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Starwood European Real Estate Finance Limited
Half Year Results for the Period Ended 30 June 2024
Orderly Realisation Process On Track

Starwood European Real Estate Finance Limited (the “Company”) and its subsidiaries (“SEREF” or the “Group”), a leading investor originating, executing and managing a diverse portfolio of high quality real estate debt investments in the UK and Europe, announces Half Year Results for the six months ended 30 June 2024.

Following the approval of the Company’s new investment objective and policy as recommended to shareholders by the Board at the Company’s EGM on 27 January 2023, the Company is pursuing a strategy of orderly realisation and the return of capital to shareholders.

Highlights for the period, six months ended 30 June 2024

- **Positive realisation progress** - during the half year:
 - A total of £102.1 million, 38.9 per cent of the Group’s 31 December 2023 total funded loan portfolio, has been repaid across five investments;
 - This included the full settlement of four loans (totalling £101.2 million or 38.5 per cent of the Group’s 31 December 2023 total funded loan portfolio);
 - The proceeds of these realisations, along with available cash, were used to fund the return of capital to shareholders of £125.0 million paid in 2024 up to the date of this report.
- **All assets are carefully monitored for changes in their risk profile** - during the half year:
 - One Stage 2 asset was fully repaid, leaving three assets categorised as Stage 2. This categorisation indicates a change in credit risk of these loans since origination but no impairments anticipated; and
 - The only asset categorised as Stage 3 as at 31 December 2023 was settled in full and €0.2 million of a €4.0 million impairment provision which had been accounted for against this loan was released.
- **The average remaining loan term of the portfolio is 1.5 years.**
- **Strong cash generation** - the portfolio continues to support annual dividend payments of 5.5 pence per Ordinary Share, paid quarterly, and generates an annual dividend yield of 5.9 per cent on the share price as at 30 June 2024.
- **Regular and consistent dividend** - the Company continues to pay regular and consistent dividends, in line with its prevailing target.
- **Inflation protection** - 85 per cent of the portfolio is contracted at floating interest rates (with floors).
- **Robust portfolio** - the loan book is performing broadly in line with expectations with its defensive qualities reflected in the Group’s continued NAV stability.
- **Significant equity cushion** - the weighted average Loan to Value for the portfolio as at 30 June 2024 is 58 per cent.
- **NAV per share of 104.92p** – as at 30 June 2024 – representing a discount of 11.4 per cent, with an average discount to NAV of 10.5 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.

In line with the new strategic direction of the Group (i.e. the orderly realisation and return of capital to shareholders) there have been no new commitments made in the six months to 30 June 2024.

During the six months to 30 June 2024, the Group funded £8.8 million in relation to cash loan commitments made in prior years which were unfunded. In addition the Group capitalised £0.6 million of interest on one loan in line with the facility agreement.

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

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

John Whittle, Chairman of the Company commented:

“We are pleased to report a robust performance during the half year.

“Following approval of the Company’s new investment objective and policy in early 2023, SEREF is pursuing a strategy of orderly realisation. During the half year to 30 June 2024, a total of £102.1 million, 38.9 per cent of the Group’s 31 December 2023 total funded loan portfolio, has been repaid across five investments.

“In 2024 to date the Company has returned £125.0 million to Shareholders through the compulsory redemption of shares.

“The focus of the Group for the rest of 2024 continues to be the continued robust asset management of the existing loan portfolio; the orderly realisation of the portfolio; and the timely return of capital to shareholders. We look forward to providing further updates towards meeting these objectives and would like to thank shareholders for their continued commitment and support.”

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Notes:

Starwood European Real Estate Finance Limited is an investment company listed on the main market of the London Stock Exchange with an investment objective to conduct an orderly realisation of the assets of the Group. www.starwoodeuropeanfinance.com.

The Group's assets are managed by Starwood European Finance Partners Limited, an indirect wholly owned subsidiary of the Starwood Capital Group.

Interim Financial Report and Unaudited Condensed

Consolidated Financial Statements

for the six-month period from 1 January 2024 to 30 June 2024

Overview

Corporate Summary

PRINCIPAL ACTIVITIES AND INVESTMENT OBJECTIVE

Starwood European Real Estate Finance Limited (the "Company") was established in November 2012 to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments in the UK and the European Union's internal market.

The Company made its investments through Starfin Lux S.à.r.l (indirectly wholly-owned via a 100 per cent 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 per cent shareholding in Starfin Public Holdco 2 Limited) (collectively the "Group").

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

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

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

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

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

The Investment Objective and Policy which applied prior to the EGM on 27 January 2023 are set out in the 2021 Annual Report which can also be found on the company's website <https://starwoodeuropeanfinance.com>. The Investment Objective applied prior to the EGM on 27 January 2023 was to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments in the UK and the European Union's internal market. The Investment Policy applied prior to the EGM on 27 January 2023 was to invest in a diversified portfolio of real estate debt investments in the UK and the European Union's internal market as the Group had done since its initial public offering ("IPO") in December 2012.

STRUCTURE

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

The Company received authority at the 2020 Annual General Meeting ("AGM"), to purchase up to 14.99 per cent of the Ordinary Shares in issue. This authority was renewed at the 2021, 2022, 2023 and 2024 AGMs. Between 2020 and 2023 the Company bought back 17,626,702 Ordinary Shares. Shares bought back (which had been held in treasury) were cancelled in June 2023.

During 2023 the Company compulsorily redeemed 81,901,754 Ordinary Shares from Shareholders at an average price of 103.79 pence per share.

During the six months to 30 June 2024 the Company compulsorily redeemed a further 43,512,736 Ordinary Shares from Shareholders at an average price of 103.42 pence per share.

