STARWOOD

EUROPEAN REAL ESTATE FINANCE

Interim Financial Report and Unaudited Condensed Consolidated Financial Statements

for the six-month period from 1 January 2023 to 30 June 2023

STARWOOD
EUROPEAN REAL ESTATE FINANCE

CONTENTS

Overview

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

Governance

Board of Directors 26
Statement of Directors' Responsibilities 27

Interim Financial Statements

Independent Review Report 29
Unaudited Condensed Consolidated Statement of Comprehensive Income 30
Unaudited Condensed Consolidated Statement of Financial Position 31
Unaudited Condensed Consolidated Statement of Changes in Equity 32
Unaudited Condensed Consolidated Statement of Cash Flows 33
Notes to the Unaudited Condensed Consolidated Financial Statements 34

Further Information

Alternative Performance Measures 54
Corporate Information 58

Corporate Summary

PRINCIPAL ACTIVITIES AND INVESTMENT OBJECTIVE

Starwood European Real Estate Finance Limited (the "Company") was established in November 2012 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 made 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) (collectively the "Group").

Following the Company's Extraordinary General Meeting ("EGM") on 27 January 2023, the Company's objective changed and is now to conduct an orderly realisation of the assets of the Group and the return of capital to Shareholders. In line with this objective the Board will endeavour to realise all of the Group's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders. It is anticipated that it will take four to five years to complete this objective.

The Group will not make any new investments going forward save that investments may be made to honour commitments under existing contractual arrangements or to preserve the value of any underlying security.

Cash held by the Group pending distribution will be held in either cash or cash equivalents for the purposes of cash management.

Subject to the above restrictions, the Company retains the ability to seek to enhance the returns of selected loan investments through the economic transfer of the most senior portion of such loan investments. It is anticipated that where this is undertaken it would generate a positive net interest rate spread and enhance returns for the Company.

Full details of the investment objectives and policy post the EGM on 27 January 2023 are set out in the 2022 Annual Report which can be found on the company's website https://starwoodeuropeanfinance.com.

The Investment Objective and Policy which applied prior to the EGM on 27 January 2023 and for the whole of 2022, are set out in the 2021 Annual Report which can also be found on the company's website https://starwoodeuropeanfinance.com. The Investment Objective applied for the whole of 2022 and prior to the EGM on 27 January 2023 was 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 Investment Policy applied for the whole of 2022 and prior to the EGM on 27 January 2023 was to invest in a diversified portfolio of real estate debt investments in the UK and the European Union's internal market as the Group had done since its initial public offering ("IPO") in December 2012.

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 registered with the Guernsey Financial Services Commission ("GFSC") as a closed-ended collective investment scheme. 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 IPO which completed on 17 December 2012. Further issues took place in March 2013, April 2013, July 2015, September 2015, August 2016 and May 2019. The 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 percent of the Ordinary Shares in issue. This authority was renewed at the 2021, 2022 and 2023 AGMs. Between 2020 and 2022 the Company bought back 17,626,702 Ordinary Shares. Shares bought back (which had been held in treasury) were cancelled in June 2023.

In June 2023 the Company compulsorily redeemed 9,652,350 Ordinary Shares from Shareholders at 103.63 pence per share.

In August 2023 the Company compulsorily redeemed a further 29,092,218 Ordinary Shares from Shareholders at 103.12 pence per share.

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,

On behalf of the Board I 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 2023 to 30 June 2023.

Six months ago, when I presented the Annual Report and Audited Consolidated Financial Statements of the Group for the year ended 31 December 2022 to you, I spoke about the growing concerns over energy prices, the rising cost of living, higher interest rates and the Russian invasion of Ukraine. Since then the global economic and political themes have remained the same albeit energy prices and inflation have started to fall while interest rates have continued to rise. The Group's performance has also remained consistent demonstrating its unique portfolio resilience through the strength and consistency of its results. Once again all loan interest and scheduled amortisation payments have been received and underlying collateral valuations continue to provide reassuring headroom. Notwithstanding this continued robust performance, the Group decided to move one of the Spanish retail assets from Stage 2 to Stage 3 and recognise a modest impairment provision against it. This minor impairment represents 0.5% of the funded portfolio and is the result of the Group prudently applying sensitivities to net proceeds from an agreed asset sale which is subject to contract and is currently progressing through exclusivity. We have also moved four assets from Stage 1 to Stage 2 indicating a change in their credit risk since origination but with no impairments anticipated. The Group will continue to exercise an abundance of caution in these challenging times.

Despite this the Group's NAV has remained stable. This stability demonstrates the positive fundamentals of the Group's portfolio as an exceptionally attractive risk-adjusted source of alternative income tested, once again, in the harshest of market environments. Against market volatility, the Group has maintained a relatively stable market valuation, met its dividend targets (delivering an annualised 5.5 pence per share to shareholders) and started the orderly realisation of the Group's assets and the return of capital to Shareholders.

As you are aware and as already detailed in the Annual Report for the period to 31 December 2022, on 31 October 2022, the Board announced the Company's Proposed Orderly Realisation and Return of Capital to Shareholders. A Circular relating to the Proposed Orderly Realisation, containing a Notice of Extraordinary General Meeting (EGM) was published on 28 December 2022. The proposals were approved by Shareholders at the EGM in January 2023 and the Company is now seeking to return cash to Shareholders in an orderly manner as soon as reasonably practicable following the repayment of loans, while retaining sufficient working capital for ongoing operations and the funding of committed but currently unfunded loan commitments.

In June 2023, the Company announced its first capital distribution, returning circa £10 million to shareholders through the compulsory redemption of 9,652,350 shares at a price of £1.0363 per share.

The second capital distribution was announced in August 2023 which returned circa £30 million to shareholders through the compulsory redemption of 29,092,218 shares at a price of £1.0312 per share.

JOHN WHITTLE | Chairman
6 September 2023

Chairman's Statement

HIGHLIGHTS OVER THE SIX MONTHS TO 30 JUNE 2023

- **Positive realisation progress** - during the half year:
  - A total of £43.6 million, 10.2 per cent of the Group's 31 December 2022 total funded loan portfolio, has been repaid across 9 investments
  - This included the full repayment of three loans (totalling £31.2 million or 7.3 per cent of the Group's 31 December 2022 total funded loan portfolio)
  - Proceeds were used to fund the repayment of the £19 million of debt outstanding as at 31 December 2022, the additional dividend of £7.9 million paid in April 2023 (which equated to 2.0 pence per share) and the first return of capital to shareholders of £10.0 million paid in June 2023
- **All assets are carefully monitored for changes in their risk profile** – during the half year, the following changes to risk classification were made:
  - Four assets moved from Stage 1 to Stage 2 indicating a change in their credit risk since origination but no impairments anticipated; and
  - One asset moved from Stage 2 to Stage 3 and a small credit loss of £1.7 million was recognised – this minor impairment represents 0.5% of the funded portfolio and is the result of the Group prudently applying sensitivities to net proceeds from an agreed asset sale which is subject to contract and is currently progressing through exclusivity
- **The average remaining loan term of the portfolio is 1.4 years**
- **Strong cash generation** - the portfolio continues to support annual dividend payments of 5.5 pence per Ordinary Share, paid quarterly, and generates an annual dividend yield of 6.2 per cent on the share price as at 30 June 2023
- **Regular and consistent dividend** - since inception the Company has paid a regular and consistent dividend
- **Inflation protection** – 76.1 per cent of the portfolio is contracted at floating interest rates (with floors)
- **Robust portfolio** - the loan book is performing broadly in line with expectations with its defensive qualities reflected in the Group's continued NAV stability
- **Significant equity cushion** - the weighted average Loan to Value for the portfolio as at 30 June 2023 is 56.0 per cent

INVESTMENT MOMENTUM

In line with the new strategic direction of the Group (i.e. the orderly realisation and return of capital to shareholders) there has been no new commitments made in the six months to 30 June 2023. Repayments received in the six months to 30 June 2023 are summarised in the highlights section above.

As at 30 June 2019 to 2023 the Group had commitments as shown in the table below.

	June 2019	June 2020	June 2021	June 2022	June 2023
Funded loans	£447.0m	£447.5m	£418.5m	£429.1m	£379.2m
Unfunded Cash Commitments	£31.9m	£67.2m	£36.8m	£36.8m	£47.3m
Total Portfolio	£478.9m	£514.7m	£455.3m	£465.9m	£426.5m

Since 30 June 2023 £69.7 million has been repaid, including the full repayment of two loans - Hotels & Residential, UK - £49.9 million and Mixed Use, Dublin - £10.9 / €12.7 million.

NAV PERFORMANCE

The table below shows the NAV per share movements over the 6 months to 30 June 2023.

	Jan - 23	Feb - 23	Mar - 23	Apr - 23	May - 23	Jun - 23
NAV per share at beginning of month	105.20	104.58	105.28	103.82	103.09	103.63
Monthly Movements						
Operating Income available to distribute before impairment provision[1]	0.65	0.69	0.59	0.63	0.62	0.64
Impairment provision on asset classified as Stage 3[2]	0.00	0.00	0.00	0.00	0.00	(0.45)
Realised FX gains/(losses) not distributable[3]	0.00	0.56	0.00	0.00	0.00	0.00
Unrealised FX gains/(losses)[4]	0.11	(0.55)	(0.05)	0.01	(0.08)	(0.07)
Dividends declared	(1.38)	0.00	(2.00)	(1.37)	0.00	0.00
NAV per share as end of month	**104.58**	**105.28**	**103.82**	**103.09**	**103.63**	**103.75**

(1) Operating Income available to distribute before impairment provision comprises loan income recognised in the period less the cost of debt facilities utilised by the Group and operating costs incurred. Operating Income available to distribute before impairment provision also includes any realised foreign exchange gains or losses upon settlement of hedges, except those described in note 3. Included in loan income recognised in February 2023 is circa £0.5m (equivalent to 0.14p per share) of loan income related to Office and Industrial Portfolio, UK which was fully repaid in February 2023 and which benefited from early repayment income protection.

(2) In June 2023 a loan which had been classified as Stage 2 was reclassified to Stage 3 and an impairment provision recognised.

