STARWOOD
EUROPEAN REAL ESTATE FINANCE

Interim Financial Report and Unaudited Condensed Consolidated Financial Statements

for the six-month period from 1 January 2022 to 30 June 2022

STARWOOD
EUROPEAN REAL ESTATE FINANCE

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Corporate Summary

PRINCIPAL ACTIVITIES AND INVESTMENT OBJECTIVE

The investment objective of Starwood European Real Estate Finance Limited (the "Company"), together with its wholly owned subsidiaries Starfin Public Holdco 1 Limited, Starfin Public Holdco 2 Limited, Starfin Lux S.à.r.l, Starfin Lux 3 S.à.r.l and Starfin Lux 4 S.à.r.l (collectively the "Group"), is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments in the UK and the European Union's internal market.

The Company seeks to limit downside risk by focusing on secured debt with both quality collateral and contractual protection.

The Company anticipates that the typical loan term will be between three and seven years. Whilst the Company retains absolute discretion to make investments for either shorter or longer periods, at least 75 per cent of total loans by value will be for a term of seven years or less.

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

STRUCTURE

The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 9 November 2012 with registered number 55836, and has been authorised by the Guernsey Financial Services Commission ("GFSC") as a registered closed-ended investment company. The Company's ordinary shares were first admitted to the premium segment of the UK's Financial Conduct Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 17 December 2012. Further issues took place in March 2013, April 2013, July 2015, September 2015, August 2016 and May 2019. The issued capital during the period comprises the Company's Ordinary Shares denominated in Sterling.

The Company received authority at the 2020 Annual General Meeting ("AGM"), to purchase up to 14.99 percent of the Ordinary Shares in issue. This authority was renewed at the 2021 and 2022 AGMs.

In August 2020 the Board announced that it had engaged Jefferies International Limited as buy-back agent to effect share buybacks on behalf of the Company.

During 2020 the Company bought back 3,648,125 shares at an average cost per share of 86.9 pence per share. During 2021, the Company bought back 660,000 Ordinary Shares at an average price of 89.54 pence per share. In the first half of 2022 the Company did not buy back any shares but between 1 July 2022 and 2 September 2022 (having re-engaged Jefferies International Limited as buy-back agent to effect share buybacks on behalf of the Company) the Company has bought back a further 5,230,919 shares at an average price per share of 93.7 pence.

Ordinary shares bought back are held in treasury. Share buybacks are subject to sufficient cash being available.

The Company makes its investments through Starfin Lux S.à.r.l (indirectly wholly-owned via a 100% shareholding in Starfin Public Holdco 1 Limited), Starfin Lux 3 S.à.r.l and Starfin Lux 4 S.à.r.l (both indirectly wholly-owned via a 100% shareholding in Starfin Public Holdco 2 Limited).

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

Chairman's Statement

Dear Shareholder,

I am delighted to present the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements of Starwood European Real Estate Finance Limited (the "Group") for the period from 1 January 2022 to 30 June 2022.

Six months ago, when I presented the Annual Report and Audited Consolidated Financial Statements of the Group for the year ended 31 December 2021 to you, none of us foresaw the market and political turmoil that would be experienced between then and now in both UK and global economies as a result of the conflict in Ukraine and rising inflation and interest rates. Despite this, and as in 2020 and 2021, the Group has demonstrated its unique portfolio resilience through the strength and consistency of its results. Once again, it is significant, and very gratifying, to note that all loan interest and scheduled amortisation payments were received on time and that underlying collateral valuations continue to provide reassuring headroom.

While this half year has been a turbulent period in the equity markets and, as a direct result, for the share price of the Company, it has not been a turbulent time for the Group's NAV which has once again remained stable throughout. The Group's NAV stability demonstrates the positive fundamentals of the Group's portfolio as an exceptionally attractive risk-adjusted source of alternative income tested in the harshest of market environments. Against market volatility, the Group has not only maintained a stable net asset value but has also met its dividend targets, delivering an annualised 5.5 pence per share to shareholders.

The Board remains keen to engage with shareholders and potential investors with a view to stabilising and increasing the share price to at or above par to reflect the Group's stability of net asset value and consistency of results.

JOHN WHITTLE | Chairman
5 September 2022

HIGHLIGHTS OVER THE SIX MONTHS TO 30 JUNE 2022

- **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 6.0 per cent on the share price as at 30 June 2022
- **Regular and Consistent Dividend** - £190 million of dividends paid since inception
- **Inflation protection** - 78.8 per cent of the portfolio is contracted at floating interest rates (with floors) which will provide an increase in revenue as expected higher inflation results in higher interest rates
- **Robust portfolio** - the loan book is performing in line with expectations with its defensive qualities reflected in the Group's continued stable NAV; the weighted average Loan to Value for the portfolio is 60.5 per cent as at 30 June 2022 compared with 61.9 per cent at the end of 2021
- **51.2 per cent** - share price total return since inception in December 2012
- **Strong pipeline of opportunities** - The Investment Adviser and Manager continue to see a strong investment pipeline which represents attractive risk adjusted returns.

Chairman's Statement

INVESTMENT PERFORMANCE

INTEREST & AMORTISATION PAYMENTS

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

STRONG CASH GENERATION

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

INFLATION PROTECTION

78.8 per cent of the portfolio is contracted at floating interest rates (with floors) which will provide an increase in revenue as expected higher inflation results in higher interest rates. The majority of underlying floating rate borrowers have hedging in place such that their exposure to rising base rates are capped. Where no hedging is in place, there are other mitigating factors in place which provide comfort of the headroom available to borrowers to be able to absorb base rate increases.

The Invested Loan Portfolio unlevered annualised total return has been increasing steadily as interest rate curves have moved upwards. The year on year increase is 50 basis points (i.e. now 7.1 per cent, up from 6.6 per cent in June 2021). As interest rates increase there will be additional income to cover the dividend.

RECATEGORISATION OF STAGE 2 ASSET TO STAGE 1

Of the three loans categorised at Stage 2 in the December 2021 financial statements one of those has now been recategorised as Stage 1 reflecting the Investment Manager's and Investment Advisor's conclusion that the risk related to the loan had reduced.

INVESTMENT MOMENTUM

The table below summarises the new commitments made and repayments received in the first six months of each year from 2018 to 2022.

	H1 2018	H1 2019	H1 2020	H1 2021	H1 2022
New Commitments	£147.5m	£49.9m	£72.7m	£26.6m	£19.5m
Repayments & Amortisation	(£74.1m)	(£45.9m)	(£65.3m)	(£45.8m)	(£14.9m)
Net Increase / (Decrease) in Commitments	£73.4m	£4.0m	£7.4m	(£19.2m)	£4.6m

The net change in commitments during the first half of 2022 is showing a small increase. Importantly, the Group is fully invested, with a strong pipeline of new loans, all of which supports the Group's income generation going forward.

As at 30 June 2018 to 2022 the Group had commitments as shown in the table below.

	June 2018	June 2019	June 2020	June 2021	June 2022
Funded loans	£429.9m	£447.0m	£447.5m	£418.5m	£429.1m
Unfunded Commitments	£42.2m	£31.9m	£67.2m	£36.8m	£36.8m
Total Portfolio	£472.1m	£478.9m	£514.7m	£455.3m	£465.9m

Between 1 July 2022 and 2 September 2022 the Group received £13.1 million in partial repayments and funded an additional £3.1 million on loans it had committed to as at 30 June 2022.

NAV PERFORMANCE

	Jan - 22	Feb - 22	Mar - 22	Apr - 22	May - 22	Jun - 22
NAV per share at beginning of month	103.09	102.02	102.78	103.13	102.33	102.94
Monthly Movements						
Operating Income available to distribute [i]	0.46	0.44	0.46	0.48	0.54	0.44
Realised FX gains/(losses) not distributable	0.00	0.00	0.78	0.00	0.29	0.00
Unrealised FX gains/(losses)	(0.15)	0.32	(0.89)	0.10	(0.22)	0.04
Dividends declared	(1.38)	0.00	0.00	(1.38)	0.00	0.00
NAV per share as end of month	**102.02**	**102.78**	**103.13**	**102.33**	**102.94**	**103.42**

[i] Operating Income available to distribute comprises loan income recognised in the period less the cost of debt facilities utilised by the Group and operating costs incurred. The Operating Income available to distribute also includes any realised foreign exchange gains or losses upon settlement of hedges not expected to reverse. In the months to 31 May and 30 June the balance includes circa £200,000 of realised FX gains and £150,000 of realised FX losses respectively.