In July 2024 the Company compulsorily redeemed a further 76,248,573 Ordinary Shares at a price of 104.92 pence per share. As at the date of the issuance of this report the Company had 193,929,633 shares in issue and the total number of voting rights was 193,929,633.

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

Chairman's Statement

Dear Shareholder,

On behalf of the Board I present the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements of Starwood European Real Estate Finance Limited (the "Group") for the period from 1 January 2024 to 30 June 2024.

Since I presented the Annual Report and Audited Consolidated Financial Statement of the Group for the year end 31 December 2023 to you in March it seems like a lot has changed while a lot has stayed the same. Around half the world's population lives in more than 60 countries holding national elections in 2024, and with roughly two billion eligible voters, this is being described as the largest election year in history. As a result of elections held so far in 2024 there is a new governing

party in the UK but the same governing parties in both Russia and India. We await to see the outcome of the forthcoming United States of America Presidential election. At the same time global economies appear to be recovering slowly from the systemic shocks over the last four years with interest rates seeming to be on a downward trajectory.

Once again the Group's performance has remained consistent demonstrating its unique portfolio resilience through the strength and consistency of its results. All contractual loan interest and scheduled amortisation payments have been received on time and underlying valuations continue to provide reassuring headroom. As I reported in March the loan asset categorised as Stage 3 as at 31 December 2023 was settled in full in March and since then one of the four assets categorised as Stage 2 as at 31 December 2023 has been fully repaid. As a result there are three assets currently categorised as Stage 2 indicating an increase in their credit risk since origination but with no impairments anticipated and no assets categorised as Stage 3. The Group will continue to exercise caution in these challenging times and work closely with borrowers to effect the best results for the Company and the Group.

The Group's NAV has also remained stable over the last six months. This stability demonstrates the positive fundamentals of the Group's portfolio as an attractive risk-adjusted source of alternative income. Against market volatility, the Group has maintained a relatively stable market valuation, met or exceeded its dividend targets (an annualised 5.5 pence per share to shareholders) and continued the orderly realisation of the Group's assets started in 2023 and the return of capital to Shareholders.

The capital redemptions announced and implemented in 2023 returned £85.0 million in total to shareholders. During the first half of 2024, the Company announced and implemented its fourth and fifth capital redemptions, returning, in total, £45.0 million to shareholders. Following the fifth redemption, and as at 30 June 2024 the Company had 270,178,206 shares in issue and the total number of voting rights was 270,178,206. Since 30 June 2024 the Company has announced its sixth capital redemption, which returned, in July 2024, a further £80.0 million to shareholders through the compulsory redemption of shares. As at the date of the issuance of this report the Company had 193,929,633 shares in issue and the total number of voting rights was 193,929,633. This means that, in total, the Company has returned £210 million to shareholders since January 2023 when the strategy of orderly realisation and return of capital was approved by shareholders.

JOHN WHITTLE

Chairman

6 September 2024

HIGHLIGHTS OVER THE SIX MONTHS TO 30 JUNE 2024

- **Positive realisation progress** - during the half year:
 - A total of £102.1 million, 38.9 per cent of the Group's 31 December 2023 total funded loan portfolio, has been repaid across five investments
 - This included the full settlement of four loans (totalling £101.2 million or 38.5 per cent of the Group's 31 December 2023 total funded loan portfolio); and
 - The proceeds of these realisations and some of the cash balances held as at 31 December 2023 were used to fund the return of capital to shareholders of £125.0 million paid in 2024 up to the date of this report
- **All assets are carefully monitored for changes in their risk profile** - during the half year:
 - One Stage 2 asset was fully repaid, leaving three assets categorised as Stage 2. This categorisation indicates a change in credit risk of these loans since origination but no impairments anticipated; and
 - The only asset categorised as Stage 3 as at 31 December 2023 was settled in full and €0.2 million of a €4.0 million impairment provision which had been accounted for against this loan was released
- **The average remaining loan term of the portfolio is 1.5 years**
- **Strong cash generation** - the portfolio continues to support annual dividend payments of 5.5 pence per Ordinary Share, paid quarterly, and generates an annual dividend yield of 5.9 per cent on the share price as at 30 June 2024
- **Regular and consistent dividend** - the Company continues to pay regular and consistent dividend, in line with its prevailing target
- **Inflation protection** - 85 per cent of the portfolio is contracted at floating interest rates (with floors)
- **Robust portfolio** - the loan book is performing broadly in line with expectations with its defensive qualities reflected in the Group's continued NAV stability
- **Significant equity cushion** - the weighted average Loan to Value for the portfolio as at 30 June 2024 is 58 per cent

INVESTMENT MOMENTUM

In line with the new strategic direction of the Group (i.e. the orderly realisation and return of capital to shareholders) there has been no new commitments made in the six months to 30 June 2024.

Repayments received in the six months to 30 June 2024 are summarised in the highlights section above and detailed in the Investment Managers report.

During the six months to 30 June 2024, the Group funded £8.8 million in relation to cash loan commitments made in prior years which were unfunded. In addition the Group capitalised £0.6 million of interest on one loan in line with the facility agreement.

	June 2020	June 2021	June 2022	June 2023	June 2024
Funded loans	£447.5m	£418.5m	£429.1m	£379.2m	£165.1m
Unfunded Cash Commitments	£67.2m	£36.8m	£36.8m	£47.3m	£24.1m
Total Portfolio	£514.7m	£455.3m	£465.9m	£426.5m	£189.2m

NAV PERFORMANCE

The table below shows the NAV per share movements over the 6 months to 30 June 2024.