(3) On occasion, the Group may realise a gain or loss on the roll forward of a hedge if it becomes necessary to extend a capital hedge beyond the initial anticipated loan term. If this situation arises the Group will separate the realised FX gain or loss from other realised FX gains or losses and not consider it available to distribute or as a reduction in distributable profits. The FX gain or loss will only be considered part of distributable reserves or as a reduction in distributable profits when the rolled hedge matures or is settled and the final net gain or loss on the capital hedges can be determined.

(4) Unrealised foreign exchange gain/losses relate to the net impact of changes in the valuation of foreign exchange hedges and the sterling equivalent value of Euro loan investments (using the applicable month end rate). Mismatches between the hedge valuations and the loan investments may occur depending on the shape of the forward FX curve and this causes some movement in the NAV. These unrealised FX gains / losses are not considered part of distributable reserves.

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, Euro exposures are hedged and credit risk is proactively managed.

The NAV would be materially impacted if a significant impairment in the value of a loan was required but, despite the disruption to markets over the recent years, no material impairment has been needed and the Group's underlying collateral valuations remain stable and current (the average age of current valuations is just over one year). Please refer to the Investment Manager's report which starts 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.

The Group continues to closely monitor its loan exposures, underlying collateral performance and repayments.

Chairman's Statement

SHARE PRICE PERFORMANCE

During the first half of 2023, the Company's shares have been, relative to a volatile market, stable. In the six month period to 30 June 2023, the share price has been trading at between 86.2 pence and 92.6 pence and ended the half year at 88.6 pence.

As at 30 June 2023, the discount to NAV stood at 14.6 per cent, with an average discount to NAV of 15.0 per cent over the half year. The Board, the Investment Manager and Adviser continue to believe that the shares represent attractive value at this level.

DIVIDENDS

The Directors declared dividends in respect of the first two quarters of 2023 of 1.375 pence per Ordinary Share, equating to an annualised 5.5 pence per annum. This was covered by earnings (excluding unrealised FX gains and realised FX gains expected to reverse). The Board also declared an additional dividend in March 2023 of 2 pence per share related to 2022. With the current portfolio, and based on current forecasts (including forecasts of capital redemptions), we expect the target dividend of 5.5 pence per share to continue to be covered by earnings over the 12 months to 31 December 2023.

Based on the share price at 30 June 2023, a dividend of 5.5 pence per annum represents a 6.2 per cent dividend yield.

BOARD COMPOSITION AND DIVERSITY

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 will be taken into account should the appointment of a new director be required.

I am very pleased with the composition of the Board and I believe we have a very relevant diversity of skills and expertise which places us well for executing the strategy the shareholders have tasked us with.

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 a review of the ongoing cash flows and the level of cash balances as of the reporting date as well as forecasts of future cash flows. After making enquiries of the Investment Manager, Investment Adviser and the Administrator and having reassessed the principal risks in light of the recent change of investment objective and strategy, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements.

OUTLOOK

The Board is pleased that the diligent underwriting, loan structuring and active asset management of the Investment Manager and Adviser has led to very robust performance of the loans during the period.

At 30 June 2023, the Group had no debt drawn and undrawn revolving credit facilities of £101.0 million to fund existing commitments of £47.3 million if needed. Since 30 June 2023 and following the full repayment of two loans totaling £60.8 million in addition to other partial repayments the Board has created a reserve to fund the unfunded cash loan commitments and has reduced the revolving credit facilities to £25 million, available to May 2024.

The focus of the Group for the rest of 2023 is:

(i) the continued robust asset management of the existing loan portfolio;

(ii) the orderly realisation of the portfolio; and

(iii) the timely return of capital to shareholders

I would like to close by thanking you for your continued commitment and support.

John Whittle
Chairman
6 September 2023

Investment Manager's Report

MARKET COMMENTARY

At the beginning of the year we saw inflation from energy costs beginning to moderate as we passed the anniversary of the start of the war in Ukraine. Some of these trends have continued over the half year under review particularly in the United States where June CPI was well received by the markets down to 3 per cent which is the lowest rate since 2021 but there are concerns of a longer period of high inflation especially in the UK.

Eurozone preliminary data for June shows the consumer price inflation rate decreased to 5.5 per cent in June 2023, down from 6.1 per cent in the previous month and slightly below market expectations of 5.6 per cent. The core rate, which excludes volatile items such as food and energy, was slightly up from the previous month at 5.4 per cent but below the March rate of 5.7 per cent and also slightly below market forecasts of 5.5 per cent. Energy prices were down 5.6 per cent (versus down 1.8 per cent in May). More concerningly, services inflation picked up to 5.4 per cent from 5.0 per cent. However, more encouraging aspects to note are that the Eurozone consumer price inflation is now at its lowest level since January 2022 having peaked at 10 per cent in October 2022 and recent data shows factory gate prices in the region fell 1.5 per cent in the year to May, the first outright decline since December 2020.

UK inflation has been higher persistently with concerns focused around the core inflation rate. Interest rate markets moved markedly higher on the recent numbers. While the April data showed a reasonable decrease in overall consumer price inflation which declined from 10.1 per cent in March to 8.7 per cent, it was less of a decline than markets expected and core consumer price inflation continued to increase to 6.8 per cent which was the highest rate since March 1992. May numbers continued to miss expectations with the overall consumer price inflation rate unchanged at 8.7 per cent versus an expectation of a fall to 8.5 per cent. However June data swung the other way with a decline to 7.9 per cent versus analyst expectations of 8.2 per cent and markets reacted quickly to the surprise with asset prices rising across the board. The FTSE 100 rallied by almost 2 per cent and the 10 year gilt yield fell from 4.34 per cent to 4.16 per cent on the day.

As expected, central banks continue to be hawkish on the persistence of inflation. During the half year under review, the Bank of England raised the UK base rate four times including a larger than expected 50 basis points move in June in reaction to the high inflation data. With the subsequent August increase the Bank of England has now raised rates from 0.1 per cent to 5.25 per cent in this tightening cycle over a twenty month period. The markets see more to come with the expected peak in UK interest rates having risen from an expected peak of 5 per cent as at May, to as high as 6.5 per cent at one point.

In Europe there have also been rate rises taking the key Euro interest rate to 3.75 per cent and markets expecting this to rise to a peak of around 4 per cent. Christine Lagarde has signaled that the ECB will remain vigilant commenting on "a more persistent inflation process" meaning that rate-setters "cannot declare victory yet".

Higher interest rates expectations have fed directly into UK mortgage rates with fast changing rate expectations leading to a flurry of press reports on rising rates for residential mortgages. Headlines have highlighted the large numbers of mortgage deals being pulled from the market and in some cases leading UK banks repriced their headline mortgage rates twice in one week. During August a number of lenders have begun to cut rates however the 2 year fixed rate residential mortgages are still near their peak level at 6.8 per cent and the average rate for a five-year fixed mortgage stands at 6.3 per cent. These increases have begun to feed into house prices where average UK home prices according to the Halifax declined 2.6 per cent in the year to June which is the largest year on year decline since 2011.

Commercial real estate markets are looking for increased levels of certainty in inflation and interest rate expectations and until the outlook settles there is likely to be a decreased level of transaction volumes. This can be seen in the reduced activity in the first quarter of 2023 where investment volumes were down 62 per cent as a whole in Europe. Focusing on the office market where we commented last time on the differences between the US and European markets, observers might be surprised that volume decreases here are largely in line with the market as a whole with a 64 per cent decrease in office transaction volume. Looking at Central London office in particular the number of transactions is similar to the same period last year but the average lot size is down by 59 per cent which is in line with the reduction in overall transaction volumes. As is typical in slower markets the activity has been focused on high quality assets and as such London office transactions in the first quarter of 2023 have set the highest ever recorded average capital value per square foot.

Operating asset classes showed lower declines in investment volumes with hotel investment activity in the quarter ended 30 June 2023 versus the previous year being the strongest of the sectors. Hotels recorded a flat level of transactions reflecting strong underlying operating performance in the sector. All of the top 25 European hotel markets have recorded higher average room rates in the 12 months to end of May 2023 than they did in 2019.

One of the underperformers in transaction volumes for the quarter ended 30 June 2023 was logistics where volumes were down 76 per cent, however this may be a sector that picks up volume following a rapid repricing. Valuation adjustment in the UK during 2022 has been very swift with the move having been compounded by a high starting point due to strong performance in recent years. As a result of the rapid correction we had seen some evidence that yields were nudging off the recent highs. The fundamentals of high demand combined with supply being unable to keep up are still leading to a positive outlook for growing rental levels in this area which will attract investor interest to the positive income dynamics.

The wait for stability in the inflation and interest rate markets has been longer than many expected. This will continue to be a key driver for real estate markets and until the outlook settles further market volumes are likely to remain lower.

Investment Manager's Report

PORTFOLIO STATISTICS

As at 30 June 2023, the portfolio was invested in line with the Group's investment policy.

The key portfolio statistics are as summarized below.

	30 June 2023	30 June 2022
Number of investments	17	19
Percentage of currently invested portfolio in floating rate loans	76.1%	78.8%
Invested Loan Portfolio unlevered annualised total return[1]	8.1%	7.1%
Invested Loan Portfolio levered annualised total return[1]	8.1%	7.2%
Weighted average portfolio LTV – to Group first £[1]	11.6%	14.9%
Weighted average portfolio LTV – to Group last £[1]	56.0%	60.5%
Average loan term	5.3 years	5.0 years
Average remaining loan term	1.4 years	1.9 years
Net Asset Value	£400.4m	£422.9m
Amount drawn under Revolving Credit Facilities (excluding accrued interest)	£0.0m	(£18.5m)
Loans advanced at amortised cost (including accrued income)	£384.1m	£433.6m
Cash and cash equivalents	£13.1m	£3.1m
Other net assets (including financial assets held at fair value through the profit or loss)	£3.2m	£4.7m

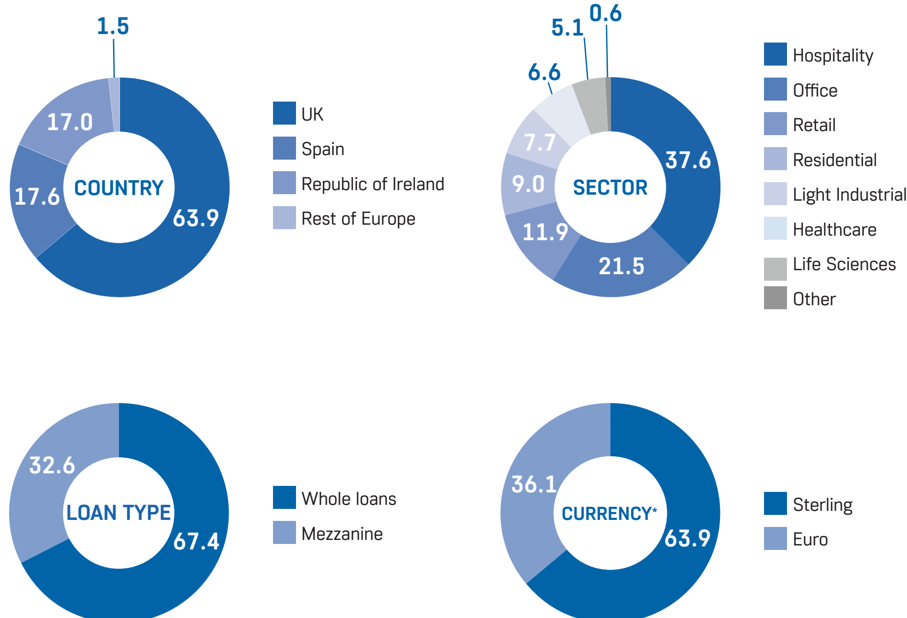
[1] Alternative performance measure - refer to page 54 for definitions and calculation methodology.