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

The NAV would be materially impacted if an impairment in the value of a loan was required but despite the disruption to markets in the last few years (caused by the Covid-19 pandemic, the Ukraine/Russia conflict, the high inflationary and rising interest rate environment), no such impairment has been needed and the Group's collateral valuations remain stable and current (the current weighted average age of valuations is 1.07 years). Please refer to the Investment Manager's report on page 8 for detailed sector performance reporting, information on the accounting for our loans, consideration of the changes in loan risk level in the six month period to 30 June 2022 and the current loan to value position for the portfolio as a whole and for each sector.

SHARE PRICE PERFORMANCE

During the first half of 2022, the Company's share price had been volatile, primarily, it is believed, because of the volatility of the market. In the six month period to 30 June 2022, the share price has been trading at between 90.2 pence and 97.2 pence and ended the half year at 91.6 pence. On 19 July 2022 the Board announced that it had re-engaged Jefferies International Limited as buy-back agent to effect share buy backs on behalf of the Company. Since then and to 2 September 2022 5,230,919 shares have been purchased at an average price of 93.7 pence per share. Any shares bought back will be held in treasury. Share buy backs are subject to available cash.

The Company's shares closed on 30 June 2022 at 91.6 pence, resulting in a share price total return for the first half of 2022 of 0.3 per cent. As at 30 June 2022, the discount to NAV stood at 11.4 per cent, with an average discount to NAV of 6.7 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 as demonstrated by the personal purchases of shares by two of the directors of the Company during July 2022.

Chairman's Statement

Notwithstanding this, if the Ordinary Shares trade at an average discount to Net Asset Value per Share of five percent or more during the six month period ending 31 December 2022, the Directors, at their absolute discretion, may put forward a realisation offer to Shareholders ('Realisation Offer'). The terms of such Realisation Offer would provide, broadly, that Shareholders may request for up to 75% of the Ordinary Shares in issue to be realised for cash.

DIVIDENDS

The Directors declared dividends in respect of the first two quarters of 2022 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. With the current portfolio, and based on current forecasts, we expect the dividend to continue to be covered by earnings over the 12 months to 31 December 2022.

On the share price at 30 June 2022, a dividend of 5.5 pence per annum represents a 6.0 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.

The Board is now well advanced in the programme of board rotations with only my own planned retirement at the end of 2023 in sight. I am very pleased with the composition of the Board, of which 50% is female, and I believe we have a very relevant diversity of skills and expertise which places us well for the future.

Based on the recent change in the listing rules regarding the disclosure of diversity on listed company boards and executive committees effective for accounting periods starting from April 2022, the Board are considering the impact, if any, on disclosure requirements.

GOING CONCERN

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

As set out in more detail in the 2021 Annual Report, and subject to the discount triggered Realisation Offer not being activated, the Directors shall exercise the discretion afforded to them under the Articles to put forward a realisation vote (as an ordinary resolution) ("Realisation Vote") to Shareholders by no later than 28 February 2023. The Board is actively investigating and considering the options available to them in the best interests of Shareholders. This process is ongoing and the outcome uncertain at the current time.

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, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the date the unaudited condensed consolidated financial statements are signed. A range of scenarios has been evaluated as part of this analysis. In the worst case scenario evaluated, the Group was still able to meet its liabilities as they fall due, although the dividend would need to be reduced to reflect the reduced cash received. Accordingly, the Directors continue to adopt a going concern basis in preparing these Unaudited Condensed Consolidated Financial Statements.

OUTLOOK

The Board is pleased that the diligent underwriting, loan structuring and active asset management of the Investment Manager and Adviser during this last turbulent two and a half years has led to very robust performance of the loans during the period, meaning that all interest has been paid in full and on time and no impairments have been required. Importantly, future interest payments continue to be expected to be paid on time and in full and no loan defaults are anticipated.

The Investment Adviser is seeing a strong pipeline of opportunities and will continue to apply its rigorous approach to the selection of appropriate opportunities as it re-invests capital into new opportunities. At 30 June 2022, the Group was very modestly levered with net debt of £15.4 million (3.6 per cent of NAV) and undrawn revolving credit facilities of £107.5 million to fund existing commitments of circa £37 million. If the Group does not receive any further repayments this year, it means the Group has approximately £70 million of capacity for new loans.

The focus of the Group for the rest of 2022 remains:

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

(ii) the continued efforts, alongside the Investment Manager and the Investment Adviser, to enhance both origination capacity and portfolio construction of the Group in order to continue to deliver attractive risk adjusted returns to its investors.

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

John Whittle

Chairman

5 September 2022

Investment Manager's Report

MARKET SUMMARY AND INVESTMENT OUTLOOK

- Inflation data is delivering month on month records and central banks continue to fight this inflation by raising interest rates
- Unemployment remains very low in major European economies
- Public markets remain volatile with credit markets reflecting a new interest rate environment, with the biggest effect seen in medium to long-term fixed rate credit markets
- Fundamentals for real estate remain healthy
- Hotel market data reports higher average daily rates in May 2022 than May 2019 with 2022 likely to be a strong year in many major European markets

In our recent factsheets we had highlighted the well-reported global inflationary pressures and the expected impact on interest rates. This theme has continued with higher inflation rates and interest rates across all markets during the quarter reflecting expectations of more persistent inflation and resulting interest rate policy actions from central banks. We have also commented on the inverted interest rate curve in the UK signalling the market's anticipation that interest rate policy might go too far resulting in recessionary pressures. The market is now expecting higher probabilities of technical recessions in many countries and we have seen interest rate expectations coming off recent peaks. However, across major European countries unemployment rates remain very low (UK: 3.8 per cent and Euro Area: 6.6 per cent). This will remain a key focus for central banks as they balance the fight against inflation with other key macro-economic signals.

Inflation data continues to deliver month on month records with July headline inflation for the Eurozone coming in at the highest recorded figure since the inception of the Euro currency at 9.8 per cent expected). The UK CPI rate was 10.1 per cent and the US CPI level was 8.5 per cent. Inflation numbers continue to be driven by increased energy costs. Energy prices in July were estimated to be up 39.7 per cent compared to a year earlier for the Eurozone, up 57.8 per cent for the UK and up 32.9 per cent for the US. After stripping out energy and food, core inflation was 4.0 per cent for the Eurozone, 6.2 per cent for the UK and 5.9 per cent for the US. Commodity prices are expected to remain volatile while the war in Ukraine causes disruption to energy, agricultural and other exports from Ukraine due to blockades of the ports and from Russia due to sanctions.

Previously we commented on seeing a step change in interest rate expectations in reaction to the persistence of inflationary pressures. These rate expectations were feeding into the SONIA, Euribor and swap rates, to which most of the Group's investments are linked. As at 19 August 2022 the 3 month SONIA (forward-looking) and Euribor stood at 2.12 per cent and 0.43 per cent respectively versus 0.05 percent and negative 0.55 per cent respectively the same time last year. As at 18 August, the 5 year sterling swap and 5 year Euro swap were at 2.84 per cent and 1.65 per cent respectively versus 0.42 per cent and negative 0.41 per cent respectively the same time last year. Much of this change has occurred since the beginning of 2022. In the case of the 2.42 per cent increase in the 5 year sterling swap, the majority of the move (1.79 per cent) was since the beginning of 2022. These movements have provided a significant yield benefit to lenders with exposure to floating rate loans.

In the public credit capital markets, primary issuance has slowed across asset classes and secondary pricing has increased as investors digest the implications of the rising rate environment and the knock on effects. The most significant impact can be seen in fixed rate credit markets where lenders do not have the benefit of rising rates in the credit instrument they own. The iTraxx Crossover index had more than doubled from 238 basis points at the same time last year to 525 basis points at week ending 19 August. This is a combination of changing rates being reflected in the credit markets and an increase in the risk premium which investors are seeking. We are seeing similar patterns for real estate in Europe with primary markets for corporate unsecured bonds and CMBS currently taking a pause and a reduced capacity of investment banks to underwrite and distribute. We expect this to persist over the typically quiet European summer period. These markets will create good opportunities for lenders to originate loans with strong risk adjusted returns.

In the underlying real estate markets, we are also seeing dislocation in public equity capital markets. Most public real estate companies are trading at a discount to private market values as investors assess the impact of rising rates on valuations for the asset class. While rising rates will have an impact on the cost of financing real estate, there are many factors that will influence value on an asset specific basis and so stock selection and quality of business plan remain key. Countering a higher cost of debt, inflation helps revenues for many types of real estate where leases are linked to inflation metrics or where operational real estate can benefit from inflation in top line revenues. We continue to see occupiers willing to pay well for product with high environmental accreditation and the right amenities. We are also seeing strong top line inflation across operational asset classes.