	Jan - 24	Feb - 24	Mar - 24	Apr - 24	May - 24	Jun - 24
NAV per share at beginning of month	104.35	103.08	103.69	104.45	103.65	104.29
Monthly Movements						
Operating Income available to distribute before impairment provision ⁽¹⁾	0.53	0.69	0.60	0.75	0.80	0.77
Release of part of 2023 impairment provision on asset classified as Stage 3 ⁽²⁾	0.00	0.00	0.05	0.00	0.00	0.00
Reclassification of Realised FX gains from not distributable to distributable income following loan repayments ⁽³⁾	0.00	0.00	(1.72)	0.00	0.00	(0.64)
Realised FX hedging gains reclassified as available to distribute following loan repayments ⁽⁴⁾	0.00	0.00	1.56	0.00	0.00	0.40
Unrealised FX gains/(losses) ⁽⁵⁾	0.08	(0.08)	0.27	(0.17)	(0.16)	0.10

Dividends declared	(1.88)	0.00	0.00	(1.38)	0.00	0.00
NAV per share as end of month	103.08	103.69	104.45	103.65	104.29	104.92

1. Operating Income available to distribute before impairment provision comprises loan income recognised in the period less operating costs incurred. Operating Income available to distribute before impairment provision also includes any realised foreign exchange gains or losses upon settlement of hedges, except those described in note 3.
2. In March 2024 a loan which had been classified as Stage 3 was settled in full and €0.2 million of a €4.0 million impairment provision which had been accounted for the 2023 was released.
3. On occasion, the Group may realise a gain or loss on the roll forward of a hedge if it becomes necessary to extend a capital hedge beyond the initial anticipated loan term. If this situation arises the Group will separate the realised FX gain or loss from other realised FX gains or losses and not consider it available to distribute or as a reduction in distributable profits. The FX gain or loss will only be transferred to distributable income when the rolled hedge matures or is settled due to the loan repayment, and the final net gain or loss on the capital hedges over the life of the loan can be determined.
4. This relates to the transfer of historic realised gains on capital hedges that were rolled (as described under note 3 from undistributable to distributable income due to the final settlement of capital hedges (or a portion thereof where a loan has only partially repaid) less realised FX losses during the month on the repayment of loan amounts and the settlement (or portion thereof) of the rolled hedges.
5. Unrealised foreign exchange gain/losses relate to the net impact of changes in the valuation of foreign exchange hedges and the sterling equivalent value of Euro loan investments (using the applicable month end rate). Mismatches between the hedge valuations and the loan investments may occur depending on the shape of the forward FX curve and this causes some movement in the NAV. These unrealised FX gains / losses are not considered part of distributable reserves.

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

The NAV would be materially impacted if a significant impairment in the value of a loan was required but, despite the disruption to markets over the recent years, no material impairment has been needed and the Group's underlying collateral valuations remain stable and current (the average age in the six months to 30 June 2024 of current valuations is under one year). Please refer to the Investment Manager's report for detailed sector performance reporting, information on the accounting for our loans and the current loan to value position for the portfolio as a whole and for each sector.

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

CAPITAL REDEMPTIONS AND SHARE PRICE PERFORMANCE

During the half year to 30 June 2024, the Company redeemed a total of 43,512,736 shares for a total of £45.0 million. As at 30 June 2024 the Company had 270,178,206 shares in issue and the total number of voting rights was 270,178,206. Since 30 June 2024 the Company has announced its sixth capital redemption, which returned, in July 2024, £80.0 million to shareholders through the compulsory redemption of 76,248,573 shares. As at the date of the issuance of this report the Company had 193,929,633 shares in issue and the total number of voting rights was 193,929,633.

During the first half of 2024, the Company's share price has been, relative to a volatile market, stable. In the six month period to 30 June 2024, the share price has been trading at between 89.6 pence and 95.6 pence and ended the half year at 93.0 pence. It should be noted that the volumes of the Company's shares being traded are relatively low and will decrease as the company reduces in size so even small transactions can have a significant impact on daily share prices recorded.

As at 30 June 2024, the discount to NAV stood at 11.4 per cent, with an average discount to NAV of 10.5 per cent over the half year. The Board, the Investment Manager and Adviser continue to believe that the shares represent attractive value at this level.

DIVIDENDS

The Directors declared dividends in respect of the first two quarters of 2024 of 1.375 pence per Ordinary Share, equating to an annualised 5.5 pence per annum. This was covered by earnings (excluding unrealised FX gains and realised FX gains expected to reverse). The Board also declared an additional dividend in January of 0.5 pence per share related to 2023. With the current portfolio, and based on current forecasts (including forecasts of capital redemptions), we expect the target dividend of 5.5 pence per share to continue to be covered by earnings over the 12 months to 31 December 2024.

Based on the share price at 30 June 2024, a dividend of 5.5 pence per annum represents a 5.9 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.

As at 30 June 2024, the Company met the targets specified in the Listing Rules 9.8.6R(9)(a)(i) and (ii) with the Board comprising 50 per cent women, one of whom is the Senior Independent Director. However, the Company has not met the target under Listing Rule 9.8.6R(9)(a) (iii) of having one Director from a minority ethnic background. Please refer to the Corporate Governance Statement in the Company's Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2023 for the Board's diversity statement.

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

GOING CONCERN

During the six months to 30 June 2024 the Company terminated its remaining revolving credit facility.

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

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

Notwithstanding the above, and as disclosed in these financial statements, the strategy of orderly realisation and return of capital to shareholders over time does in the long term create uncertainty as to the longer term future of the Company and the Group and its longer term ability to continue as a going concern. The financial statements have not been modified in respect of this matter.