The maturity profile of investments as at 30 June 2023 is shown below.

Remaining years to contractual maturity*	Principal value of loans £m	% of invested portfolio
0 to 1 years	£186.4	49.2%
1 to 2 years	£87.6	23.1%
2 to 3 years	£46.0	12.1%
3 to 5 years	£59.2	15.6%

* 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:



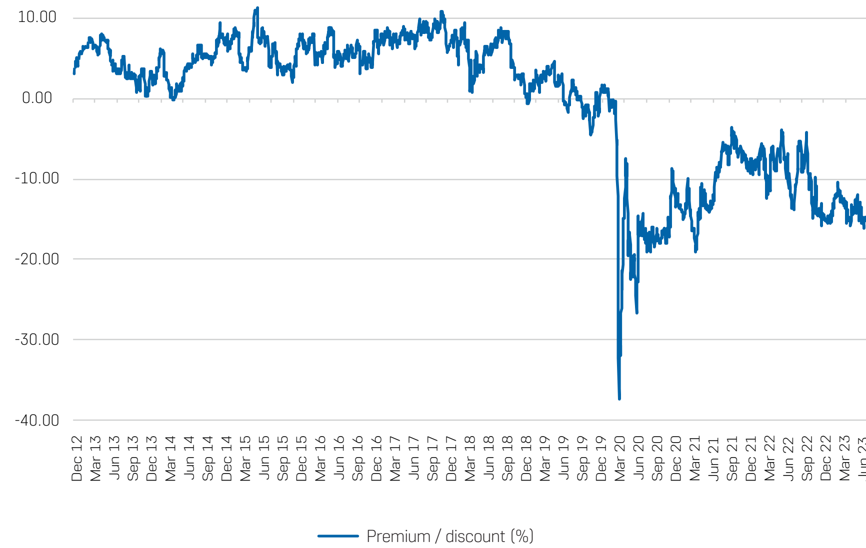
* The currency split refers to the underlying loan currency, however the capital on all non-sterling exposure is hedged back to sterling.

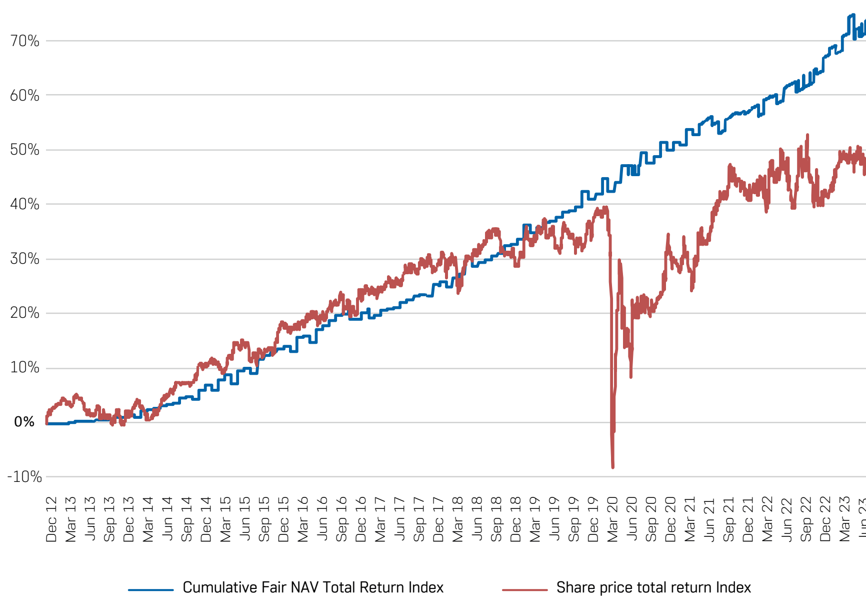
The Board considers that the Group is engaged in a single segment of business, being the provision of a diversified portfolio of real estate backed loans. The analysis presented in this report is presented to demonstrate the level of diversification achieved within that single segment. The Board does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

Investment Manager's Report

SHARE PRICE PERFORMANCE

As at 30 June 2023 the NAV was 103.75 pence per Ordinary Share (31 December 2022: 105.20 pence; 30 June 2022: 103.42 pence) and the share price was 88.6 pence (31 December 2022: 89.0 pence; 30 June 2022: 91.6 pence).





Source: Morningstar

The Company's share price 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 2023, the Group had 17 investments and commitments of £426.5 million as follows:

	Sterling equivalent balance[1], [2]	Sterling equivalent unfunded cash commitment[1], [3]	Sterling Total (Drawn and Unfunded)
Hospitals, UK	£25.0 m		£25.0 m
Hotel & Residential, UK	£49.9 m		£49.9 m
Office, London	£20.5 m		£20.5 m
Hotel, Scotland	£42.6 m		£42.6 m
Hotel, North Berwick	£15.0 m		£15.0 m
Life Science, UK	£19.5 m	£7.1 m	£26.6 m
Hotel and Office, Northern Ireland	£10.5 m		£10.5 m
Hotels, United Kingdom	£32.0 m	£18.6 m	£50.6 m
Industrial Estate, UK	£27.2 m	£19.0 m	£46.2 m
Total Sterling Loans	**£242.2 m**	**£44.7 m**	**£286.9 m**
Three Shopping Centres, Spain	£28.7 m		£28.7 m
Shopping Centre, Spain	£14.6 m		£14.6 m
Hotel, Dublin	£32.6 m		£32.6 m
Office, Madrid, Spain	£15.9 m	£0.9 m	£16.8 m
Mixed Portfolio, Europe	£5.7 m		£5.7 m
Mixed Use, Dublin	£10.9 m	£1.7 m	£12.6 m
Office Portfolio, Spain	£7.6 m		£7.6 m
Office Portfolio, Ireland	£21.0 m		£21.0 m
Total Euro Loans	**£137.0 m**	**£2.6 m**	**£139.6 m**
Total Portfolio	**£379.2 m**	**£47.3 m**	**£426.5 m**

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

[2] Balances shown are funded balances before impairment

[3] Excludes interest of circa £4.4 million to be capitalised in respect of Office Portfolio, Ireland which is repayable on maturity.

Investment Manager's Report

Between 1 January 2023 and 30 June 2023, the following significant investment activity occurred (reflected in the table overleaf):

REPAYMENTS:

During the half year, despite lower transaction volumes across the markets because of the cautionary approach being adopted by investors, borrowers repaid the following loan obligations:

- £23.0 million, Hotel, Oxford (repayment of loan in full)
- €9.4 million, Hotel, Dublin (partial repayment of loan)
- £5.5 million, Office and Industrial Portfolio, UK (repayment of loan in full)
- €3.0 million, Logistics Portfolio, Germany (repayment of loan in full)
- €2.1 million, Mixed Portfolio, Europe (partial repayment of loan)
- £1.0 million, Hotel and Office, Northern Ireland (partial repayment of loan)
- €0.8 million, Office Portfolio, Spain (partial repayment of loan)
- €0.7 million, Three Shopping Centres, Spain (scheduled amortisation)
- €0.08 million, Mixed Use, Dublin (partial repayment of loan)

These repayments were used in the six months to 30 June 2023 to:

- Fund the repayment of the £19 million of debt outstanding in the Group as at 31 December 2022;
- Pay the additional dividend of £7.9 million paid in March 2023 (which equated to 2.0 pence per share); and
- Make the first return of capital to shareholders of £10.0 million paid in June 2023

ADDITIONAL FUNDING:

During the half year, the Group funded £1.6 million in relation to loan commitments made in prior years which were unfunded. No new loans were funded during the half year in line with new objective and investment policy of the group as outlined in the Chairman's Statement.

Subsequent to 30 June 2023, the following significant loan repayments occurred:

- £49.9 million, Hotel & Residential, UK (repayment of loan in full)
- €12.7 million, Mixed Use, Dublin (repayment of loan in full)
- €5.5 million, Hotel, Dublin (partial repayment of loan)
- €2.4 million, Mixed Portfolio, Europe (partial repayment of loan)
- £1.2 million, Hotel & Office, Northern Ireland (partial repayment of loan)
- €0.8 million, Shopping Centre, Spain (partial repayment of loan)

These repayments were used to build up sufficient cash reserves for the Group to be able to self-fund the unfunded cash loan commitments (which were £47.3 million as at 30 June 2023) and to make the second return of capital to shareholders of circa £30 million paid in August 2023.

Subsequent to 30 June 2023, the Group funded £0.7 million in relation to loan commitments made in prior years which were unfunded.

PORTFOLIO OVERVIEW

The Group continues to closely monitor its loan exposures, underlying collateral performance and repayments. The Group has prudently assessed key risk indicators impacting all investments and has increased the number of loans classified as Stage 2 and moved one loan from a Stage 2 classification to a Stage 3 classification. This is outlined in detail under the Credit Risk Analysis section on page 17. Despite increased risk around higher interest rates and lower transaction volumes, the portfolio has continued to perform well.