Another key effect of inflation in real estate is that speculative development of new real estate is constrained when development costs are higher, helping keep supply and demand in check and benefitting existing stock.

Examples of this inflation in operational real estate can be seen in hotel market data. Despite the fact that corporate travel is still down on pre-pandemic levels, a large majority of the gateway markets in Europe reported higher average daily rates in June 2022 than June 2019. Examples include rates 46 per cent higher in Paris, 24 per cent higher in Rome and 17 per cent higher in London. On the leisure side according to the BBC the average price of all-inclusive package holidays for British holiday makers is up 17 per cent versus 2019. Of the leading European markets, only Prague had a lower average daily rate in June 2022 than 2019. These rises have come without a full return of corporate business, however leading indicators are now showing that corporate business is likely to increase in the coming months. Corporate travel expectations surveys for the resumption of both domestic and business travel over the coming months are hitting new post Covid highs which is likely to put further upward pressure on rates for urban hotels.

The slow summer period for volumes in both credit and equity markets for real estate is unlikely to be broken quickly as market participants take stock on returning from vacations and we expect a cautious resumption in the later part of the year with all eyes remaining on how economies navigate through to a stabilisation in inflation and interest rates expectations. These markets provide a great canvas for company to operate in, allowing it to focus on deal selection and generating strong returns with good downside protections.

Investment Manager's Report

PORTFOLIO STATISTICS

As at 30 June 2022, the portfolio was invested in line with the Group's investment policy.

The key portfolio statistics are as summarized below.

	30 June 2022	30 June 2021
Number of investments	19	18
Percentage of currently invested portfolio in floating rate loans	78.8%	78.3%
Invested Loan Portfolio unlevered annualised total return [1]	7.1%	6.6%
Portfolio levered annualised total return [1]	7.2%	6.8%
Weighted average portfolio LTV – to Group first £ [1]	14.9%	18.0%
Weighted average portfolio LTV – to Group last £ [1]	60.5%	63.5%
Average loan term (stated maturity at inception)	5.0 years	4.7 years
Average remaining loan term	1.9 years	2.2 years
Net Asset Value	£422.9m	£423.7m
Amount drawn under Revolving Credit Facilities (excluding accrued interest)	(£18.5m)	(£11.0m)
Loans advanced	£433.6m	£420.8m
Cash	£3.1m	£1.4m
Other net assets (including hedges)	£4.7m	£12.5m

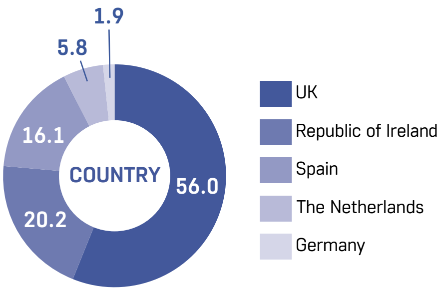
[1] Alternative performance measure - refer to page 50 for definitions and calculation methodology.

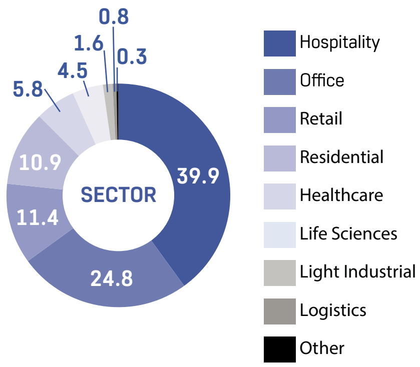
The maturity profile of investments as at 30 June 2022 is shown below.

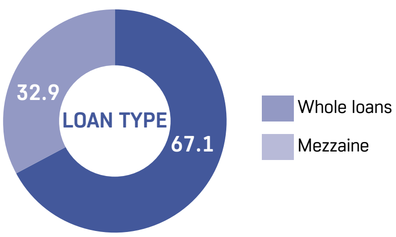
Remaining years to contractual maturity [1]	Principal value of loans £m	% of invested portfolio
0 to 1 years	£145.7	34.0%
1 to 2 years	£68.7	16.0%
2 to 3 years	£132.0	30.8%
3 to 5 years	£82.7	19.2%

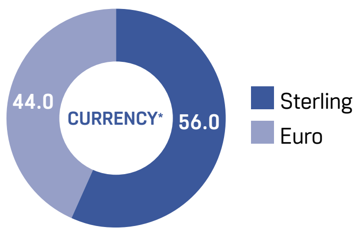
The Group continues to achieve good portfolio diversification as shown in the graphs below:

% of invested assets









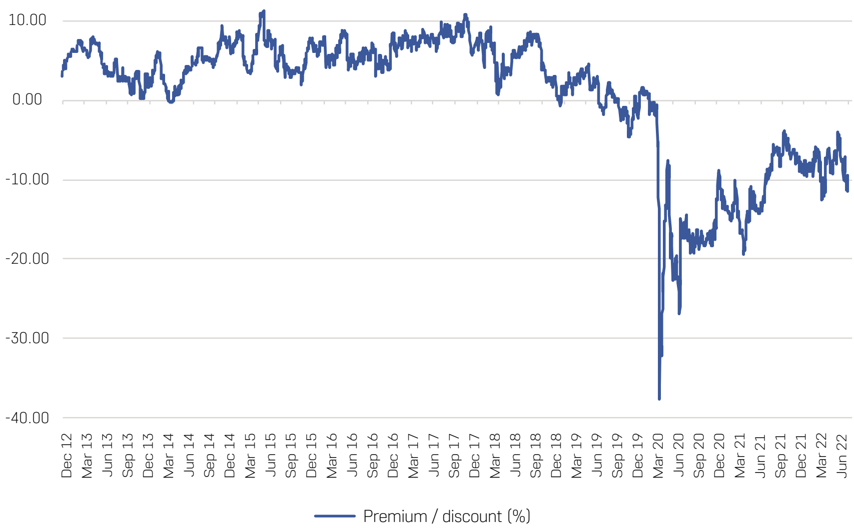
* The currency split refers to the underlying loan currency, however the capital on all non-sterling exposure is hedged back to sterling.

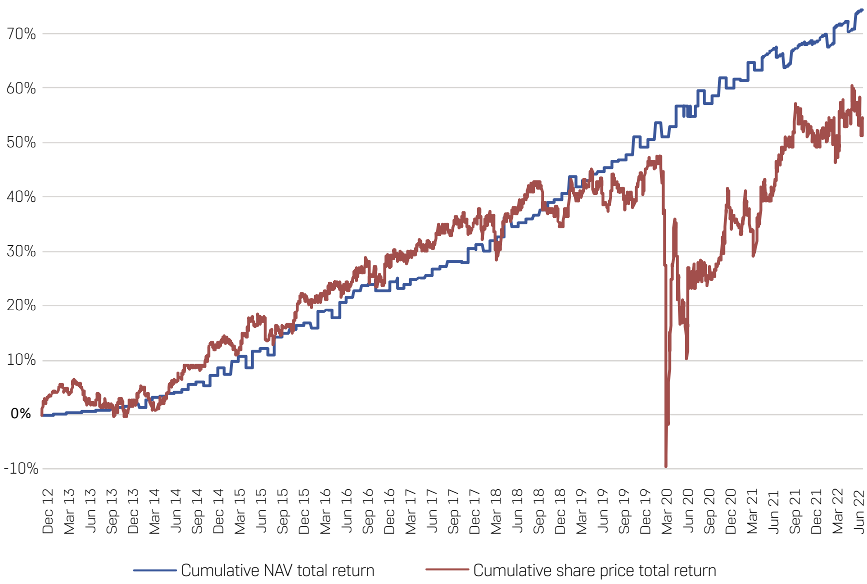
The Board considers that the Group is engaged in a single segment of business, being the provision of a diversified portfolio of real estate backed loans. The analysis presented in this report is presented to demonstrate the level of diversification achieved within that single segment. The Board does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

Investment Manager's Report

SHARE PRICE PERFORMANCE

As at 30 June 2022, the NAV was 103.42 pence per Ordinary Share (31 December 2021: 103.09 pence; 30 June 2021: 103.62 pence) and the share prices was 91.6 pence (31 December 2021: 94 pence; 30 June 2021: 94 pence).