OUTLOOK

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

At 30 June 2024, the Group had cash balances of £117.1 million which included a reserve to fund the unfunded cash loan commitments of £24.1 million outstanding as at 30 June 2024. Since 30 June 2024 the Company has returned £80.0 million to Shareholders through the compulsory redemption of shares as detailed above.

The focus of the Group for the rest of 2024 continues to be:

- i. the continued robust asset management of the existing loan portfolio;
- ii. the orderly realisation of the portfolio; and

iii. the timely return of capital to shareholders

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

John Whittle

Chairman

6 September 2024

Investment Manager's Report

MARKET COMMENTARY

During the second quarter of 2024 some central banks started cutting interest rates. The Swedish National Bank ("SNB") and the European Central Bank ("ECB") have led the way in Europe with cuts in May for the SNB and June for the ECB. The Bank of England ("BOE") decision at the June meeting was finely balanced but, in the end, the BOE decided to wait with the market initially expecting that this would mean that the BOE would then almost definitely cut in August. In the end the Bank of England did cut the base rate by 25 basis points in August but it was more finely balanced than expected with a balance between the headline rate of inflation supporting a cut but concerns on higher level of services inflation. In Europe the pace of cuts is likely to be measured with the BOE and ECB both flagging that they are not in a hurry to make cuts but in the final part of the year there is more likely to be more volatility of expectations on the pace and size of the rates cuts in the United States as the Federal Reserve is likely to cut rates from September.

Long term interest rates and government bond yields were largely unchanged in the second quarter with UK 10 Year Gilt rates at 4.1 per cent versus 4.3 per cent at the beginning of the quarter and 3.5 per cent at the beginning of the year. German 10-year bonds are also slightly down at 2.4 per cent versus 2.5 per cent at the beginning of the quarter up from 2.0 per cent at the beginning of the year. Swap rates have also been steady with GBP and EUR 5-year swaps currently standing at 3.9 per cent and 2.7 per cent respectively with almost no movement over the quarter as a whole. A notable exception to the steady data was for France where the recent election led to a repricing of the spread between German and French government bonds. Prior to the election being called spreads were circa 50 basis points but jumped to as high as 80 basis points during the election process before settling at a slightly lower level at the time of writing.

Last time we reported, 2023 had the lowest level of investment volume in commercial real estate in Europe since the Global Financial Crisis with volumes half of the levels of recent years. Lower volumes are persisting as 2024 advances but we see a strong differentiation between asset classes in sentiment for deal catalysts. For example, in the hospitality sector where owners have more scope for asset management initiatives to create value, we have seen a number of larger portfolio transactions in 2024 including Blackstone's acquisition of Village Hotels for approximately £800 million, Starwood's acquisition of the Radisson Edwardian portfolio in Central London for a similar amount and Ares' acquisition of 21 Novotel and Ibis hotels for £400 million from Land Securities.

There has also been a pick-up in public market merger and acquisition activity including the merger of Tritax Big Box REIT and UK Commercial Property REIT to create a combined group with a portfolio of £6.3 billion and TPG's take private of Brussels listed Intervest with a €1.4 billion portfolio of logistics and office. In contrast, some asset classes and geographies are seeing significantly less activity. For example, during the pre-COVID decade from 2010 to 2019 the value of office transactions as a proportion of the entire real estate transaction markets was 40.4 per cent, however in 2023 this declined to 22.8 per cent and we are seeing a similar proportion in the data from the first quarter of 2024. In the biggest markets of UK, Germany and France, it is France that has held the highest proportion of office transactions with 35.7 per cent of the total volume. Germany and the UK are maintaining similar levels close to the average with 18.3 per cent and 22.2 per cent respectively. Spain and Portugal are seeing the lowest share of office transactions with only 10.6 and 9.5 per cent of total country volume respectively.

We continue to see a relatively consistent level of appetite for the credit side of the capital structure in both the public and private markets. While only a small part of the European markets, the CMBS market in the US is a bell-weather for overall commercial real estate lending market sentiment. There has been USD 48 billion of total commercial real estate backed ABS issuance in the first half of the year which is an increase of 158 per cent versus the USD 18.6 billion at the same time last year. Bond spreads had contracted strongly in the first few months of 2024 leading to more favourable conditions for issuers but have now stabilised. With a higher level of supply, deals have been taking longer to clear the market and investors have had more choices leading to slightly more variation of pricing by deal but with overall spreads being stable.

In Europe the unsecured corporate bond market for real estate companies has seen a similar change in pricing dynamics and strong levels of new issuance since the beginning of the year. We have seen many high-quality issuers coming to market with high levels of order book coverage and attractive pricing. Including recent, benchmark issuance sizes of €500 million plus for Logisor, Aroundtown and Grand City Properties, with the latest 5 year Logisor bond being 4.4x covered and priced at the mid swap rate plus 153 basis points.

In the private loan market we continue to see a good level of appetite from a diverse set of lender types including domestic and international banks, insurance companies, debt funds and other non-bank lenders leading to a healthy competition particularly for acquisition financing but also for the right refinancing opportunities. Beds, sheds and datacentres are often cited as the preferred asset classes for lenders, but we have seen that well-located, high-quality office assets also receives a good level of competition. One such example is the £235 million refinancing of 280 Bishopsgate which closed last month. 280 Bishopsgate is a top ESG rated office building located in the City of London near Liverpool Street Station. A £200 million senior loan was provided by LBBW with a further £35 million of mezzanine financing provided by Delancey making this one of the largest single asset office financings of the year.

PORTFOLIO STATISTICS

As at 30 June 2024, the portfolio was invested in line with the Group's investment policy.

The key portfolio statistics are as summarized below.