During H1 2023, a total of £43.6 million, equivalent to 10.2 per cent of the 31 December 2022 total funded loan portfolio, has been repaid across nine investments. Repayments are originating from strategic underlying property sales, regular loan amortisation or borrowers electing to voluntarily pay down loan balances with surplus cash. Since 30 June 2023 a further £69.7 million has been repaid, including the full repayment of two loans - Hotels & Residential, UK - £49.9 million and Mixed Use, Dublin - £10.9/€12.7 million. These repayments were used to provide a reserve of cash to fund committed to but as yet unfunded loan commitments (which amounted to £47.3 million as at 30 June 2023) and to fund the second return of capital to Shareholders (which amounted to circa £30.0 million) and was paid in August 2023.

Post 30 June 2023 the Group's exposure to development and heavy refurbishment projects has reduced to zero following the final repayment of the Hotel & Residential, UK loan. The sponsor successfully completed on a combination of pre-sold residential units and a refinance of the hotel and repaid the Group's loan in full.

At 30 June 2023 four asset classes represented 80 per cent of the total funded loan portfolio these are Hospitality (38 per cent), Office (21 per cent), Retail (12 per cent) and Residential (9 per cent).

The Hospitality exposure is diversified across six different loan investments. Two (25 per cent of hospitality exposure) benefit from State/ Government licences in place at accretive rents with structural amortisation continuing to decrease loan exposures on these assets. The other trading hotel exposures either have been recently refurbished or will be on a rolling basis from mid-2023. All trading assets continue to have strong revenue performance driven by higher rates being achieved. Sponsors are keenly focused on costs to ensure that dilution of strong top line perform due to higher costs is minimised. The weighted average Loan to Value of the Hospitality exposure is 49 per cent.

The Office exposure (21 per cent) is spread across seven loan investments. Occupancy across the leased office portfolio has held up well, with the vast majority of the underlying tenants renewing leases and staying in occupation. The Group's office exposure is predominantly weighted (over 65 per cent) toward strong city centre locations which is widely documented as being the most defensive, alongside buildings which have high quality, ESG credentials. 66 per cent of the Group's current office exposure is against underlying office collateral that is either newly constructed or has undergone recent refurbishment projects. The weighted average Loan to Value of loans with office exposure is 62 per cent. The average age of these independently instructed valuation reports is under one year and hence there continues to be significant headroom to the Group's basis on these loans. As a precaution however, two of the office loans have as at 30 June 2023 been classified in the higher risk Stage 2 category due to slower lease up of newly refurbished space than expected or a materially lower valuation level upon receipt of a revised appraisal.

The Retail exposure (12 per cent) has continued to perform strongly from an operational perspective, with occupancies across the shopping centre exposures fully recovered to pre-pandemic levels and in the high eighties or nineties per cent. The sponsor of the shopping centre loans has launched a comprehensive sale process and bids have been received on the assets. The Group has prudently reclassified one of the retail loan exposures to a Stage 3 loan given a tight bid level versus the Groups loan level. This is further detailed in the Credit Risk Analysis section below. The weighted average Loan to Value of the Retail exposure is 75 per cent.

Residential exposure (9 per cent) is predominantly related to the successfully pre-sold residential for sale development project (Hotel & Residential, UK) that was fully repaid during Q3 2023. The weighted average Loan to Value of the Residential exposure was 38 per cent.

LOAN TO VALUE

All assets securing the loans undergo third party valuations before each investment closes and periodically thereafter at a time considered appropriate by the lenders. The LTVs shown below are based on independent third party appraisals with the exception of two loans that have been marked against a lower sale process bid level. The current weighted average age of the dates of these third party valuations for the whole portfolio is just over one year while the current weighted average age of the valuations for the income producing portfolio (i.e. excluding loans for development or heavy refurbishment) is just over six months.

On the basis of the methodology and valuation processes previously disclosed (the exception as noted above) at 30 June 2023 the Group has an average last £ LTV of 56.0 per cent.

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.

Change in Valuation	Hospitality	Office	Retail	Residential	Other	Total
-15%	58.1%	73.4%	88.4%	44.3%	68.8%	65.9%
-10%	54.9%	69.3%	83.5%	41.8%	65.0%	62.2%
-5%	52.0%	65.7%	79.1%	39.6%	61.6%	59.0%
0%	49.4%	62.4%	75.1%	37.7%	58.5%	56.0%
5%	47.0%	59.4%	71.5%	35.9%	55.7%	53.3%
10%	44.9%	56.7%	68.3%	34.2%	53.2%	50.9%
15%	42.9%	54.3%	65.3%	32.8%	50.9%	48.7%

Investment Manager's Report

LIQUIDITY AND HEDGING

The Group had no funds drawn on its available credit facilities as at 30 June 2023 and thus had significant liquidity available with undrawn revolving credit facilities (see note 3.g of the 2022 Annual Report for further information) of £101.0 million to fund outstanding commitments as at that date.

Since 30 June 2023 and following the full repayment of two loans totaling £60.8 million in addition to other partial repayments the Board has created a reserve to fund the unfunded cash loan commitments and has reduced the debt facilities available to the Group to £25.0 million.

In August 2023, the Company redeemed circa £30 million of shares from Shareholders.

The table below summarises the available liquidity as at 30 June 2023 and 31 August 2023.

	30 June 2023 £ million	31 August 2023 £ million
Drawn on Group debt facilities	-	-
Cash and Cash Equivalents	13.1	54.2
Net Cash and Cash Equivalents Held	**13.1**	**54.2**
Undrawn Debt Facilities available to Group	101.0	25.0
Undrawn Commitments to Borrowers	(47.3)	(44.9)
Available Capacity	**66.8**	**34.3**

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, while the net assets of the Group exceed £400.0 million cash would not need to be posted until the hedges were more than £20.0 million out of the money. As the net assets of the Group decreases so will these thresholds. This situation is closely monitored as a result. The mark to market of the hedges at 30 June 2023 was £2.9 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 a large proportion (36%) of its investments 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.

CREDIT RISK ANALYSIS

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

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

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

The Group closely monitors all loans in the portfolio for any deterioration in credit risk. As at the 31 December 2022, all but two of the Group's loan investments were categorised as Stage 1, with two loans (£44.6 million / 11 per cent of total funded loan portfolio) categorised as Stage 2 loans. As at 30 June 2023, the Group has prudently reassessed assigned classifications and has made the following reclassifications:

- Stage 2 loans – four loans investments have moved from a Stage 1 classification to Stage 2. In total five loans amounting to £100.1 million / 26 per cent of total funded loan portfolio are now classified as Stage 2. The average Loan to Value of these exposures is 69 per cent. The average age of valuation report dates used in the Loan to Value calculation for these assets is just under six months old. While these loans are considered to be higher risk since initial recognition, no loss has been recognised on a 12-month and lifetime expected credit losses basis. Therefore, no impairment in the value of these loans has been recognised. The reclassification of these loans has been driven by various key risk assessment factors including the following;
  - Lower underlying property values following receipt of updated formal appraisals by independent valuers or agreed and in exclusivity sale values,
  - Sponsor business plans progressing slower than originally underwritten meaning that trading performance has lagged expectation and operating financial covenants under the facility agreements have breached, and
  - Additional equity support is required to cover interest or operating shortfalls as a result of slower lease up or operations taking longer to ramp up.

The Stage 2 loans continue to benefit from headroom to the Group's investment basis. In all cases sponsors have defined business plans to achieve stabilisation or optimise disposal processes. In most cases sponsors are supporting the continued execution of business plans and contractual loan payments by injecting additional equity. Additionally, the Group has in some cases negotiated for borrowers to inject equity to partially repay loans in exchange for selected temporary financial covenant waivers to allow headroom for strong sponsors to progress business plans. This will provide de-risking against the loan basis once documented and cash injected.

Investment Manager's Report

- Stage 3 loan – one loan has been reclassified from Stage 2 to Stage 3. This investment totals £14.6 million / 4 per cent of total funded loan portfolio and its Loan to Value has been increased to 92 per cent. This value is based on the projected net proceeds which are expected to be available for loan repayment upon sale of the underlying loan collateral. The sponsor has run a comprehensive competitive sale process through a global advisory firm with oversight by the lenders and the bidder has proven execution track record in the same asset class and deal size and intends to close with all equity with no reliance on debt. Given continued capital markets volatility, materially lower transaction volumes and uncertainty regarding interest rates, the Group has approved the sale and the buyer is in exclusivity while undertaking standard purchaser due diligence.

  While the current projected net sale proceeds on the stage 3 loan would fully pay down the Group's loan balance, the Group has applied sensitivities to the expected net proceeds and, on that basis, has accounted for a credit impairment of £1.7m / 0.5 per cent of total funded loan portfolio. We note that despite the impairment, this loan investment is projected to achieve local currency returns of over 1.4 times the Group's capital invested.

This assessment has been made based on information in our possession at the date of reporting, our assessment of the risks of each loan and certain estimates and judgements around future performance of the assets.

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 23 to the full year accounts.

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
6.3%	£ 398.4 m	103.7%
7.0%	£ 394.6 m	102.7%
7.5%	£ 391.9 m	102.0%
8.0%	£ 389.3 m	101.3%
8.5%	£ 386.7 m	100.7%
9.0%	£ 384.1 m = BOOK VALUE	100.0%
9.5%	£ 381.6 m	99.3%
10.0%	£ 379.2 m	98.7%
10.5%	£ 376.7 m	98.1%
11.0%	£ 374.3 m	97.4%

Investment Manager's Report

The effective interest rate ("EIR") – i.e. the discount rate at which future cash flows equal the amortised cost is 9.0 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 9.0 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. 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 16 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 2023

Principal Risks

PRINCIPAL RISKS FOR THE REMAINING SIX MONTHS OF THE YEAR TO 31 DECEMBER 2023

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 2022 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 2023:

FINANCIAL MARKET VOLATILITY (RISK THAT DIVIDENDS DO NOT MEET THE TARGETED LEVELS AND THAT THE SHARE PRICE DISCOUNT PERSISTS AND WIDENS)

Subsequent to the EGM held on 27 January 2023 the Group's strategy is for an orderly realisation of its assets and the return of capital to shareholders. During the realisation period the Company intends to target a similar per share level of dividends as previously for as long as this is feasible and to return capital to shareholders subject to maintaining sufficient cash to fund as yet unfunded cash commitments on loans and ongoing operating costs.

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.

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 March 2020 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.

The Board, along with the Investment Manager and the Investment Adviser, monitor, review and consider the estimates and assumptions that underpin the targeted returns of the business and, where necessary, communicate any changes in those estimates and assumptions to the market.