Source: Morningstar

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

INVESTMENT DEPLOYMENT

As at 30 June 2022, the Group had 19 investments and commitments of £465.9 million as follows:

	Sterling equivalent balance [1]	Sterling equivalent unfunded commitment [1]	Sterling Total (Drawn and Unfunded)
Hospitals, UK	£25.0 m		£25.0 m
Hotel & Residential, UK	£49.9 m		£49.9 m
Office, London	£17.0 m	£3.5 m	£20.5 m
Hotel, Oxford	£22.8 m	£0.1 m	£22.9 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	£12.5 m		£12.5 m
Two Hotels, Manchester & Edinburgh	£30.4 m	£20.3 m	£50.7 m
Office and Industrial Portfolio, UK [2]	£5.5 m		£5.5 m
Total Sterling Loans	**£240.2 m**	**£31.0 m**	**£271.2 m**
Three Shopping Centres, Spain	£29.9 m		£29.9 m
Shopping Centre, Spain	£14.6 m		£14.6 m
Hotel, Dublin	£51.7 m		£51.7 m
Office, Madrid, Spain	£15.9 m	£0.9 m	£16.8 m
Mixed Portfolio, Europe	£16.0 m		£16.0 m
Mixed Use, Dublin	£7.8 m	£4.8 m	£12.6 m
Office Portfolio, Spain	£8.3 m	£0.1 m	£8.4 m
Office Portfolio, Dublin, Ireland	£27.3 m		£27.3 m
Logistics Portfolio, Germany	£3.3 m		£3.3 m
Office and Industrial Portfolio, The Netherlands [2]	£14.1 m		£14.1 m
Total Euro Loans	**£188.9 m**	**£5.8 m**	**£194.7 m**
Total Portfolio	**£429.1 m**	**£36.8 m**	**£465.9 m**

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

[2] Office and Industrial Portfolio, UK and Office and Industrial Portfolio, The Netherlands is one single loan agreement with sterling and Euro tranches.

Investment Manager's Report

Between 1 January 2022 and 30 June 2022, the following significant investment activity occurred (included in the table above):

NEW LOAN: OFFICE AND INDUSTRIAL PORTFOLIO, THE NETHERLANDS AND UK:

On 26 May 2022, the Group announced its €16.4 million and £5.5 million investment in a three-year multi-currency loan secured on a portfolio of five offices and one industrial property located in the Netherlands and the UK. The Dutch portfolio consists of four office properties in the highly sought-after Randstad region that contains two of the largest Dutch cities - The Hague and Utrecht. The portfolio also includes an industrial property of 7,586 square metres located near the Port of Rotterdam, Europe's largest and busiest industrial zone. The UK office asset is located in Southwark, London, adjacent to Borough tube station and very close to London Bridge station, one of the city's major terminals for commuter and regional services. It provides 16,000 square feet of space which was let to four tenants across six floors.

REPAYMENTS:

OFFICE, SCOTLAND:

The £5 million loan repaid in full upon the sale of the underlying property in line with the sponsors business plan.

PARTIAL REPAYMENTS:

Despite lower transaction volumes across the markets as a result of the cautionary approach being adopted by investors, borrowers in the portfolio successfully executed a number of disposals ahead of business plan, for example:

- €6.6 million, equivalent to approximately 36 per cent of the remaining loan balance was repaid on the Mixed Portfolio, Europe during May 2022. This was due to the sale of the Finnish sub-portfolio which has resulted in the Group's exposure to Finland reducing to zero.
- €2.1 million, equivalent to approximately 35 per cent of the remaining loan balance was repaid on the Logistics, Germany and UK loan upon the sale of a major UK logistics property which had been leased up and sold at a price exceeding underwritten expectations.

Subsequent to 30 June 2022, the following significant investments activity occurred:

PARTIAL REPAYMENTS

HOTEL, DUBLIN:

€4.3 million, equivalent to 7 per cent of the remaining loan balance was repaid on Hotel, Dublin in July. This cash was generated from surplus trading cash at the election of the sponsor and in line with the parameters of the underlying facility agreement.

MIXED PORTFOLIO, EUROPE:

€4.8 million, equivalent to 26 per cent of the remaining loan balance was repaid on Mixed Portfolio, Europe in July 2022, upon the sponsor selling a portfolio of seven industrial assets in well located areas across Germany. The portfolio was sold at a significant premium to underwritten values.

OFFICE AND INDUSTRIAL PORTFOLIO, THE NETHERLANDS

€5.8 million, equivalent to 35 per cent of the remaining loan balance was repaid on Office and Industrial Portfolio, The Netherlands in August 2022 following the sale of one of the assets in the portfolio.

Amounts received were used primarily to fund amounts drawndown on existing loan commitments, share buybacks and to repay debt.

PORTFOLIO OVERVIEW

The existing portfolio continues to perform robustly. As indicated above, we are also seeing loan repayments in line with sponsors executing underwritten business plans, with a total of £14.9 million repaid in the six months to 30 June 2022 from a combination of underlying property sub- portfolio sales, one loan repaying in full upon sale of the underlying property and scheduled amortisation. The portfolio remains fully invested.

We continue to closely monitor any actual or potential impact of market headwinds such as energy, food, labour and construction cost inflation through review of underlying asset performance and discussions with sponsors and asset managers. As previously noted, the majority of loan structures have interest rate hedging requirements which assist in limiting the cash flow impact for borrowers of increased loan interest payments as interest rates continue to rise. Other structural features which provide additional headroom on many of the investments include interest reserves and the trapping of surplus trading cash until underwritten business plans are achieved. All interest and scheduled amortisation have been paid in line with contractual obligations and no shortfall in interest due to the Group is projected as a result of forecast interest rate rises.

The Group's key sector exposures of hospitality (40 per cent of total invested portfolio), office (25 per cent) and retail (11 per cent) all continue to perform in line with expectations. Hotels that are open and trading are performing very well, with average daily rates exceeding the Group's underwritten expectations, underpinning the demand for these hotels, driven by robust demand for business and leisure travel. Occupancy across the office portfolio continues to be robust, with valuations holding up well. Typically, valuations of collateral for income producing loans are updated annually and such valuations that contain office collateral and which are not under construction or heavy refurbishment have an average age of under 1 year. The Group's retail exposure has decreased by just under 1 per cent to 11 per cent of the total invested portfolio as a result of scheduled amortisation and a sub portfolio sale within the Mixed Portfolio, Europe loan. Occupancy of the Spanish Shopping Centres, which comprise over 90 per cent of the Group's retail exposure, continues to be robust and remains ahead of the pre-pandemic level occupancy. Additionally, the Group's independent valuations of the Spanish Shopping Centres have been very recently updated and confirm that valuations are holding up with a marginal increase in overall value.

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 current weighted average age of the dates of these third party valuations for the whole portfolio is 1.07 years while the current weighted average age of the valuations for the income-producing portfolio (i.e. excluding loans for development or heavy refurbishment) is 0.71 years.

On the basis of the methodology and valuation processes previously disclosed and including new valuations received, at 30 June 2022, the Group has an average last £ LTV of 60.5 per cent (31 December 2021: 61.9 per cent; 30 June 2021: 63.5 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	Retail	Residential	Other	Total
-25%	80.4%	94.3%	79.0%	77.4%	80.7%
-20%	75.4%	88.4%	74.1%	72.5%	75.6%
-15%	70.9%	83.2%	69.7%	68.3%	71.2%
-10%	67.0%	78.6%	65.8%	64.5%	67.2%
-5%	63.5%	74.5%	62.4%	61.1%	63.7%
0%	**60.3%**	**70.7%**	**59.3%**	**58.0%**	**60.5%**
5%	57.4%	67.4%	56.4%	55.3%	57.6%
10%	54.8%	64.3%	53.9%	52.7%	55.0%
15%	52.4%	61.5%	51.5%	50.5%	52.6%

Investment Manager's Report

LIQUIDITY AND HEDGING

The Group is very modestly levered with net debt of £15.4 million (3.6 per cent of NAV) at 30 June 2022 and has significant liquidity available with undrawn revolving credit facilities (see note 3g of the 2021 Annual Report for further information) of £107.5 million to fund existing commitments as summarised below.

As at 30 June 2022	£ million
Drawn on Group debt facilities	(18.5)
Cash at hand	3.1
Net Debt	**(15.4)**
Undrawn Debt Facilities available to Group	107.5
Undrawn Commitments to Borrowers	(36.8)
Available Capacity	**70.7**

The way in which the Group's borrowing facilities are structured means that it does not need to fund mark to market margin calls. The Group does have the obligation to post cash collateral under its hedging facilities. However, cash would not need to be posted until the hedges were more than £20 million out of the money. The mark to market of the hedges at 30 June 2022 was £4.6 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 (44%) 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.

EXPECTED CREDIT LOSSES (IMPAIRMENT)

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

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

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

The Group has not recognised any impairment at initial recognition on any of its loans due to the detailed and conservative underwriting undertaken, robust loan structures in place and a strong equity cushion with an average LTV of 60.5 per cent (based on the latest available valuation for each asset).