	30 June 2024	30 June 2023
Number of investments	8	17
Percentage of currently invested portfolio in floating rate loans	84.8%	76.1%
Invested Loan Portfolio unlevered annualised total return ⁽¹⁾	9.1%	8.1%
Weighted average portfolio LTV – to Group first £ ⁽¹⁾	16.7%	11.6%
Weighted average portfolio LTV – to Group last £ ⁽¹⁾	58.0%	56.0%
Average remaining loan term	1.5 years	1.4 years
Net Asset Value	£283.5m	£400.4m
Loans advanced at amortised cost (including accrued income)	£166.9m	£384.1m
Cash and cash equivalents	£117.1m	£13.1m
Other net assets /(liabilities) (including financial assets held at fair value through the profit or loss)	(£0.5m)	£3.2m

(1) Alternative performance measure.

The maturity profile of investments as at 30 June 2024 is shown below.

Remaining years to contractual maturity*	Principal value of loans £m	% of invested portfolio
0 to 1 years	£45.3	27.4%
1 to 2 years	£46.3	28.1%
2 to 3 years	£73.5	44.5%

- Remaining loan term to current contractual loan maturity excluding any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity or may elect to exercise legal extension options, which are typically one year of additional term subject to satisfaction of credit related extension conditions. The Group, in limited circumstances, may also elect to extend loans beyond current legal maturity dates if that is deemed to be required to affect an orderly realisation of the loan.

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.

SHARE PRICE PERFORMANCE

As at 30 June 2024 the NAV was 104.92 pence per Ordinary Share (31 December 2023: 104.35 pence; 30 June 2023: 103.75 pence) and the share price was 93.0 pence (31 December 2023: 90.4 pence; 30 June 2023: 88.6 pence).

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

INVESTMENT DEPLOYMENT

As at 30 June 2024, the Group had 8 investments and commitments of £189.2 million as follows:

	Sterling equivalent balance ⁽¹⁾	Sterling equivalent unfunded commitment ^{(1), (2)}	Sterling Total (Drawn and Unfunded)
Hospitals, UK	£25.0 m		£25.0 m
Hotel, North Berwick	£15.0 m		£15.0 m
Life Science, UK	£15.5 m	£4.0 m	£19.5 m
Hotel and Office, Northern Ireland	£7.3 m		£7.3 m
Hotels, United Kingdom	£46.3 m	£1.1 m	£47.4 m
Industrial Estate, UK	£27.2 m	£19.0 m	£46.2 m
Total Sterling Loans	£136.3 m	£24.1 m	£160.4 m
Office Portfolio, Spain	£7.5 m		£7.5 m
Office Portfolio, Ireland	£21.3 m		£21.3 m
Total Euro Loans	£28.8 m		£28.8 m
Total Portfolio	£165.1 m	£24.1 m	£189.2 m

1. Euro balances translated to sterling at period end exchange rate.
2. Excludes interest of circa £2.9 million which may be capitalised in respect of Office Portfolio, Ireland.

Between 1 January 2024 and 30 June 2024, the following significant investment activity occurred (reflected in the table overleaf):

REPAYMENTS:

During the half year, borrowers repaid the following loan obligations:

- £42.6 million, Hotel Scotland (full repayment of loan)
- €32.8 million, Three Shopping Centres, Spain (full repayment of loan)
- €23.0 million, Hotel, Dublin (full repayment of loan)
- €12.2 million, Shopping Centre, Spain (settlement of loan in full)
- £1.5 million, Hotel and Office, Northern Ireland (partial repayment of loan)

These repayments along with available cash were used to return circa £125.0 million of capital to shareholders during 2024 to the date of this report.

ADDITIONAL FUNDING:

During the half year, the Group funded £8.8 million in relation to loan commitments made in prior years which were unfunded and interest of £0.6 million was capitalised. No new loans were entered into during the half year in line with the orderly realisation and the return of capital strategy as outlined in the Chairman's Statement.

Subsequent to 30 June 2024, to the date of this report, the following loan repayments occurred:

- £0.9 million, Hotel & Office, Northern Ireland (partial repayment of loan)

Subsequent to 30 June 2024, the Group funded £1.1 million in relation to loan commitments made in prior years which were unfunded.

PORTFOLIO OVERVIEW

The Group continues to closely monitor and manage the credit quality of its loan exposures and repayments. The portfolio has continued to perform well, with total repayments of £102.1 million in the six months to 30 June 2024, equivalent to 39 per cent of the 31 December 2023 total funded portfolio. These repayments marked successful execution of underlying borrower business plans to refinance or sell assets upon stabilisation. The repayments during the half year included final settlement of the Shopping Centre, Spain and the Three Shopping Centres, Spain loans which results in the Group's exposure to underlying retail assets reducing to zero.

On an aggregate portfolio level the Group continues to benefit from material headroom in underlying collateral value against the loan basis, with a weighted average loan to value of 58 per cent. These metrics are based on independent third party appraisals. These appraisals are typically updated annually for income producing assets. The weighted average age of valuations as at 30 June 2024 is just over ten months.

The Group's remaining exposure is spread across eight investments. 99 per cent of the total funded loan portfolio as of 30 June 2024 is spread across five asset classes; Hospitality (40 per cent), Office (19 per cent), Light Industrial (16 per cent), Healthcare (15 per cent) and Life Sciences (9 per cent).

