available in cash and £1,328,457 (30 June 2020: £1,466,674 and 31 December 2020: £1,210,066) trade payables. The Directors considered this to be sufficient cash available, together with the undrawn facilities on the credit facilities, to meet the Group's liabilities.

13. FAIR VALUE MEASUREMENT

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

- (i)** Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (ii)** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment rates, credit risks and default rates) or other market corroborated inputs (level 2); and
- (iii)** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

13. FAIR VALUE MEASUREMENT (CONTINUED)

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

30 June 2021

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	11,975,731	-	11,975,731
Total	-	11,975,731	-	11,975,731

30 June 2020

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative liabilities	-	(4,536,384)	-	(4,536,384)
Total	-	(4,536,384)	-	(4,536,384)

31 December 2020

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	918,259	-	918,259
Total	-	918,259	-	918,259

There have been no transfers between levels for the period ended 30 June 2021 (30 June 2020: £nil and 31 December 2020: £nil).

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 movement in level 3 instruments, the Credit Linked Notes (which were repaid in June 2020), are presented in the table below.

	30 June 2021 £	30 June 2020 £	31 December 2020 £
Balance at the start of the period / year	-	21,885,611	21,885,611
Cash interest received	-	(1,210,333)	(1,210,333)
Net gains recognised in profit or loss ⁽¹⁾	-	1,097,722	1,097,722
Loan repayments	-	(21,773,000)	(21,773,000)
Balance at the end of the period / year	-	-	-
Changes in unrealised gains or losses for Level 3 assets held at period/ year end and included in net changes in fair value of financial assets at fair value through profit or loss	-	-	-

¹The net gains for the period ended 30 June 2021 comprise of £nil interest income on CLNs (period ended 30 June 2020: £1,097,722, year ended 31 December 2020: £1,097,722).

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

30 June 2021

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	436,334,012	436,334,012	420,807,466
Total	-	-	436,334,012	436,334,012	420,807,466
Liabilities					
Credit facilities	-	10,215,635	-	10,215,635	10,215,635
Total	-	10,215,635	-	10,215,635	10,215,635

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

13. FAIR VALUE MEASUREMENT (CONTINUED)

30 June 2020

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	462,295,383	462,295,383	448,891,684
Total	-	-	462,295,383	462,295,383	448,891,684
Liabilities					
Credit facilities	-	22,931,943	-	22,931,943	22,931,943
Total	-	22,931,943	-	22,931,943	22,931,943

31 December 2020

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	459,549,015	459,549,015	442,659,649
Total	-	-	459,549,015	459,549,015	442,659,649
Liabilities					
Credit facilities	-	18,626,837	-	18,626,837	18,626,837
Total	-	18,626,837	-	18,626,837	18,626,837

For cash and cash equivalents, other receivables and trade and other payables the carrying amount is a reasonable approximation of the fair value, hence they have not been included in the tables above.

The carrying values of the revolving credit facilities included in the above tables are considered to approximate its fair values. The fair value of loans advanced has been determined by discounting the expected cash flows using a discounted cash flow model. For the avoidance of doubt, the Group carries its loans advanced at amortised cost in the Unaudited Condensed 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.

14. 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 Luxco had no operating gains on ordinary activities before taxation and is therefore subject to the Luxembourg minimum corporate income taxation at €4,815 per annum (year ended 31 December 2020: €4,815). 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% (year ended 31 December 2020: 24.94%).

15. 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.

The tables below summarise the outstanding balances and transactions which occurred with related parties.

	Outstanding at 30 June 2021 £	Outstanding at 30 June 2020 £	Outstanding at 31 December 2020 £
Investment Manager			
Investment management fees payable	785,134	795,148	799,584
 			
	For the period ended 30 June 2021 £	For the period ended 30 June 2020 £	For the year ended 31 December 2020 £
Directors' fees and expenses paid			
Stephen Smith	25,000	25,000	50,000
John Whittle	22,500	22,500	45,000
Jonathan Bridel (resigned 31 December 2020)	-	21,250	42,500
Shelagh Mason (appointed 1 September 2020)	20,000	-	13,333
Charlotte Denton (appointed 1 January 2021)	20,000	-	-
Expenses paid	2,000	1,241	1,731
Investment Manager			
Investment management fees earned	1,561,503	1,584,891	3,186,943
Origination fees	199,206	545,248	546,194
Expenses	59,984	43,413	68,279

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2021

15. RELATED PARTY TRANSACTIONS (CONTINUED)

The tables below summarise the dividends paid to and number of Company's shares held by related parties.