A detailed description of how the Group determines on what basis loans are classified as stage 1, stage 2 and stage 3 post initial recognition is provided in pages 24 to 25 in the full year accounts.

As at 30 June 2022 two loans held in the balance sheet at £45,650,969 (31 December 2021: three loans of £59,031,888) have been classified as Stage 2. One investment was upgraded to Stage 1 from Stage 2 during the period as the underlying hotel asset has completed its refurbishment project, demonstrated strong trading in Q2 2022 since re-opening and has significant headroom to the loan's basis, with no heightened credit risk vs recognition continuing.

Investment Manager's Report

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
5.30%	**£ 451.6m = fair value**	**104.10%**
5.5%	£ 450.0m	103.8%
6.0%	£ 445.8m	102.8%
6.5%	£441.7m	101.9%
7.0%	£ 437.6m	100.9%
7.5%	**£ 433.6m = book value**	**100.0%**
8.0%	£ 429.7m	99.1%
8.5%	£ 425.9m	98.2%
9.0%	£ 422.1m	97.3%
9.5%	£ 418.3m	96.5%

The effective interest rate ("EIR") – i.e. the discount rate at which future cash flows equal the amortised cost, is 7.5 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 7.5 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 15 to the Unaudited Condensed Consolidated Financial Statements.

FORWARD LOOKING STATEMENTS

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

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

Starwood European Finance Partners Limited

Investment Manager

5 September 2022

Principal Risks

PRINCIPAL RISKS FOR THE REMAINING SIX MONTHS OF THE YEAR TO 31 DECEMBER 2022

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 2021 on pages 13 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 2022:

FINANCIAL MARKET VOLATILITY (RISK THAT DIVIDENDS AND/OR SHARE PRICE IS LOWER THAN ANTICIPATED)

The Group's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies and, consequently, the actual rate of return may be materially lower than the targeted returns. In addition, the pace of investment has, in the past and may in the future, be slower than expected or the principal on loans may be repaid earlier than anticipated, causing the return on affected investments to be less than expected.

Furthermore, if repayments are not promptly re-invested this may result in cash drag, which may lower portfolio returns. As a result, the level of dividends to be paid by the Company may fluctuate and there is no guarantee that any such dividends will be paid. Since March 2020 and as a direct impact of the uncertainty caused by the COVID-19 pandemic, the shares have traded at a discount to NAV per share and shareholders may be unable to realise their investments through the secondary market at NAV per share.

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

The Board monitors the level of premium or discount of share price to NAV per share and announced a resumption of a share buyback programme in July 2022 in order to support the share price. While the Directors may seek to mitigate any discount to NAV per share through this share buyback and/or other discount management mechanisms set out in this Annual Report, there can be no guarantee that they will do so or that such mechanisms will be successful.

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

The Group's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies and, consequently, the actual rate of return may be materially lower than the targeted returns. In addition, the pace of investment has, in the past and may in the future, be slower than expected or the principal on loans may be repaid earlier than anticipated, causing the return on affected investments to be less than expected.

The Board, along with the Investment Manager and the Investment Adviser, monitor, review and consider the estimates and assumptions that underpin the targeted return of the business and, where necessary, refocus the Group's strategy to respond to changes in the market.

The Investment Adviser provides the Investment Manager and the Board with a regular report on pipeline opportunities, which includes an analysis of the strength of the pipeline and the returns available. The Directors also regularly receive information on the performance of the existing loans, including the performance of underlying assets versus underwritten business plan and the likelihood of any early repayments, the need for any loan amendments to allow the loans continue to perform in different economic circumstances which may impact returns.

The Board monitors investment strategy and performance on an ongoing basis and regularly reviews the Investment Objective and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

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 UK and the European Union's internal market and it is therefore exposed to economic movements and changes in these markets. Any deterioration in the global, UK or European economy could have a significant adverse effect on the activities of the Group and may result in significant loan defaults or impairments.

The COVID-19 pandemic had a material impact on global economies and on the operations of the Group's borrowers during 2022 (as it had in 2021/2020).There is continued uncertainty as large parts of the world open up and learn to live with the long terms impacts of the pandemic and the full impact of the consequences for the world economy is unclear.

The situation in Ukraine, which has become more unstable since February 2022 with the incursion into Ukraine by Russia, also presents a significant risk to European and Global economies and, potentially, world peace. While the Group has no direct or known indirect involvement with Ukraine, Russia or Belarus it may be impacted by the consequences of the usability caused by the Ukrainian/ Russian conflict.

The impact of the United Kingdom'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.

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.

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 is mitigated against this with an average weighted loan to value of the portfolio of 60.5 per cent. Therefore, the portfolio should be able to withstand a significant level of deterioration before credit losses are incurred.

The Investment Adviser also mitigates the risk of credit losses by undertaking detailed due diligence on each loan. Whilst the precise scope of due diligence will depend on the proposed investment, such diligence will typically include independent valuations, building, measurement and environmental surveys, legal reviews of property title, 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 also manage these risks by ensuring a diversification of investments in terms of geography, market and type of loan. The Investment Manager and Investment Adviser operate in accordance with the guidelines, investment limits and restrictions policy determined by the Board. The Directors review the portfolio against these guidelines, limits and restrictions on a regular basis.

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

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.

Three loans, in the retail and hospitality sectors, were in Stage 2 (increased risk of default) at the beginning of the year as disclosed in the Annual Report and Audited consolidated Financial Statements for the year to 31 December 2021 largely as a result of the uncertainty and operational disruption caused by the impact of the COVID-19 pandemic. One of these loans has now stabilised to the extent that it has now been moved back to Stage 1 (which indicates that it is judged to be at the same risk of default as it was when it was originally underwritten). The two loans currently classified as Stage 2 account for 11 per cent of the loans advanced by the Group as at 31 December 2021. No expected credit losses have been recognised against any of the loans, because of the strong LTVs across the loan portfolio and strong contractual agreements with Borrowers, including against these Stage 2 loans.

PREPAYMENT RISK (RISK OF MORE FAVORABLE LOAN TERMS BEING AVAILABLE TO BORROWERS WHICH WOULD LEAD TO THE EARLY PREPAYMENT OF LOANS ADVANCED)

All loans are provided to borrowers on a contractual basis which will ensure a minimum return to the Group in the event of early repayment.

The Directors receive regular 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, the need for any loan amendments to allow the loans continue to perform in different economic circumstances which may impact returns.

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 2022 have been structured so that 21 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). In addition, whilst the remaining 79 per cent is classified as floating, 100 per cent of these loans are subject to interbank rate floors such that the interest cannot drop below a certain level, which offers some protection against downward interest rate risk. When reviewing future investments, the Investment Manager will continue to review such opportunities to protect against downward interest rate risk.

FOREIGN EXCHANGE RISK

The majority of the Group's investments are Sterling denominated (circa 56 per cent as at 30 June 2022) 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 £286.1 million of hedged gross notional exposure with Lloyds Bank plc at 30 June 2022 (converted at 30 June 2022 FX rates).

As at 30 June 2022, the hedges were in the money. If the hedges move out of the money and at any time this mark to market exceeds £15 million, the Company is required to post collateral, subject to a minimum transfer amount of £1 million. This situation is monitored closely, however, and as at 30 June 2022, the Company had sufficient liquidity and credit available on the revolving credit facility to meet any cash collateral requirements.

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 pipeline and reviews the performance under the agreed covenants. The loan covenants are also stress tested to test how robust they are to withstand default of the Group's investments.

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 is completed by Group's service providers and is 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 Company.

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.

CLIMATE CHANGE

The consequences that climate change could have are potentially severe but highly uncertain. The potential 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 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.

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 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 is 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, recently admitted to the FTSE 250. 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 Butterfield Bank (Guernsey) Limited, the GP boards of Private Equity groups Cinven and Hitec and the Investment Manager for NextEnergy. 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.

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By order of the Board

For Starwood European Real Estate Finance Limited

John Whittle
Chairman
5 September 2022

Charlotte Denton
Director
5 September 2022

Interim Financial Statements

Independent Review Report to Starwood European Real Estate Finance Limited
Report on the unaudited condensed consolidated financial statements

OUR CONCLUSION

We have reviewed Starwood European Real Estate Finance Limited's unaudited condensed consolidated financial statements (the "interim financial statements") in the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements (the "Interim Report") of Starwood European Real Estate Finance Limited for the 6-month period ended 30 June 2022. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

WHAT WE HAVE REVIEWED

The interim financial statements comprise:

- the unaudited condensed consolidated statement of financial position as at 30 June 2022;
- the unaudited condensed consolidated statement of comprehensive income for the period then ended;
- the unaudited condensed consolidated statement of cash flows for the period then ended;
- the unaudited condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the interim financial statements concerning the Group's ability to continue as a going concern. These disclosures note that there is a possibility of a realisation offer being made or, failing that, a realisation vote being put to the shareholders no later than 28 February 2023. Depending on the level of realisation requests from shareholders, the directors may put forward alternative proposals which may include the reorganisation or winding up of the Company. These conditions, along with the other matters explained in note 2 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

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

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT A REVIEW OF INTERIM FINANCIAL STATEMENTS INVOLVES

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

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

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

PricewaterhouseCoopers CI LLP

Chartered Accountants,
Guernsey, Channel Islands

5 September 2022

(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 interim financial statements since they were initially presented on the website.