Hospitality exposure (40 per cent) is diversified across three loan investments. This exposure has decreased from 31 December 2023 as a result of the full repayments of Hotel, Scotland and Hotel, Dublin and the partial repayment of Hotel and Office, Northern Ireland during the period. One loan (71 per cent of hospitality exposure) has two underlying key UK gateway city hotel assets, both of which are undergoing comprehensive refurbishment programmes due to complete during 2024. Both hotels are also rebranding to a major internationally recognised hotel brand. The second largest hospitality loan (23 per cent of hospitality exposure) has also been recently refurbished and is slowly increasing operating performance metrics post refurbishment. One loan (6 per cent of hospitality exposure) benefits from a State/Government licence in place at the property and has structured amortisation that continues to decrease this loan exposure. This loan is expected to be fully repaid before year end 2024. The weighted average loan to value of the hospitality exposure is 56 per cent.

The Group's office exposure (19 per cent) is spread across three loan investments. The weighted average loan to value of loans with office exposure is 73 per cent and the average age of these independently instructed valuation reports is just over a year. The higher loan to value of this sector exposure reflects the wider

decrease in market sentiment driven by post pandemic trends and higher interest rates. These factors have resulted in reduced investor appetite for office exposure and a decline in both transaction volumes and values. The largest office investment is a mezzanine loan which represents 65 per cent of this bucket and is classified as a Stage 2 risk rated loan. The underlying assets comprise seven well located European city centre CBD buildings and are well tenanted, albeit certain assets are expected to require capital expenditure to upgrade to Grade-A quality to retain existing tenants upon future lease expiry events. The loan remains in compliance of its third-party senior loan facility and the Group's mezzanine loan facility, however given the persisting challenging market dynamics, the Group is working closely with the sponsor, a very large institutional asset manager, and a leading global valuation and advisory firm to identify future capital expenditure needs, funding sources, exit values and the business plan to exit.

Light Industrial and Healthcare exposures comprise 16 per cent and 15 per cent each respectively, totalling 31 per cent of the total funded portfolio (across two investments) and provides good diversification into asset classes that continue to have very strong occupational and investor demand. The weighted average loan to value of these exposures is 56 per cent.

LOAN TO VALUE

All assets securing the loans undergo third party valuations before each investment closes and periodically thereafter at a time considered appropriate by the lenders. The LTVs shown below are based on independent third party appraisals. The weighted average age of the dates of these valuations for the whole portfolio is just over ten months.

As of 30 June 2024 the Group has an average last £ LTV of 58.0 per cent (31 December 2023: 61.8 per cent).

The Group's last £ LTV means the percentage which the total loan drawn less any deductible lender controlled cash reserves and 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, reviewed in detail and approved by the reporting date. LTV to first Group £ means the starting point of the loan to value range of the loans drawn (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 relevant project.

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.

			Light Industrial & Healthcare		
Change in Valuation	Hospitality	Office		Other	Total
-15%	65.4%	85.5%	65.4%	56.4%	68.3%
-10%	61.8%	80.7%	61.7%	53.3%	64.5%
-5%	58.6%	76.5%	58.5%	50.5%	61.1%
0%	55.6%	72.7%	55.6%	48.0%	58.0%
5%	53.0%	69.2%	52.9%	45.7%	55.3%
10%	50.6%	66.1%	50.5%	43.6%	52.7%
15%	48.4%	63.2%	48.3%	41.7%	50.5%

LIQUIDITY AND HEDGING

The Group had no available credit facilities as at 30 June 2024 as it was decided not to pursue the extension of any credit facilities that had been available to it in the past as the Group has sufficient resources to meet its liabilities as they fall due.

The table below summarises the available liquidity as at 30 June 2024 and 31 August 2024. The decrease between 30 June 2024 and 31 August 2024 is primarily due to the £80.0 million capital redemption in July 2024 and the payment of the Q2 2024 dividend (amounting to circa £2.7 million) declared in July 2024 and paid in August 2024.

	30 June 2024 £ million	31 August 2024 £ million
Cash and Cash Equivalents	117.1	38.1
Undrawn Commitments to Borrowers	(24.1)	(23.0)
Available Capacity	93.0	(15.1)

The Group had a proportion (17%) of its investments denominated in Euros as at 30 June 2024 (this proportion 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.

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 £15.0 million out of the money. This situation is closely monitored as a result. The mark to market of the hedges at 30 June 2024 was £0.9 million (in the money) and with the robust hedging structure employed by the Group, cash collateral has never been required to be posted since inception.

CREDIT RISK ANALYSIS

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

During the half year there have been no changes to the existing credit risk levels for any of the investments, however following the successful settlement of the Stage 3 loan and the repayment of one of the Stage 2 loans there are now no loans classified as Stage 3 and three loans classified as Stage 2.

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

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

The Group closely monitors all loans in the portfolio for any deterioration in credit risk. As of 30 June 2024, assigned classifications are:

- Stage 1 loans – five loan investments totalling £113.3 million, equivalent to 69 per cent of the funded portfolio are classified in the lowest risk profile, Stage 1.

- Stage 2 loans – three loan investments totalling £51.8 million, equivalent to 31 per cent of the funded portfolio are classified as Stage 2. The average loan to value of these exposures is 67 per cent. The weighted average age of valuation report dates used in the loan to value calculation is one year. While these loans are higher risk than at initial recognition, no loss has been recognised on a twelve-month and lifetime expected credit losses basis. Therefore, no impairment in the value of these loans has been recognised. The drivers for classifying these deals as Stage 2 are typically either one or a combination of the below factors:
 - lower underlying property values following receipt of updated formal appraisals by independent valuers or agreed and in exclusivity sale values;
 - sponsor business plans progressing more slowly than originally underwritten meaning that trading performance has lagged expectations and operating financial covenants under the facility agreements have breached; and
 - additional equity support is required to cover interest or operating shortfalls as a result of slower lease up or operations taking longer to ramp up.