	Dividends paid for the period ended 30 June 2021 £	Dividends paid for the period ended 30 June 2020 £	Dividends paid for the year ended 31 December 2020 £
Starwood Property Trust Inc.	274,200	297,050	594,100
SCG Starfin Investor LP	68,550	74,262	148,525
Stephen Smith	2,368	2,565	5,130
John Whittle	716	581	1,356
Jonathan Bridel (resigned 31 December 2020)	-	386	771
Shelagh Mason (appointed 1 September 2020)	1,839	-	287
Charlotte Denton (appointed 1 January 2021)	-	-	-
Duncan MacPherson*	5,896	-	8,333
Lorcain Egan*	2,200	-	3,818

	As at 30 June 2021 Number of shares	As at 30 June 2020 Number of shares	As at 31 December 2020 Number of shares
Starwood Property Trust Inc.	9,140,000	9,140,000	9,140,000
SCG Starfin Investor LP	2,285,000	2,285,000	2,285,000
Stephen Smith	78,929	78,929	78,929
John Whittle	23,866	23,866	23,866
Jonathan Bridel (resigned 31 December 2020)	-	11,866	11,866
Shelagh Mason (appointed 1 September 2020)	112,819	-	17,688
Charlotte Denton (appointed 1 January 2021)	-	-	-
Duncan MacPherson*	250,000	133,333	133,333
Lorcain Egan*	83,678	61,093	61,093

*Employees at the Investment Adviser

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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
Hotel and Residential, UK
Hotel, Spain
Mixed Portfolio, Europe
Office Portfolio, Spain
Office Portfolio, Ireland

16. EVENTS AFTER THE REPORTING PERIOD

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

	Local Currency
Hotel, Scotland	£3,330,083
Hotel, Oxford	£3,032,825
Mixed Use, Dublin	€406,374
Office Portfolio, Spain	€109,893
Office, Scotland	£56,922

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

	Local Currency
Office Portfolio, Ireland	€2,989,706
Mixed Portfolio, Europe	€480,682
Three Shopping Centres, Spain	€317,344

On 21 July 2021, the Group announced that it had closed a 13.5 million floating rate whole acquisition loan secured by a portfolio of a mixed use hotel and office property.

On 23 July 2021, the Company declared a dividend of 1.375 pence per Ordinary share payable to shareholders on the register on 6 August 2021.

On 11th August 2021, the Group announced that during July 2021 it received the full and final repayment of its 54.2m loan on a resort hotel in Spain.

On 6 September 2021 the Board appointed Gary Yardley as a non-executive Director.

Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures (“APMs”) the Board has considered what APMs are included in the Interim Financial Report and Unaudited Condensed 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.

INVESTED LOAN PORTFOLIO UNLEVERED ANNUALISED TOTAL RETURN

The unlevered annualised return is a calculation at the 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 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. 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 impact of any foreign exchange gains/losses on Euro loans. We did not forecast this as the loans are often repaid early and the gains/losses may be different 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.

PORFTOLIO 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.

Alternative Performance Measures

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".

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 / DEBT

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



Directors

Stephen Smith (non-executive Chairman)
John Whittle (non-executive Director)
Shelagh Mason (non-executive Director)
Charlotte Denton (non-executive Director)
(all care of the registered office)

Investment Manager

Starwood European Finance
Partners Limited
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
GY1 2HL

Solicitors to the Company (as to English law and U.S. securities law)

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ
United Kingdom

Registrar

Computershare Investor Services
(Guernsey) Limited
3rd Floor
Natwest House
Le Truchot
St Peter Port
Guernsey
GY1 1WD

Sole Broker

Jefferies Group LLC
100 Bishopsgate
London, EC2N 4JL
United Kingdom

Administrator, Designated Manager and Company Secretary

Apex Fund and Corporate Services
(Guernsey) Limited
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
GY1 2HL

Registered Office

1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
GY1 2HL

Investment Adviser

Starwood Capital Europe Advisers, LLP
2nd Floor
One Eagle Place
St. James's
London
SW1Y 6AF
United Kingdom

Advocates to the Company (as to Guernsey law)

Carey Olsen
PO Box 98
Carey House, Les Banques
St Peter Port
Guernsey
GY1 4HP

Independent Auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4ND

Principal Bankers

Barclays Private Clients International Limited
PO Box 41
Le Marchant House
St Peter Port
Guernsey
GY1 3BE

Website:

www.starwoodeuropeanfinance.com