The Board deployed a share buyback programme during 2020, 2021 and 2022 in order to support the share price. No shares were bought back in the first six months of 2023 but 9,652,350 shares were redeemed in June 2023 at 103.63 pence per share (the NAV per share at the end of May 2023). The current strategy of the orderly realization of assets and the return of capital to shareholders over time should mean that, subject to no unforeseen negative impacts on the value of investments, shareholders will receive a return of capital invested over time.

Principal Risks

LONG-TERM STRATEGIC RISK (RISK THAT THE BUSINESS MODEL IS NO LONGER ATTRACTIVE)

Subsequent to the EGM held on 27 January 2023, the Group's strategy is for an orderly realisation and return of capital to shareholders. It is anticipated that the return of capital to shareholders will be completed in the next four to five years.

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.

The Directors regularly receive information on the performance of the existing loans, including the performance of underlying assets versus underwritten business plan and the likelihood of any early repayments, or the need for any loan amendments.

The Board continues to monitor the revised investment strategy and performance on an ongoing basis.

MARKET DETERIORATION RISK (RISK OF THE ECONOMIES IN WHICH THE GROUP OPERATES EITHER STAGNATE OR GO INTO RECESSION)

The Group's investments are comprised principally of debt investments in the United Kingdom ('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 loan defaults or impairments.

The Covid-19 pandemic has had a material long term impact on global economies and on the operations of the Group's borrowers since 2020.

The situation in Ukraine, following the February 2022 incursion into Ukraine by Russia, also presents a significant risk to European and global economies. While the Group has no direct or known indirect involvement with Ukraine, Russia or Belarus it may be impacted by the consequences of the instability caused by the ongoing conflict.

The impact of the UK's departure from the European Union in 2020 still represents a potential threat to the UK economy as well as wider Europe. On a cyclical view, the national economies across Europe appear to be heading towards lower growth, and alongside the economic impact of Covid-19 and the destabilising impact of the conflict in Ukraine, towards recession.

In addition there is the impact of the ongoing high inflationary environment to consider (driven by increasing interest rates, energy costs and costs of living). This environment could make it harder for borrowers to meet their interest obligations to the Group and to ultimately repay the loans advanced to them.

The Board have considered the impact of market deterioration on the current and future operations of the Group and its portfolio of loans advanced. Because of the cash and loan facilities available to the Group and the underlying quality of the portfolio of loans advanced, both the Investment Manager and the Board still believe the fundamentals of the portfolio remain optimistic and that the Group can adequately support the portfolio of loans advanced despite current market conditions.

Principal Risks

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. The Group has mitigated against this with an average weighted loan to value of the portfolio of 56.0 per cent. Therefore, the portfolio should be able to withstand a significant level of deterioration before credit losses are incurred.

The Investment Adviser and Manager has also mitigated the risk of credit losses by undertaking detailed due diligence prior to the signing of each loan. Whilst the precise scope of due diligence will have depended on the proposed investment, such diligence will typically have included independent valuations, building, measurement and environmental surveys, legal reviews of property title, assessment of the strength of the borrower's management team and key leases and, where necessary, mechanical and engineering surveys, accounting and tax reviews and know your customer checks.

The Investment Adviser, Investment Manager and Board have also managed these risks in the past by ensuring a diversification of investments in terms of geography, market and type of loan. Such diversification will be harder to achieve as the company pursues a strategy of orderly realisation and does not enter into any new investments. The Investment Manager and Investment Adviser operate in accordance with the guidelines, investment limits and restrictions as determined by the Board. The Directors review the portfolio against these guidelines on a regular basis.

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

The Group's loans are held at amortised cost. The performance of each loan is reviewed quarterly by the Investment Adviser for any indicators of significant increase in credit risk, impaired or defaulted loans. The Investment Adviser also provides their assessment of any expected credit loss for each loan advanced. The results of the performance review and allowance for expected credit losses are discussed with the Investment Manager and the Board.

The Group has prudently assessed key risk indicators impacting all investments and has increased the number of loans classified as Stage 2 and moved one loan from a Stage 2 classification to a Stage 3 classification. This is outlined in detail under the Credit Risk Analysis section of the Investment Manager report. Despite increased risk around higher interest rates and lower transaction volumes, the portfolio has continued to perform well. The reasons, estimates and judgements supporting this assessment are described in the Investment Manager's report.

Principal Risks

INTEREST RATE RISK

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

The loans in place at 30 June 2023 are structured so that 76.1 per cent are floating rate and all of these floating rate loans are subject to interbank rate floors such that the interest cannot drop below a certain level, which offers some protection against downward interest rate risk.

The remaining 23.9 per cent by value of the loans are fixed rate, which provides protection from downward interest rate movements to the overall portfolio (but also prevents the Group from benefiting from any interbank rate rises on these positions).

FOREIGN EXCHANGE RISK

The majority of the Group's investments are Sterling denominated (63.9 per cent as at 30 June 2023) with the remainder being Euro denominated. The Group is subject to the risk that the exchange rates move unfavourably and that a) foreign exchange losses on the Euro loan principals are incurred and b) that Euro interest payments received are lower than anticipated when converted back to Sterling and therefore returns are lower than the underwritten returns.

The Group manages this risk by entering into forward contracts to hedge the currency risk. All non-Sterling loan principal is hedged back to Sterling to the maturity date of the loan. Interest payments are normally hedged for the period for which prepayment protection is in place. However, the risk remains that loans are repaid earlier than anticipated and forward contracts need to be broken early.

In these circumstances, the forward curve may have moved since the forward contracts were placed which can impact the rate received. In addition, if the loan repays after the prepayment protection, interest after the prepayment-protected period may be received at a lower rate than anticipated leading to lower returns for that period. Conversely, the rate could have improved, and returns may increase.

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

The Company had approximately £237.0 million (€276.1 million) of hedged notional exposure with Lloyds Bank plc at 30 June 2023 (converted at 30 June 2023 FX rates).

As at 30 June 2023, the hedges were in the money. If the hedges move out of the money and this mark to market exceeds £20.0 million and the total net assets of the Groups are above £400.0 million, the Company is required to post collateral, subject to a minimum transfer amount of £1 million. As the Company returns capital to shareholders and the net assets value of the Group decreases these thresholds also decrease. This situation is monitored closely, however, and as at 30 June 2023, the Company had sufficient liquidity and credit available on the revolving credit facility to meet any cash collateral requirements.

Principal Risks

RISK OF DEFAULT UNDER THE REVOLVING CREDIT FACILITIES

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

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

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

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. This risk is managed and mitigated by regular reviews of the Group's operational and financial control environment. The matter is also contained within service providers surveys which are completed by the Group's service providers and are regularly reviewed by the Board. No adverse findings in connection with the service provider surveys have been found. The Company and its service providers have policies and procedures in place to mitigate this risk, the cybercrime risk continues to be closely monitored.

REGULATORY RISK

The Group is also subject to regulatory risk as a result of any changes in regulations or legislation. Constant monitoring by the Investment Adviser, Investment Manager and the Board is in place to ensure the Group keeps up to date with any regulatory changes and compliance with them.

OPERATIONAL RISK

The Group has no employees and is reliant on the performance of third-party service providers. Failure by the Investment Manager, Investment Adviser, Administrator or any other third-party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Group.

The Board maintains close contact with all service providers to ensure that the operational risks are minimised.

EMERGING RISKS

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

Principal Risks

CLIMATE CHANGE

The consequences that climate change could have are potentially severe but highly uncertain. The potential high impact of possible losses has done a lot to raise the awareness of this risk in investment circles. The Board, in conjunction with the Investment Manager and Investment Adviser, considers the possible physical and transitional impact of climate change on properties secured on loans provided by the Group and includes the consideration of such factors in valuation instructions of the collateral properties and in considering any potential expected credit losses on loans. The Investment Adviser considers the possible physical and transitional impact of climate change as part of the origination process. In addition, the Board, in conjunction with the Investment Adviser, is monitoring closely the regulation and any developments in this area (see 'Environmental, Social and Corporate' section for further information).

Board of Directors

JOHN WHITTLE | Non-executive Director – Chairman of the Board

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 and Audit Committee Chairman of The Renewable Infrastructure Group Ltd (FTSE 250), Sancus Lending Group Ltd (listed on AIM), and Chenavari Toro Limited Income Fund Limited (listed on the SFS segment of the Main Market of the London Stock Exchange). 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.

GARY YARDLEY | Non-executive Director

Gary is a Fellow of the Royal Institution of Chartered Surveyors and holds a degree in estate management from Southbank University and an MBA. He has been a senior deal maker in the UK and European real estate market for over 25 years. Gary was formally Managing Director & Chief Investment Officer of Capital & Counties Property PLC ("Capco") and led Capco's real estate investment and development activities. Leading Capco's team on the redevelopment of Earls Court, Gary was responsible for acquiring and subsequently securing planning consent for over 11m sq. ft. at this strategic opportunity area capable of providing over 7,500 new homes for London. Gary was also heavily involved in the curation and growth of the Covent Garden estate for Capco, now an established premier London landmark. Gary is a Chartered Surveyor with over 30 years' experience in UK & European real estate. He is a former CIO of Liberty International and former equity partner of King Sturge and led PwC's real estate team in Prague and Central Europe in the early 1990s. Gary has recently returned to Prague and became Managing Director of West Bohemia Developments a.s, in August 2023, leading a major development opportunity on the D5 Highway adjacent to the German border. Gary currently remains a resident of the United Kingdom.

SHELAGH MASON | Non-executive Director - Management Engagement Committee Chairman and Senior Independent Director

Shelagh Mason is a solicitor specialising in English commercial property who retired as a consultant with Collas Crill LLP in 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 until 28 February 2022, she was a Non-Executive Director of the Renewables Infrastructure Fund a FTSE 250 company, standing down after nine years on the board. In addition to the Company, she has a non-executive position with Ruffer Investment Company Limited, also a FTSE 250 company. 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 Medicx 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 she also holds the IOD Company Direction Certificate and Diploma with distinction. Shelagh is a resident of Guernsey.