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

Unaudited Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 June 2022

	Notes	1 January 2022 to 30 June 2022 £ (unaudited)	1 January 2021 to 30 June 2021 £ (unaudited)	1 January 2021 to 31 December 2021 £ (audited)
Income				
Income from loans advanced	7	14,795,630	14,472,491	28,382,742
Net foreign exchange gains/ (losses)	3	1,045,763	(1,279,202)	(3,043,374)
Total income		**15,841,393**	**13,193,289**	**25,339,368**
Expenses				
Investment management fees	15	1,559,609	1,561,503	3,147,075
Credit facility commitment fees		434,591	414,060	844,694
Credit facility interest		170,528	239,892	336,071
Credit facility amortisation of fees		206,438	140,715	349,744
Legal and professional fees		242,080	174,184	266,154
Administration fees		176,070	172,485	344,950
Other expenses		268,139	119,543	179,262
Audit and non-audit fees		118,463	117,763	229,387
Directors' fees and expenses	15	103,105	89,500	195,410
Broker's fees and expenses		25,000	25,000	53,250
Total operating expenses		**3,304,023**	**3,054,645**	**5,945,997**
Operating profit for the period / year before tax		**12,537,370**	**10,138,644**	**19,393,371**
Taxation	14	44,710	58,388	100,452
Operating profit for the period / year		**12,492,660**	**10,080,256**	**19,292,919**
Other comprehensive income				
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations		82,285	(190,056)	(329,895)
Other comprehensive income /(loss) for the period / year		**82,285**	**(190,056)**	**(329,895)**
Total comprehensive income for the period / year		**12,574,945**	**9,890,200**	**18,963,024**
Weighted average number of shares in issue	4	408,911,273	408,968,207	408,939,505
Basic and diluted earnings per Ordinary Share (pence)	4	3.06	2.46	4.72

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 2022

	Notes	As at 30 June 2022 £ (unaudited)	As at 30 June 2021 £ (unaudited)	As at 31 December 2021 £ (audited)
Assets				
Cash and cash equivalents	5	3,078,669	1,359,957	2,994,357
Other receivables and prepayments	6	969,360	1,129,774	37,652
Financial assets at fair value through profit or loss	8	4,624,887	11,975,731	13,291,598
Loans advanced	7	433,639,486	420,807,466	414,632,512
Total assets		**442,312,402**	**435,272,928**	**430,956,119**
Liabilities				
Credit facilities	10	18,021,799	10,215,635	7,914,993
Trade and other payables	9	1,404,119	1,328,457	1,484,526
Total liabilities		**19,425,918**	**11,544,092**	**9,399,519**
Net assets		**422,886,484**	**423,728,836**	**421,556,600**
Capital and reserves				
Share capital		407,440,011	407,440,011	407,440,011
Retained earnings		15,397,991	16,182,789	14,150,392
Translation reserve		48,482	106,036	(33,803)
Total equity		**422,886,484**	**423,728,836**	**421,556,600**
Number of Ordinary Shares in issue		408,911,273	408,911,273	408,911,273
Net asset value per Ordinary Share (pence)		103.42	103.62	103.09

These Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 5 September 2022, 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 2022

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**

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

Year ended 31 December 2021	Share capital £ (audited)	Retained earnings £ (audited)	Translation reserve £ (audited)	Total equity £ (audited)
Balance at 1 January 2021	**408,031,544**	**18,369,871**	**296,092**	**426,697,507**
Share buy backs	(591,533)	-	-	(591,533)
Dividends paid	-	(23,512,398)	-	(23,512,398)
Operating profit for the year	-	19,292,919	-	19,292,919
Other comprehensive income:				
Other comprehensive loss for the year	-	-	(329,895)	(329,895)
Balance at 31 December 2021	**407,440,011**	**14,150,392**	**(33,803)**	**421,556,600**

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 2022

	1 January 2022 to 30 June 2022 £ (unaudited)	1 January 2021 to 30 June 2021 £ (unaudited)	1 January 2021 to 31 December 2021 £ (audited)
Operating activities:			
Operating profit for the period / year	12,537,370	10,138,644	19,393,371
Adjustments			
Net interest income	(14,795,630)	(14,472,491)	(28,382,742)
Decrease / (increase) in prepayments, receivables and capitalised costs	16,164	5,535	(20,558)
Increase / (decrease) in trade and other payables	165,901	221,199	132,570
Net unrealised (gains) / losses on foreign exchange derivatives	8,669,146	(11,057,472)	(12,373,339)
Net foreign exchange losses / (gains)	(4,774,059)	12,187,021	15,488,570
Credit facility interest	170,528	239,892	236,071
Credit facility amortisation of fees	206,438	140,715	449,744
Credit facility commitment fees	434,591	414,060	844,694
Currency translation difference	(3,374,358)	180,885	2,722,148
Corporate taxes paid	(84,274)	(87,724)	(87,724)
	(828,183)	**(2,089,736)**	**(1,597,195)**
Loans advanced[1]	(27,365,276)	(35,607,633)	(90,597,307)
Loan repayments and amortisation	14,934,266	45,824,727	103,474,780
Origination fees paid	(525,888)	(199,206)	(300,456)
Interest, commitment and exit fee income from loans advanced	12,402,875	12,885,675	26,682,663
Net cash (outflow)/inflow from operating activities	**(1,382,206)**	**20,813,827**	**37,662,485**
Cash flows from investing activities			
Shares buy backs	-	(677,120)	(677,120)
Dividends paid	(11,245,060)	(12,267,338)	(23,512,398)
Proceeds under credit facility	30,623,470	29,400,000	63,800,000
Repayments under credit facility	(20,985,311)	(37,900,000)	(75,128,132)
Credit facility interest paid	(235,601)	(291,809)	(262,221)
Credit facility commitment fees paid	(434,931)	(417,751)	(647,799)
Net cash outflow from financing activities	**(2,277,433)**	**(22,154,018)**	**(36,427,670)**
Net decrease in cash and cash equivalents	**(3,659,639)**	**(1,340,191)**	**1,234,815**
Cash and cash equivalents at the start of the period / year	2,994,357	2,939,408	2,939,408
Net foreign exchange gains/(losses) on cash and cash equivalents	3,743,951	(239,260)	(1,179,866)
Cash and cash equivalents at the end of the period / year	**3,078,669**	**1,359,957**	**2,994,357**

[1] Net of arrangement fees of £243,148 (period ended 30 June 2021: £357,009, year ended 31 December 2021: £1,125,342) 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 2022

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 Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 17 December 2012. Further issues took place in March 2013, April 2013, July 2015, September 2015, August 2016 and May 2019. On 10 August 2020, the Company announced the appointment of Jefferies International Limited as buy-back agent to effect share buy backs on behalf of the Company. During year end 31 December 2021, the Company had repurchased 660,000 Ordinary Shares at an average price of 89.54 pence per share. As at 31 December 2021, the Company had repurchased 4,308,125 Ordinary shares. These Ordinary Shares are held in treasury.

The Unaudited Condensed Consolidated Financial Statements comprise the financial statements of the Company, Starfin Public Holdco 1 Limited ("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 2022.

The Company did not buy-back any shares in the six month period to 30 June 2022 but in the period from 20 July 2022 (when the Company announced it had re-engaged Jefferies International Limited as buy-back agent) to 2 September 2022, the Company bought back a further 5,230,919 Ordinary Shares at an average price of 93.7 pence per share.

The Company's investment objective is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and wider European Union's internal market. To pursue its investment objective, the Company, through the Holdco 1 and Holdco 2 (the "Holdcos"), invests in the Luxco, Luxco 3 and Luxco 4 (the "Luxcos") through both equity and profit participation instruments or other funding instruments. The Luxcos then grant or acquire loans (or other debt instruments) to borrowers in accordance with the Group's investment policy.

The Group expects all of its investments to be debt obligations of corporate entities domiciled or with significant operations in the UK and the European Union's internal market.