The Stage 2 loans continue to benefit from headroom to the Group's investment basis. The Group has a strategy for each of these deals which targets full loan repayment over a defined period of time. Timing of repayment will vary depending on the level of equity support from sponsors. Typically, where sponsors are willing to inject additional equity to partially pay down the loans and support their business plan execution, then the Group will grant some temporary financial covenant headroom. Otherwise, sponsors are running sale processes to sell assets and repay their loans.

- Stage 3 loans – As of 30 June 2024, no loans were classified as Stage 3.

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

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

FAIR VALUE OF THE PORTFOLIO COMPARED TO AMORTISED COST

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

Discount Rate	Value Calculated	% of book value
8.4%	£ 171.8 M	102.9%
8.9%	£ 170.5 M	102.2%
9.4%	£ 169.3 M	101.4%
9.9%	£ 168.1 M	100.7%
10.4%	£ 166.9 M = BOOK VALUE	100.0%
10.9%	£ 165.7 M	99.3%
11.4%	£ 164.5 M	98.6%
11.9%	£ 163.4 M	97.9%
12.4%	£ 162.2 M	97.2%

The effective interest rate ("EIR") – i.e. the discount rate at which future cash flows equal the amortised cost is 10.4 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 10.4 per cent to be conservative as many of these loans were part of a business plan which involved transformation and many of these business plans are advanced in the execution and therefore significantly de-risked from the original underwriting and pricing. The volatility of the fair value to movements in discount rates is low due to the low remaining duration of most loans.

RELATED PARTY TRANSACTIONS

Related party disclosures are given in note 16 to the Unaudited Condensed Consolidated Financial Statements.

FORWARD LOOKING STATEMENTS

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

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

Starwood European Finance Partners Limited

Investment Manager

6 September 2024

Principal Risks

PRINCIPAL RISKS FOR THE REMAINING SIX MONTHS OF THE YEAR TO 31 DECEMBER 2024

The principal risks assessed by the Board relating to the Group were disclosed in the Strategic Report set out in the Annual Report and Audited Consolidated Financial Statements for the year to 31 December 2023. 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 2024:

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

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

The Group's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies and, consequently, the actual rate of return may be materially lower than the targeted returns.

As a result, the level of dividends to be paid by the Company may fluctuate and there is no guarantee that any such dividends will be paid. Since March 2020 the shares have traded at a discount to NAV per share and shareholders may be unable to realise their investments through the secondary market at NAV per share.

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

The Board monitors the level of premium or discount of the share price to NAV per share and deployed a share buyback programme during 2020, 2021 and 2022 in order to support the share price. No shares were bought back in 2023 or the first six months of 2024. The current strategy of the orderly realization of assets and the return of capital to shareholders over time should mean that, subject to no unforeseen negative impacts on the value of investments, shareholders will receive a return of capital invested over time. During 2023 the Company returned £85.0 million to shareholders. During the first six months of 2024 the Company returned £45.0 million to shareholders. Subsequent to 30 June 2024 and prior to the issuance of this report the Company returned a further £80.0 million to shareholders.

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

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

The Group's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies and, consequently, the actual rate of return may be materially lower than the targeted returns.

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

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

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

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

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

The situation in Ukraine, following the February 2022 incursion into Ukraine by Russia and in the Middle East, following the October 2023 Hamas attacks in Israel, also presents a significant risk to European and global economies. While the Group has no direct or known indirect involvement with Ukraine, Russia or the Middle East it may be impacted by the consequences of the instability caused by the ongoing conflict.

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

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

The Board have considered the impact of market deterioration on the current and future operations of the Group and its portfolio of loans advanced. As a result of the cash held in reserve by 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 has mitigated against this with an average weighted loan to value of the portfolio of 58.0 per cent as at 30 June 2024. Therefore, the portfolio should be able to withstand a significant level of deterioration before credit losses are incurred.

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

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

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

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

The Group has prudently assessed key risk indicators impacting all investments and three loans within the portfolio are classified as Stage 2 (increased risk of default) as at 30 June 2024. These loans account for 31 per cent of the portfolio funded by the Group as at 30 June 2024. No expected credit losses have been recognised against any of these loans, because of the strong LTVs across the loan portfolio and strong contractual agreements with borrowers, including these Stage 2 loans. This is further outlined in detail under the Credit Risk Analysis section of the Investment Manager report. Despite increased risk around higher interest rates and lower transaction volumes, the portfolio has continued to perform well. The reasons, estimates and judgements supporting this assessment are described in the Investment Manager's report.

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 2024 are structured so that 85 per cent are floating rate and all of these floating rate loans are subject to interbank rate floors such that the interest cannot drop below a certain level, which offers some protection against downward interest rate risk.

The remaining 15 per cent by value of the loans are fixed rate, which provides protection from downward interest rate movements to the overall portfolio (but also prevents the Group from benefiting from any interbank rate rises on these positions).

FOREIGN EXCHANGE RISK

The majority of the Group's investments are Sterling denominated (83 per cent as at 30 June 2024) 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 £40.4 million (€47.8 million) of net hedged notional exposure with Lloyds Bank plc at 30 June 2024 (converted at 30 June 2024 FX

rates).

As at 30 June 2024, the hedges were in the money. If the hedges move out of the money and this mark to market exceeds £15.0 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 2024, the Company had sufficient liquidity to meet substantial cash collateral requirements.

CYBERCRIME

The Group is subject to the risk of unauthorised access into systems, identification of passwords or deleting data, which could result in loss of sensitive data, breach of data physical and electronic, amongst other potential consequences. This risk is managed and mitigated by regular reviews of the Group's operational and financial control environment. The matter is also contained within service providers surveys which are completed by the Group's service providers and are regularly reviewed by the Board. No adverse findings in connection with the service provider surveys have been found. The Company and its service providers have policies and procedures in place to mitigate this risk, the cybercrime risk continues to be closely monitored.