CHARLOTTE DENTON | Non-executive Director - Audit Committee Chairman

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. During Charlotte's executive career she worked in various locations through roles in diverse organisations, including KPMG, Rothschild, Northern Trust, a property development startup and a privately held financial services group. She has served on boards for over fifteen years and is currently a Non-Executive Director of various entities including the GP boards of Private Equity groups Cinven and Hitec, the voting company for Pershing Square Holdings and the Investment Manager for NextEnergy. She is also the Audit Chair for the listed Investment Company River and Mercantile UK Micro Cap. 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 of the year; 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

John Whittle
Chairman
6 September 2023

Charlotte Denton
Director
6 September 2023

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 of Starwood European Real Estate Finance Limited for the 6-month period ended 30 June 2023 (the "period").

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.

The interim financial statements comprise:

- the unaudited condensed consolidated statement of financial position as at 30 June 2023;
- 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 Financial Report and Unaudited Condensed Consolidated Financial Statements 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.

BASIS FOR CONCLUSION

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 Financial Report and Unaudited Condensed Consolidated Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

The Interim Financial Report and Unaudited Condensed Consolidated Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements 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 Financial Report and Unaudited Condensed Consolidated Financial Statements 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.

PricewaterhouseCoopers CI LLP

Chartered Accountants,
Guernsey, Channel Islands

6 September 2023

(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 2023

	Notes	1 January 2023 to 30 June 2023 £ (unaudited)	1 January 2022 to 30 June 2022 £ (unaudited)	1 January 2022 to 31 December 2022 £ (audited)
Income				
Income from loans advanced	7	18,204,923	14,795,630	33,356,702
Short term deposits interest income		11,435	-	-
Net foreign exchange (losses) / gains	3	(33,802)	1,045,763	3,046,164
Total income		**18,182,556**	**15,841,393**	**36,402,866**
Expenses				
Impairment loss on loans advanced	7	1,726,000	-	-
Investment management fees	16	1,520,900	1,559,609	3,122,755
Credit facility commitment fees		424,219	434,591	828,876
Credit facility interest and amortisation of fees		255,505	376,966	1,080,499
Other expenses		214,759	268,139	432,649
Audit and non-audit fees		182,957	118,463	233,773
Administration fees		158,769	176,070	354,426
Legal and professional fees		144,932	242,080	437,622
Directors' fees and expenses	16	103,112	103,105	203,373
Broker's fees and expenses		25,000	25,000	50,000
Professional fees for the orderly realisation proposals		-	-	210,000
Total operating expenses		**4,756,153**	**3,304,023**	**6,953,973**
Operating profit for the period / year before tax		**13,426,403**	**12,537,370**	**29,448,893**
Taxation	15	367,217	44,710	90,287
Operating profit for the period / year		**13,059,186**	**12,492,660**	**29,358,606**
Other comprehensive income				
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations		18,174	82,284	(112,256)
Other comprehensive income /(loss) for the period / year		**18,174**	**82,284**	**(112,256)**
Total comprehensive income for the period / year		**13,077,360**	**12,574,944**	**29,246,350**
Weighted average number of shares in issue	4	395,326,056	408,911,273	404,881,933
Basic and diluted earnings per Ordinary Share (pence)	4	3.30	3.06	7.25

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

Unaudited Condensed Consolidated Statement of Financial Position
as at 30 June 2023

	Notes	As at 30 June 2023 £ (unaudited)	As at 30 June 2022 £ (unaudited)	As at 31 December 2022 £ (audited)
Assets				
Cash and cash equivalents	5	13,137,269	3,078,669	3,576,155
Other receivables and prepayments	6	1,537,753	969,360	26,792
Revolving credit facility capitalised cost		262,287	-	-
Financial assets at fair value through profit or loss	8	2,891,365	4,624,887	706,661
Loans advanced	7	384,146,488	433,639,486	432,459,966
Total assets		**401,975,162**	**442,312,402**	**436,769,574**
Liabilities				
Credit facilities	10	-	18,021,799	18,863,204
Trade and other payables	9	1,543,420	1,404,119	1,758,606
Total liabilities		**1,543,420**	**19,425,918**	**20,621,810**
Net assets		**400,431,742**	**422,886,484**	**416,147,764**
Capital and reserves				
Share capital	11	385,435,824	407,440,011	395,075,556
Retained earnings		15,123,803	15,397,992	21,218,267
Translation reserve		(127,885)	48,481	(146,059)
Total equity		**400,431,742**	**422,886,484**	**416,147,764**
Number of Ordinary Shares in issue		385,940,346	408,911,273	395,592,696
Net asset value per Ordinary Share (pence)		103.75	103.42	105.20

These Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 6 September 2023, and signed on its behalf by:

John Whittle
Chairman

Charlotte Denton
Director

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

Unaudited Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2023

Period ended 30 June 2023	Share capital £ (unaudited)	Retained earnings £ (unaudited)	Translation reserve £ (unaudited)	Total equity £ (unaudited)
Balance at 1 January 2023	**395,075,556**	**21,218,267**	**(146,059)**	**416,147,764**
Shares redeemed	(9,639,732)	(362,997)	-	(10,002,729)
Dividends paid	-	(18,790,653)	-	(18,790,653)
Operating profit for the period	-	13,059,186	-	13,059,186
Other comprehensive income:				
Other comprehensive income for the period	-	-	18,174	18,174
Balance at 30 June 2023	**385,435,824**	**15,123,803**	**(127,885)**	**400,431,742**

Period ended 30 June 2022	Share capital £ (unaudited)	Retained earnings £ (unaudited)	Translation reserve £ (unaudited)	Total equity £ (unaudited)
Balance at 1 January 2022	**407,440,011**	**14,150,392**	**(33,803)**	**421,556,600**
Dividends paid	-	(11,245,060)	–	(11,245,060)
Operating profit for the period	-	12,492,660	-	12,492,660
Other comprehensive income:				
Other comprehensive income for the period	-	-	82,284	82,284
Balance at 30 June 2022	**407,440,011**	**15,397,992**	**48,481**	**422,886,484**

Year ended 31 December 2022	Share capital £ (audited)	Retained earnings £ (audited)	Translation reserve £ (audited)	Total equity £ (audited)
Balance at 1 January 2022	**407,440,011**	**14,150,392**	**(33,803)**	**421,556,600**
Share buy backs	(12,364,455)	-	-	(12,364,455)
Dividends paid	-	(22,290,731)	-	(22,290,731)
Operating profit for the year	-	29,358,606	-	29,358,606
Other comprehensive income:				
Other comprehensive income for the year	-	-	(112,256)	(112,256)
Balance at 31 December 2022	**395,075,556**	**21,218,267**	**(146,059)**	**416,147,764**

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 2023

	1 January 2023 to 30 June 2023 £ (unaudited)	1 January 2022 to 30 June 2022 £ (unaudited)	1 January 2022 to 31 December 2022 £ (audited)
Operating activities:			
Operating profit for the period / year before tax	13,426,403	12,537,370	29,448,893
Adjustments before tax			
Net interest income	(18,204,923)	(14,795,630)	(33,356,702)
(Increase) / decrease in prepayments, receivables and capitalised costs	(5,875)	16,164	10,860
(Decrease) / increase in trade and other payables	(259,704)	165,901	458,661
Net unrealised (gains) / losses on foreign exchange derivatives	(2,184,704)	8,669,146	12,584,938
Net foreign exchange losses / (gains)	5,036,923	(4,774,059)	(15,292,556)
Net foreign exchange gains on hedges	(2,553,840)	-	5,618,298
Impairment loss on loans advanced	1,726,000	-	-
Credit facility interest	148,118	170,528	707,171
Credit facility amortisation of fees	107,386	206,438	373,328
Credit facility commitment fees	424,219	434,591	828,876
Currency translation difference	2,199,941	(3,374,358)	(5,663,501)
Corporate taxes paid	(290,396)	(84,274)	(84,274)
	(430,452)	**(828,183)**	**(4,366,008)**
Loans advanced[1]	(1,661,978)	(27,365,276)	(60,788,846)
Loan repayments and amortisation	43,551,178	14,934,266	56,894,392
Origination fees paid	-	(525,888)	(872,020)
Interest, commitment and exit fee income from loans advanced	16,604,438	12,402,875	29,585,823
Net cash (outflow)/inflow from operating activities	**58,063,186**	**(1,382,206)**	**20,453,341**
Cash flows from investing activities			
Share buy backs	-	-	(12,364,455)
Share redemptions	(10,002,729)	-	-
Dividends paid	(18,790,653)	(11,245,060)	(22,290,731)
Proceeds under credit facility	-	30,623,470	94,223,490
Repayments under credit facility	(19,000,000)	(20,985,311)	(84,158,141)
Credit facility interest paid	(535,358)	(235,601)	(533,577)
Credit facility commitment fees paid	(443,877)	(434,931)	(834,495)
Net cash outflow from financing activities	**(48,772,617)**	**(2,277,433)**	**(25,957,909)**
Net decrease in cash and cash equivalents	**9,290,569**	**(3,659,639)**	**(5,504,568)**
Cash and cash equivalents at the start of the period/year	3,576,155	2,994,357	2,994,357
Net foreign exchange gains / (losses) on cash and cash equivalents	270,545	3,743,951	6,086,366
Cash and cash equivalents at the end of the period / year	**13,137,269**	**3,078,669**	**3,576,155**

[1] Net of arrangement fees of £nil (period ended 30 June 2022: £243,148, year ended 31 December 2022: £820,118) 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 2023

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 (the "GFSC") as a registered closed-ended investment scheme. The registered office and principal place of business of the Company is 1, Royal Plaza, Royal Avenue, St Peter Port, Guernsey, Channel Islands, GY1 2HL.

On 12 December 2012, the Company announced the results of its IPO, which raised net proceeds of £223.9 million. The Company's Ordinary Shares were admitted to the premium segment of the UK FCA'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 buybacks on behalf of the Company. During year end 31 December 2022, the Company had repurchased 13,318,577 Ordinary Shares at an average cost of 92.84 pence per share. These Ordinary Shares are held in treasury. However, in June 2023 the total number of Ordinary Shares held in treasury were cancelled. On 26 June 2023, 9,652,350 Ordinary Shares were redeemed. On 25 August 2023, a further 29,092,218 Ordinary Shares were redeemed.

The Unaudited Condensed Consolidated Financial Statements comprise the financial statements of the Company, Starfin Public Holdco 1 Limited ("Holdco 1"), Starfin Public Holdco 2 Limited ("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 2023.