The Company has appointed Starwood European Finance Partners Limited as the Investment Manager (the "Investment Manager"), a company incorporated in Guernsey and regulated by the GFSC. The Investment Manager has appointed Starwood Capital Europe Advisers, LLP (the "Investment Adviser"), an English limited liability partnership authorised and regulated by the Financial Conduct Authority (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 2021, 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 2021 were approved by the Board of Directors on 23 March 2022. 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 2022 has been reviewed by the Auditor but not audited.

As set out in more detail in the 2021 Annual Report, and subject to the discount triggered realisation mechanism not being activated, the Directors shall exercise the discretion afforded to them under the Articles to put forward a realisation vote (as an ordinary resolution) to Shareholders by no later than 28 February 2023. The Board is actively investigating and considering the options available to them in the best interests of Shareholders. This process is ongoing and the outcome uncertain at the current time.

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 2022.

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 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2022

3. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	30 June 2022 £	30 June 2021 £	31 December 2021 £
Loans advanced - realised gains	5,699	124,994	153,504
Loans advanced - realised losses	(517,378)	(65,004)	(1,929,067)
Forward contracts held at fair value through profit or loss - realised gains	7,424,908	147,710	1,998,286
Forward contracts held at fair value through profit or loss - realised losses	(2,352,429)	(296,355)	(330,105)
Other - realised gains	(82,130)	189,031	328,245
Other - realised losses	(89,876)	(51,454)	(49,430)
Total realised gains	**4,388,794**	**48,922**	**171,433**
Loans advanced - unrealised gains	5,323,680	-	-
Loans advanced - unrealised losses	-	(12,385,596)	(15,588,146)
Forward contracts held at fair value through profit or loss - unrealised gains	959,471	11,817,856	13,707,768
Forward contracts held at fair value through profit or loss - unrealised losses	(9,626,182)	(760,384)	(1,334,429)
Total unrealised losses	**(3,343,031)**	**(1,328,124)**	**(3,214,807)**
Net realised and unrealised gains/(losses)	**1,045,763**	**(1,279,202)**	**(3,043,374)**

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 £12,492,660 (30 June 2021: £10,080,256 and 31 December 2021: £19,292,919) and on the weighted average number of Ordinary Shares in issue at 30 June 2022 of 408,911,273 (30 June 2021: 408,968,207 and 31 December 2021: 408,939,505).

The calculation of NAV per Ordinary Share is based on a NAV of £422,886,484 (30 June 2021: £423,728,836 and 31 December 2021: £421,556,600) and the actual number of Ordinary Shares in issue at 30 June 2022 of 408,911,273 (30 June 2021: 408,911,273 and 31 December 2021: 408,911,273).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	30 June 2022 £	30 June 2021 £	31 December 2021 £
Cash at bank	3,078,669	1,359,957	2,994,357

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 2022 £	30 June 2021 £	31 December 2021 £
Prepayments	21,275	11,559	37,439
Taxation prepayments	-	22,712	-
Investment interest receivable[1]	948,085	1,095,503	213
	969,360	**1,129,774**	**37,652**

[1] Investment proceeds receivable as at 30 June 2021 and 30 June 2022 relate principally to Hotel & Residential, UK.

Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended 30 June 2022

7. LOANS ADVANCED

	30 June 2022 £	30 June 2021 £	31 December 2021 £
UK			
Hotel & Residential	49,942,753	49,918,080	49,922,112
Hospitals	25,360,264	25,357,713	25,364,814
Hotel, Scotland	42,729,177	37,910,554	42,390,350
Hotel, North Berwick	15,095,014	13,127,256	14,123,338
Hotel, Oxford	23,042,786	16,744,853	21,579,756
Life Science, UK	19,764,594	19,594,589	19,620,908
Office, London	17,404,582	13,764,463	14,156,850
Office, Scotland	-	5,017,965	5,121,199
Hotel and Office, Northern Ireland	12,852,101	-	12,719,727
Two Hotels, Manchester & Edinburgh	30,381,133	-	30,016,910
Logistics Portfolio	-	552,699	-
Office and Industrial Portfolio, UK	5,499,677	-	-
Ireland			
Hotel, Dublin	52,266,251	52,119,113	50,842,327
Office Portfolio, Dublin	27,382,693	30,233,451	26,570,048
Mixed use, Dublin	7,944,861	3,843,782	5,108,054
Spain			
Three Shopping Centres	30,410,440	31,273,245	30,171,573
Hotel	-	46,564,064	-
Office, Madrid	16,032,248	15,991,232	15,595,042
Shopping Centre	15,240,528	15,000,520	14,736,977
Office Portfolio	8,653,598	13,474,355	9,845,168
Germany			
Logistics Portfolio	3,305,528	5,078,596	4,958,050
The Netherlands			
Office and Industrial Portfolio, The Netherlands	14,149,434	-	-
Europe			
Mixed Portfolio	16,181,824	25,240,936	21,789,309
	433,639,486	**420,807,466**	**414,632,512**

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

7. LOANS ADVANCED (CONTINUED)

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

	30 June 2022 £	30 June 2021 £	31 December 2021 £
Loans advanced at the start of the period / year	**414,632,512**	**442,659,649**	**442,659,649**
Loans advanced	27,401,675	35,964,642	91,935,602
Loan repayments and amortisation	(14,934,266)	(45,824,727)	(103,474,780)
Arrangement fees earned	(243,148)	(357,009)	(1,125,342)
Commitment fees earned	(368,823)	(365,634)	(586,841)
Exit fees earned	(86,896)	(485,435)	(527,953)
Origination fees paid	525,888	199,206	300,456
Effective interest earned	14,795,630	14,472,491	28,382,742
Interest payments due	(12,895,028)	(13,130,109)	(25,567,309)
Foreign exchange gains / (losses)	4,811,942	(12,325,608)	(17,363,712)
Loans advanced at the end of the period / year	**433,639,486**	**420,807,466**	**414,632,512**
Loans advanced at fair value	**451,583,669**	**436,334,012**	**431,658,356**

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

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

Financial assets at fair value through profit or loss comprise currency forward contracts which represent contractual obligations to purchase domestic currency and sell foreign currency on a future date at a specified price.

The underlying instruments of currency forwards become favourable (assets) or unfavourable (liabilities) as a result of fluctuations of foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The foreign exchange derivatives are subject to offsetting, enforceable master netting agreements for each counterparty.

The gains and losses relating to the currency forwards are included within "Net foreign exchange 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 2022

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 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**

30 June 2021	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	312,269,694	12,724,121	(748,391)	11,975,730
Total	**312,269,694**	**12,724,121**	**(748,391)**	**11,975,730**

31 December 2021	Notional contract amount[1] £	Fair values Assets £	Fair values Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	305,663,797	14,394,963	(1,103,365)	13,291,598
Total	**305,663,797**	**14,394,963**	**(1,103,365)**	**13,291,598**

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

9. TRADE AND OTHER PAYABLES

	30 June 2022 £	30 June 2021 £	31 December 2021 £
Investment management fees payable	785,084	785,134	791,344
Audit fees payable	195,268	188,315	98,896
Commitment fees payable	154,045	156,340	169,746
Accrued expenses	35,244	89,444	39,888
Administration fees payable	142,667	24,137	87,815
Legal and professional fees payable	61,327	58,087	38,582
Directors' expenses payable	2,000	2,000	560
Broker fees payable	25,000	25,000	25,000
Loan amounts payable	6,204	-	212,953
Tax provision	(2,721)	-	19,742
	1,404,118	**1,328,457**	**1,484,526**

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 2022, an amount of £18,470,386 (30 June 2021: £11,000,000 and 31 December 2021: £8,500,000) was drawn and interest of £38,213 (30 June 2021: £17,667 and 31 December 2021: £7,997) was 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 2022 an amount of £486,566 (30 June 2021: £802,032 and 31 December 2021: £593,004) was netted off against the loan facilities outstanding.

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

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2022

10. CREDIT FACILITIES (CONTINUED)

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

	30 June 2022 £	30 June 2021 £	31 December 2021 £
Borrowings at the start of the period /year	**7,914,993**	**18,626,837**	**18,626,837**
Proceeds during the period / year	30,623,470	29,400,000	63,800,000
Repayments during the period / year	(20,985,311)	(37,900,000)	(75,128,132)
Interest expense recognised for the period / year	170,528	139,892	236,071
Interest paid during the period / year	(235,601)	(291,809)	(262,221)
Credit facility amortisation of fees	206,438	240,715	563,496
Foreign exchange and translation difference	327,282	-	78,942
Borrowings at the end of the period/year	**18,021,799**	**10,215,635**	**7,914,993**

11. DIVIDENDS

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

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

	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
Period to:			
31 March 2022	1.375	5,622,530	27 May 2022

After the end of the period, the Directors declared a dividend in respect of the financial period ended 30 June 2022 of 1.375 pence per share which was paid on 26 August 2022 to shareholders on the register on 5 August 2022.