Following the Company's Extraordinary General Meeting ("EGM") on 27 January 2023, the Company's objective changed and is now to conduct an orderly realisation of the assets of the Group and the return of capital to Shareholders. In line with this objective the Board will endeavour to realise all of the Group's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders. This has resulted in having the first partial redemption in the period of 9,652,350 Ordinary Shares from Shareholder at 103.63 pence per share. Further details and background is covered in the Corporate Summary section of this report.

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 FCA, 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 2022, 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 Financial Statements for the year ended 31 December 2022 were approved by the Board of Directors on 23 March 2023. The opinion of the Auditor on those Financial Statements was unqualified. This Interim Financial Report and Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2023 has been reviewed by the Auditor but not audited.

In line with the considerations noted in Note 1 above, the Directors have undertaken a comprehensive review and considered it appropriate to adopt the going concern basis of accounting in preparing the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements.

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 2023.

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 2022.

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2023

3. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	30 June 2023 £	30 June 2022 £	31 December 2022 £
Loans advanced - realised	113,162	5,699	511,596
Loans advanced - realised	(166,935)	(517,378)	(996,010)
Forward contracts gains - realised	2,755,096	7,424,908	6,507,544
Forward contracts losses - realised	(209,237)	(2,352,429)	(428,644)
Other gains - realised	4,904	(82,130)	110,951
Other losses - realised	-	(89,876)	(38,684)
Total realised gains	**2,496,990**	**4,388,794**	**5,666,753**
Loans advanced gains - unrealised	32,929	5,323,680	9,987,926
Loans advanced losses - unrealised	(4,748,425)	-	(23,578)
Forward contracts gains - unrealised	7,716,816	959,471	2,337,351
Forward contracts losses - unrealised	(5,532,112)	(9,626,182)	(14,922,288)
Total unrealised losses	**(2,530,792)**	**(3,343,031)**	**(2,620,589)**
Net gains/(losses)	**(33,802)**	**1,045,763**	**3,046,164**

On occasion, the Group may realise a gain or loss on the roll forward of a hedge if it becomes necessary to extend a capital hedge beyond the initial anticipated loan term. If this situation arises the Group will separate the realised FX gain or loss from other realised FX gains or losses and not consider it available to distribute (or as a reduction in distributable profits). The FX gain or loss will only be considered part of distributable reserves when the rolled hedge matures or is settled and the final net gain or loss on the capital hedges can be determined.

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 £13,059,186 (30 June 2022: £12,492,660 and 31 December 2022: £29,358,606) and on the weighted average number of Ordinary Shares in issue at 30 June 2023 of 395,326,056 (30 June 2022: 408,911,273 and 31 December 2022: 404,881,933).

The calculation of NAV per Ordinary Share is based on a NAV of £400,431,742 (30 June 2022: £422,886,484 and 31 December 2022: £416,147,764) and the actual number of Ordinary Shares in issue at 30 June 2023 of 385,940,346 (30 June 2022: 408,911,273 and 31 December 2022: 395,592,696).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises bank balances and short term bank deposits held by the Company. The carrying amount of these represents their fair value.

	30 June 2023 £	30 June 2022 £	31 December 2022 £
Cash at bank	3,125,834	3,078,669	3,576,155
Short term deposit	10,011,435	-	-
	13,137,269	**3,078,669**	**3,576,155**

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 2023 £	30 June 2022 £	31 December 2022 £
Prepayments	32,667	21,275	26,792
Investment interest receivable[1]	1,505,086	948,085	-
	1,537,753	**969,360**	**26,792**

[1] Investment interest receivable as at 30 June 2023 and 30 June 2022 relate to loan related payments which were received after period end.

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2023

7. LOANS ADVANCED

	30 June 2023 £	30 June 2022 £	31 December 2022 £
UK			
Hotel & Residential, UK	50,110,830	49,942,753	49,876,920
Hotel, Scotland	43,249,198	42,729,177	43,109,284
Hotels, United Kingdom	32,061,420	30,381,133	32,134,282
Industrial Estate, UK	27,414,987	-	27,435,196
Hospitals, UK	25,363,038	25,360,264	25,367,475
Office, London	20,975,997	17,404,582	19,336,450
Life Science, UK	20,055,999	19,764,594	19,955,081
Hotel, North Berwick	15,253,555	15,095,014	15,211,739
Hotel and Office, Northern Ireland	10,919,618	12,852,101	11,947,821
Hotel, Oxford	-	23,042,786	23,181,461
Office and Industrial Portfolio, UK	-	5,499,677	5,594,291
Spain			
Three Shopping Centres	29,590,487	30,410,440	31,023,568
Office, Madrid, Spain	15,988,322	16,032,248	16,510,039
Shopping Centre, Spain	13,466,064	15,240,528	15,886,055
Office Portfolio, Spain	8,138,179	8,653,598	9,027,980
Ireland			
Hotel, Dublin	33,267,881	52,266,251	42,752,233
Office Portfolio, Ireland	21,264,090	27,382,693	21,950,119
Mixed use, Dublin	11,127,912	7,944,861	11,469,547
Rest of Europe			
Mixed Portfolio, Europe	5,898,911	16,181,824	7,946,143
Logistics Portfolio, Germany	-	3,305,528	2,744,282
Office and Industrial Portfolio, The Netherlands	-	14,149,434	-
	384,146,488	**433,639,486**	**432,459,966**

7. LOANS ADVANCED (CONTINUED)

The amortised carrying cost of the Shopping Centre, Spain includes an impairment provision of £1.7 million for 2023 and none for 2022. For further information and the associated risks see the Investment Manager's Report and also covered in Note 13.

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

	30 June 2023 £	30 June 2022 £	31 December 2022 £
Loans advanced at the start of the period / year	**432,459,966**	**414,632,512**	**414,632,512**
Loans advanced	1,637,570	27,401,675	61,420,419
Income from loans advanced	18,204,923	14,795,630	33,356,702
Impairment loss on loans advanced	(1,726,000)	-	-
Foreign exchange gains / (losses)	(4,769,269)	4,811,942	9,478,646
Origination fees received for the year	-	525,888	872,020
Exit fees paid	(238,207)	(86,896)	(501,062)
Arrangement fees paid	-	(243,148)	(820,118)
Commitment fees paid	(433,719)	(368,823)	(710,782)
Interest payments receivable	(17,437,598)	(12,895,028)	(28,373,979)
Loan repayments	(43,551,178)	(14,934,266)	(56,894,392)
Loans advanced at the end of the period / year	**384,146,488**	**433,639,486**	**432,459,966**
Loans advanced at fair value	**398,443,765**	**451,583,669**	**453,301,433**

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 gains / (losses)" in the Unaudited Condensed Consolidated Statement of Comprehensive Income".

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2023

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 2023	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	238,265,359	4,865,135	(1,973,770)	2,891,365
Total	**238,265,359**	**4,865,135**	**(1,973,770)**	**2,891,365**

30 June 2022	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	286,121,467	7,749,022	(3,124,135)	4,624,887
Total	**286,121,467**	**7,749,022**	**(3,124,135)**	**4,624,887**

31 December 2022	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	309,280,796	4,697,637	(3,990,976)	706,661
Total	**309,280,796**	**4,697,637**	**(3,990,976)**	**706,661**

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

9. TRADE AND OTHER PAYABLES

	30 June 2023 £	30 June 2022 £	31 December 2022 £
Investment management fees payable	757,750	785,084	777,556
Audit fees payable	223,094	195,268	289,457
Accrued expenses	172,764	121,571	273,183
Administration fees payable	132,971	142,667	203,420
Commitment fees payable	154,195	154,045	164,855
Tax provision	102,646	(2,721)	25,727
Loan amounts payable	-	6,204	24,408
Directors' fees payable	-	2,001	-
	1,543,420	**1,404,119**	**1,758,606**

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 2023, an amount of £nil (30 June 2022: £18,470,386 and 31 December 2022: £19,000,000) was drawn and interest of £nil (30 June 2022: £38,213 and 31 December 2022: £181,907) was payable.

As at 30 June 2023, commitment fees of £154,195 (30 June 2022: £154,045 and 31 December 2022: £164,855) were payable.

The revolving credit facility capitalised costs are directly attributable costs incurred in relation to the establishment of the credit loan facilities as at June 2023 and an amount at 30 June 2022: £486,566 and 31 December 2022: £319,675 was netted off against the loan facilities outstanding. In June 2023, an amount of £262,289 was separately shown in revolving credit facility capitalised cost in assets.

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 2023

10. CREDIT FACILITIES (CONTINUED)

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

	30 June 2023 £	30 June 2022 £	31 December 2022 £
Borrowings at the start of the period /year	**18,863,204**	**7,914,993**	**7,914,993**
Proceeds during the period / year	-	30,623,470	94,223,490
Repayments during the period / year	(19,000,000)	(20,985,311)	(84,158,141)
Interest expense recognised for the period / year	148,118	170,528	707,171
Interest paid during the period / year	(330,455)	(235,601)	(533,577)
Credit facility fees incurred	(50,000)	-	-
Credit facility amortisation of fees	107,386	206,438	373,328
Foreign exchange and translation difference	261,747	327,282	335,940
Borrowings at the end of the period/year	**-**	**18,021,799**	**18,863,204**

11. SHARE CAPITAL

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

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

	30 June 2023 £	30 June 2022 £	31 December 2022 £
Period to:			
Ordinary Shares of no par value	-	-	-
Issued and fully paid	395,592,696	413,219,398	413,219,398
Shares redeemed	(9,652,350)	-	-
Shares held in treasury	-	(4,308,125)	(17,626,702)
Total Ordinary Shares, excluding those in treasury	**385,940,346**	**408,911,273**	**395,592,696**

On 13 June 2023, the Board of the Company announced the cancellation of 17,626,702 shares that were held in treasury.

11. SHARE CAPITAL (CONTINUED)

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

Significant share movements

1 January 2023 to 30 June 2023:

	Number	£
Balance at the start of the period	395,592,696	403,365,545
Shares redeemed in June 2023	(9,652,350)	(9,639,732)
Balance at the end of the period	**385,940,346**	**393,725,813**
Issue costs since inception		**(8,289,989)**
Net proceeds		**385,435,824**

1 January 2022 to 30 June 2022:

	Number	£
Balance at the start of the period	408,911,273	415,730,000
Shares bought back in the period	-	-
Balance at the end of the period	**408,911,273**	**415,730,000**
Issue costs since inception		**(8,289,989)**
Net proceeds		**407,440,011**

1 January 2022 to 31 December 2022:

	Number	£
Balance at the start of the period	408,911,273	415,730,000
Shares bought back in 2022	(13,318,577)	(12,364,455)
Balance at the end of the period	**395,592,696**	**403,365,545**
Issue costs since inception		**(8,289,989)**
Net proceeds		**395,075,556**

12. 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 2023:

	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
Period to:			
31 March 2023	1.375	5,439,400	23 May 2023

After the end of the period, the Directors declared a dividend in respect of the financial period ended 30 June 2023 of 1.375 pence per share which was paid in August 2023 to shareholders on the register on 31 July 2023.