11. DIVIDENDS (CONTINUED)

The Company paid the following dividends in respect of the year to 31 December 2021:

	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
Period to:			
31 March 2021	1.375	5,622,530	4 June 2021
30 June 2021	1.375	5,622,530	3 September 2021
30 September 2021	1.375	5,622,530	3 December 2021
31 December 2021	1.375	5,622,530	25 February 2022

12. RISK MANAGEMENT POLICIES AND PROCEDURES

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

The situation in Ukraine, which has become more unstable since February 2022 with the incursion into Ukraine by Russia, also presents a significant risk to European and Global economies and, potentially, world peace. While the Group has no direct or known indirect involvement with Ukraine, Russia or Belarus it may be impacted by the consequences of the usability caused by the Ukrainian/Russian conflict.

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

The Directors monitor and measure the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Even though the risks detailed in the Annual Report and Financial Statements for the year ended 31 December 2021 still remain appropriate, further information regarding these risk policies are outlined below:

(i) Market risk

If a borrower defaults on a loan and the real estate market enters a downturn it could materially and adversely affect the value of the collateral over which loans are secured. However, this risk is considered by the Board to constitute credit risk as it relates to the borrower defaulting on the loan and not directly to any movements in the real estate market.

The 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.

12. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

a) Currency risk

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

b) Interest rate risk

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

The majority of the Group's financial assets are loans advanced at amortised cost, 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.

(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 2022 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 is diversified between hedge providers in order to spread credit risk to which the Group is exposed. At period end our derivative exposures were with one counterparty.

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 2022, the maximum credit risk exposure was £442,291,127 (30 June 2021: £435,238,657 and 31 December 2021: £430,918,680).

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. As at 30 June 2022 two loans held in the balance sheet at £45,650,969 (31 December 2021: three loans of £59,031,888) have been classified as Stage 2. No loss allowance has been recognised based on 12-month and lifetime expected credit losses for Stage 1 and Stage 2 loans advanced, respectively, as based on the information available there is no reason to believe that there has been any impairment in the value of the loans held by the Group. The remaining loans are classified as Stage 1. One investment was upgraded to Stage 1 from Stage 2 during the period as the underlying hotel asset has completed its refurbishment project, demonstrated strong trading in Q2 2022 since re-opening and has significant headroom to the loan's basis, with no heightened credit risk vs recognition continuing.

The balance of interest rate increases being positive for the Company and this increasing rate can put pressure on borrowers but due to the underwriting and monitoring processes of the Investment Manager, the Directors and Investment Manager consider the risk of a change significant change in credit risk because of the inflationary and interest rate environment to be low.

(iii) Liquidity risk

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

The Group manages its liquidity risk through short-term and long-term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 30 per cent of NAV and has entered into revolving credit facilities totalling £126,000,000 (30 June 2021: £126,000,000 and 31 December 2021: £126,000,000) of which £18,470,386 was drawn on 30 June 2022 (30 June 2021: £11,000,000 and 31 December 2021: £8,500,000).

As at 30 June 2022, the Group had £3,078,669 (30 June 2021: £1,359,957 and 31 December 2021: £2,994,357) available in cash and £1,404,119 (30 June 2021: £1,328,457 and 31 December 2021: £1,484,526) 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.

13. FAIR VALUE MEASUREMENT

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment rates, credit risks and default rates) or other market corroborated inputs (level 2); and

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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for the period ended 30 June 2022

13. FAIR VALUE MEASUREMENT (CONTINUED)

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

30 June 2022

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	4,624,887	-	4,624,887
Total	**-**	**4,624,887**	**-**	**4,624,887**

30 June 2021

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

31 December 2021

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	13,291,598	-	13,291,598
Total	**-**	**13,291,598**	**-**	**13,291,598**

There have been no transfers between levels for the period ended 30 June 2022 (30 June 2021: nil and 31 December 2021: nil).

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

The 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 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 June 2021

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

31 December 2021

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	-	-	431,658,356	431,658,356	414,632,512
Total	**-**	**-**	**431,658,356**	**431,658,356**	**414,632,512**
Liabilities					
Credit facilities	-	7,914,993	-	7,914,993	7,914,993
Total	**-**	**7,914,993**	**-**	**7,914,993**	**7,914,993**

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

13. 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.

14. TAXATION

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £1,200. The Luxembourg indirect subsidiaries of the Company are subject to the applicable tax regulations in Luxembourg.

The Luxco had no operating gains on ordinary activities before taxation and was therefore subject to the Luxembourg minimum corporate income taxation at €4,815 (year ended 31 December 2021: €4,815). The Luxco 3 and Luxco 4 are subject to Corporate Income Tax and Municipal Business Tax based on a margin calculated on an arm's-length principle. The effective tax rate in Luxembourg during the reporting period was 24.94% (year ended 31 December 2021: 24.94%).

15. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

	Outstanding at 30 June 2022 £	Outstanding at 30 June 2021 £	Outstanding at 31 December 2021 £
Investment Manager			
Investment management fees payable	785,084	785,134	791,344

	For the period ended 30 June 2022 £	For the period ended 30 June 2021 £	For the year ended 31 December 2021 £
Directors' fees and expenses paid			
John Whittle	30,000	22,500	45,000
Shelagh Mason	22,500	20,000	42,500
Charlotte Denton	25,000	20,000	40,000
Gary Yardley (appointed 6 September 2021)	21,000	-	12,712
Stephen Smith (resigned 31 December 2021)	-	25,000	50,000
Expenses paid	4,605	4,605	5,198
Investment Manager			
Investment management fees earned	1,559,609	1,561,503	3,147,075
Origination fees	525,888	199,206	300,456
Expenses	97,618	59,984	68,107

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15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Dividends paid during the period ended 30 June 2022 £	Dividends paid during the period ended 30 June 2021 £	Dividends paid during the year ended 31 December 2021 £
Starwood Property Trust Inc.	251,350	274,200	525,550
SCG Starfin Investor LP	62,838	68,550	131,388
Stephen Smith	2,171	2,368	4,538
John Whittle	656	716	1,372
Shelagh Mason	3,103	3,385	6,487
Charlotte Denton	-	-	-
Gary Yardley	-	-	-
Duncan MacPherson*	6,875	7,500	14,375
Lorcain Egan*	2,301	2,510	4,811

	As at 30 June 2022 Number of shares	As at 30 June 2021 Number of shares	As at 31 December 2021 Number of shares
Starwood Property Trust Inc.	9,140,000	9,140,000	9,140,000
SCG Starfin Investor LP	2,285,000	2,285,000	2,285,000
Stephen Smith	78,929	78,929	78,929
John Whittle[1]	23,866	23,866	23,866
Shelagh Mason	112,819	112,819	112,819
Charlotte Denton[2]	-	-	-
Gary Yardley	-	-	-
Duncan MacPherson*	250,000	250,000	250,000
Lorcain Egan*	83,678	83,678	83,678

* Employees at the Investment Adviser

[1] John Whittle purchased 10,000 shares on 20 July 2022. His total holding as of 20 July 2022 is 33,866.
[2] Charlotte Denton purchased 44,444 shares on 20 July 2022. Her total shareholding as of 20 July 2022 is 44,444.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Other

The Group continues to participate in a number of loans in which Starwood Property Trust, Inc. ("STWD") acted as a co-lender. The 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
Two Hotels, Manchester & Edinburgh	SEREDF I
Mixed Portfolio, Europe	STWD
Office Portfolio, Spain	STWD
Office Portfolio, Ireland	STWD

16. EVENTS AFTER THE REPORTING PERIOD

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

	Local Currency
5-Star Hotel, Oxford	£128,043
Office Building, London	£1,180,465
Mixed Use, Dublin	€1,525,110
Two Hotels, Manchester & Edinburgh	£494,416

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

	Local Currency
Mixed Portfolio, Central and Northern Europe	€5,085,641
Office and Industrial Portfolio, The Netherlands	€4,998,013
Three Shopping Centres, Spain	€317,344
Hotel, Dublin	€4,300,000

Alternative Performance Measures

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

NAV PER ORDINARY SHARE

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

NAV TOTAL RETURN

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

SHARE PRICE TOTAL RETURN

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

NAV TO MARKET PRICE DISCOUNT / PREMIUM

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

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 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)

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