The Company paid the following dividends in respect of the year to 31 December 2022:

	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
Period to:			
31 March 2022	1.375	5,622,530	27 May 2022
30 June 2022	1.375	5,606,271	26 August 2022
30 September 2022	1.375	5,439,400	25 November 2022
31 December 2022	1.375	5,439,400	24 February 2023
31 December 2022 - Additional 2022 dividend [1]	2.000	7,911,854	18 April 2023

[1] Additional dividend relating to 2022 declared after year end due to excess funds available.

13. RISK MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

(i) Market risk

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 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.

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.

The Group and Lloyds Bank plc entered into an international forward exchange master agreement dated 5 April 2013 and on 7 February 2014 the Group entered into a Professional Client Agreement with Goldman Sachs, pursuant to which the parties can enter into foreign exchange transactions with the intention of hedging against fluctuations in the exchange rate between Sterling and other currencies. The Group does not trade in derivatives but holds them to hedge specific exposures and have maturities designed to match the exposures they are hedging. The derivatives are held at fair value which represents the replacement cost of the instruments at the reporting date and movements in the fair value are included in the Consolidated Statement of Comprehensive Income under net foreign exchange losses/ (gains). The Group does not adopt hedge accounting in the financial statements. At the end of the reporting period the Group had 113 (June 2022: 105 and December 2022: 109) open forward contracts.

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2023

13. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

b) Interest rate risk

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

The majority of the Group's financial assets are loans advanced at amortised cost, 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 loans in place at 30 June 2023 are structured so that 76.1 per cent (December 2022: 78.6 per cent) are floating rate and all of these floating rate loans are subject to interbank rate floors such that the interest cannot drop below a certain level, which offers some protection against downward interest rate risk. The remaining 23.9 per cent by value of the loans are fixed rate, which provides protection from downward interest rate movements to the overall portfolio (but also prevents the Group from benefiting from any interbank rate rises on these positions).

(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, 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 2023 due to several loans being advanced since inception. There is also credit risk in respect of other financial assets as a portion of the Group's assets are cash and cash equivalents or accrued interest. The banks used to hold cash and cash equivalents have been diversified to spread the credit risk to which the Group is exposed. The Group also has credit risk exposure in its financial assets classified as financial assets through profit or loss which can be 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.

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 2023, the maximum credit risk exposure was £401,942,495 (30 June 2022: £442,291,127 and 31 December 2022: £436,742,782).

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. During the period, four assets moved from Stage 1 to Stage

13. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

2 indicating a change in their credit risk since origination but no impairments in value anticipated. One asset moved from Stage 2 to Stage 3 and a small credit loss of £1.7 million was recognised. This minor impairment represents 0.5% of the funded portfolio and is the result of the Group prudently applying sensitivities to net proceeds from an agreed asset sale which is subject to contract and is currently progressing through exclusivity (Please refer note 7).

(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 £101,000,000 (30 June 2022: £126,000,000 and 31 December 2022: £126,000,000) of which £nil was drawn on 30 June 2023 (30 June 2022: £18,470,386 and 31 December 2022: £19,000,000).

Subsequent to 30 June 2023 £76.0 million of the 30 June 2023 revolving credit facilities were canceled, leaving £25.0 million still available. This was due to repayments received after 30 June 2023 (see note 17) which allowed the Company to build a cash reserve to cover the outstanding unfunded cash loan commitments (which were £47.3 million as at 30 June 2023 and are detailed in the Investment Managers Report).

As at 30 June 2023, the Group had £13,137,269 (30 June 2022: £3,078,669 and 31 December 2022: £3,576,155) available in cash and £1,792,663 (30 June 2022: £1,404,119 and 31 December 2022: £1,758,606) 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 and undrawn loan commitments. These are set out in the Investment Managers report on page 13.

(iv) Risk of default under the revolving credit facilities

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

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

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

14. 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 2023

14. 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 2023

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Investments at fair value through profit or loss	-	4,865,135	-	4,865,135
Short term deposit [1]	10,011,435	-	-	10,011,435
Total	**10,011,435**	**4,865,135**	**-**	**14,876,570**
Liabilities				
Investments at fair value through profit or loss	-	(1,973,770)	-	(1,973,770)
Total	**-**	**(1,973,770)**	**-**	**(1,973,770)**

[1] Presented under cash and cash equivalents in Statement of Financial Position.

30 June 2022

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Investments at fair value through profit or loss	-	7,749,022	-	7,749,022
Total	**-**	**7,749,022**	**-**	**7,749,022**
Liabilities				
Investments at fair value through profit or loss	-	(3,124,135)	-	(3,124,135)
Total	**-**	**(3,124,135)**	**-**	**(3,124,135)**

31 December 2022

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Investments at fair value through profit or loss	-	4,697,637	-	4,697,637
Total	**-**	**4,697,637**	**-**	**4,697,637**
Liabilities				
Investments at fair value through profit or loss	-	(3,990,976)	-	(3,990,976)
Total	**-**	**(3,990,976)**	**-**	**(3,990,976)**

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.

14. FAIR VALUE MEASUREMENT (CONTINUED)

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

30 June 2023

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	384,146,488	398,443,765	384,146,488
Total	**-**	**-**	**384,146,488**	**398,443,765**	**384,146,488**

30 June 2022

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	451,583,669	451,583,669	433,639,486
Total	**-**	**-**	**451,583,669**	**451,583,669**	**433,639,486**
Liabilities					
Credit facilities	-	18,021,799	-	18,021,799	18,021,799
Total	**-**	**18,021,799**	**-**	**18,021,799**	**18,021,799**

30 December 2022

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	453,301,433	453,301,433	432,459,966
Total	**-**	**-**	**453,301,433**	**453,301,433**	**432,459,966**
Liabilities					
Credit facilities	-	18,863,204	-	18,863,204	18,863,204
Total	**-**	**18,863,204**	**-**	**18,863,204**	**18,863,204**

For cash and cash equivalents, other receivables and trade and other payables the carrying amount is a reasonable approximation of the fair value.

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2023

14. FAIR VALUE MEASUREMENT (CONTINUED)

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

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.

15. 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 was therefore subject to the Luxembourg minimum corporate income taxation at €4,815 (year ended 31 December 2022: €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 Dec 2022 :24.94%).

16. 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.

	Outstanding at 30 June 2023 £	Outstanding at 30 June 2022 £	Outstanding at 31 December 2022 £
Investment Manager			
Investment management fees payable	757,750	785,084	777,556

	For the period ended 30 June 2023 £	For the period ended 30 June 2022 £	For the year ended 31 December 2022 £
Directors' fees and expenses paid			
John Whittle	30,000	30,000	60,000
Shelagh Mason	22,500	22,500	45,000
Charlotte Denton	25,000	25,000	50,000
Gary Yardley	21,000	21,000	42,000
Expenses paid	4,612	4,605	6,373
Investment Manager			
Investment management fees earned	1,520,900	1,559,609	3,122,755
Origination fees	-	525,888	501,936
Expenses	42,781	97,618	120,099

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2023

16. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Dividends paid during the period ended 30 June 2023 £	Dividends paid during the period ended 30 June 2022 £	Dividends paid during the year ended 31 December 2022 £
Starwood Property Trust Inc.	434,150	251,350	502,700
SCG Starfin Investor LP	108,538	62,838	125,675
John Whittle	1,609	656	1,725
Charlotte Denton	2,111	-	1,833
Shelagh Mason	5,359	3,103	6,205
Duncan MacPherson*	11,875	6,875	8,333
Lorcain Egan*	3,975	2,301	3,818

	As at 30 June 2023 Number of shares	As at 30 June 2022 Number of shares	As at 31 December 2022 Number of shares
Starwood Property Trust Inc.	8,916,984	9,140,000	9,140,000
SCG Starfin Investor LP	2,229,246	2,285,000	2,285,000
John Whittle	33,040	23,866	33,866
Charlotte Denton	43,360	-	44,444
Shelagh Mason	110,066	112,819	112,819
Duncan MacPherson*	243,891	250,000	250,000
Lorcain Egan*	81,638	83,678	83,678

* Employees at the Investment Adviser

16. 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 Group also acted as co-lender with Starwood European Real Estate Debt Finance I LP ("SEREDF I") an affiliate entity. The details of these loans are shown in the table below.

Loan	Related party co-lenders
Hotel and Residential, UK	STWD
Hotels, United Kingdom	STWD
Mixed Portfolio, Europe	STWD
Office Portfolio, Spain	STWD
Office Portfolio, Ireland	STWD
2 Hotels, UK	SEREDF I

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2023, the following loan amortisation (both scheduled and unscheduled) has been received up to the date of publication of this report:

	Local Currency
Three Shopping Centres	€317,344
Shopping Centre, Spain	€775,652
Hotel, Dublin	€5,500,000
Mixed Portfolio, Europe	€2,371,718
Hotel and Office, Northern Ireland	£1,200,000

Subsequent to 30 June 2023, the following loans have been repaid in full up to the date of publication of this report:

	Local Currency
Hotel & Residential, UK	£49,930,000
Mixed Use, Dublin	€12,715,112

Subsequent to 30 June 2023, the Group funded £0.7 million in relation to loan commitments made in prior years which were unfunded.

In August 2023 the Group's £76.0 million debt facility with Morgan Stanley was canceled.

In August 2023 a second capital distribution was announced which returned circa £30 million to shareholders through the compulsory redemption of 29,092,218 shares at a price of £1.0312 per share.

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

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

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

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

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

PORTFOLIO LEVERED ANNUALISED TOTAL RETURN

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

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
John Whittle (non-executive Chairman)
Shelagh Mason (non-executive Director)
Charlotte Denton (non-executive Director)
Gary Yardley (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 Fullbright 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
1 Berkeley Street
London
W1J 8DJ
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