REGULATORY RISK

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

OPERATIONAL RISK

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

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

EMERGING RISKS

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

CLIMATE CHANGE

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

Governance

Board of Directors

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

John is a Fellow of the Institute of Chartered Accountants in England and Wales and holds the Institute of Directors Diploma in Company Direction. He is a Non-Executive Director and Audit Committee Chairman of The Renewable Infrastructure Group Ltd (FTSE 250), Sancus Lending Group Ltd (listed on AIM), and Chenavari Toro Limited Income Fund Limited (listed on the SFS segment of the Main Market of the London Stock Exchange). He was previously Finance Director of Close Fund Services, a large independent fund administrator, where he successfully initiated a restructuring of client financial reporting services and was a key member of the business transition team. Prior to moving to Guernsey, he was at Pricewaterhouse in London before embarking on a career in business services, predominantly telecoms. He co-led the business turnaround of Talkland International (which became Vodafone Retail) and was directly responsible for the strategic shift into retail distribution and its subsequent implementation; he subsequently worked on the private equity acquisition of Ora Telecom. John is a resident of Guernsey.

GARY YARDLEY | Non-executive Director

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

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, a FTSE 250 company. Previously Shelagh was a member of the board of directors of Standard Life Investments Property Income Trust, a property fund listed on the London Stock Exchange for 10 years until December 2014. She retired from the board of Medix 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 a Chartered Director and a fellow of the Institute of Directors. She holds a degree in politics from Durham University. 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 nearly twenty years and is currently a Non-Executive Director of various entities including the GP boards of Private Equity groups Cinven and Hitec and the Investment Manager for NextEnergy. She is also on the board of Pershing Square Holdings Limited, a FTSE 100 company. Charlotte is a resident of Guernsey.

Statement of Directors' Responsibilities

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

1. The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union as required by DTR 4.2.4 R; and
2. The Interim Financial Report, comprising of the Chairman's Statement, the Investment Manager's Report and the Principal Risks, meets the requirements of an interim management report and includes a fair review of information required by:

- (i) DTR 4.2.7R of the UK Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months and their impact on the Unaudited Condensed Consolidated Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (ii) DTR 4.2.8R of the UK Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months and that have materially affected the financial position or performance of the Company during that period, and any material changes in the related party transactions disclosed in the last Annual Report.

By order of the Board

For Starwood European Real Estate Finance Limited

John Whittle

Chairman

6 September 2024

Interim Financial Statements

Charlotte Denton

Director

6 September 2024

Independent Review Report to Starwood European Real Estate Finance Limited

Report on the unaudited condensed consolidated financial statements

OUR CONCLUSION

We have reviewed Starwood European Real Estate Finance Limited's unaudited condensed consolidated financial statements (the "interim financial statements") in the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements of Starwood European Real Estate Finance Limited for the 6-month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the unaudited condensed consolidated statement of financial position as at 30 June 2024;
- the unaudited condensed consolidated statement of comprehensive income for the period then ended;
- the unaudited condensed consolidated statement of cash flows for the period then ended;
- the unaudited condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

BASIS FOR CONCLUSION

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

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

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

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

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

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

PricewaterhouseCoopers CILLP

Chartered Accountants,

Guernsey, Channel Islands

8 September 2024

- (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 2024

		1 January 2024 to 30 June 2024 £ (unaudited)	1 January 2023 to 30 June 2023 £ (unaudited)	1 January 2023 to 31 December 2023 £ (audited)
	Notes			
Income				
Income from loans advanced	7	10,792,003	18,204,923	31,923,037
Short term deposits interest income		1,443,065	11,435	1,222,122
Net foreign exchange gains / (losses)	3	452,917	(33,802)	1,809,952
Total income		12,687,985	18,182,556	34,955,111
Expenses				
Impairment (reversal) / loss on loans advanced	7	(143,478)	1,726,000	3,476,360
Investment management fees	16	1,092,092	1,520,900	2,910,524
Credit facility commitment fees		56,610	424,219	604,878
Credit facility interest and amortisation of fees		8,333	255,505	514,651
Other expenses		143,903	214,759	442,863
Audit and non-audit fees		143,460	182,957	290,376
Administration fees		193,737	158,769	353,610
Legal and professional fees		117,523	144,932	248,936
Directors' fees and expenses	16	99,002	103,112	204,739
Broker's fees and expenses		25,000	25,000	50,000
Total operating expenses		1,736,182	4,756,153	9,096,937
Operating profit for the period/ year before tax		10,951,803	13,426,403	25,858,174
Taxation	15	130,100	367,217	607,193
Operating profit for the period/ year		10,821,703	13,059,186	25,250,981
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		(74,037)	18,174	(60,422)
Other comprehensive (loss)/income for the period/ year		(74,037)	18,174	(60,422)
Total comprehensive income for the period/ year		10,747,666	13,077,360	25,190,559
Weighted average number of shares in issue	4	286,319,699	395,326,056	378,184,423
Basic and diluted earnings per Ordinary Share (pence)	4	3.78	3.30	6.66

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 2024

		As at 30 June 2024 £ (unaudited)	As at 30 June 2023 £ (unaudited)	As at 31 December 2023 £ (audited)
	Notes			
Assets				
Cash and cash equivalents	5	117,143,316	13,137,269	63,837,644
Other receivables and prepayments	6	33,568	1,537,753	24,225
Revolving credit facility capitalised cost		—	262,287	8,333
Financial assets at fair value through profit or loss	8	947,729	2,891,365	993,204
Loans advanced	7	166,864,999	384,146,488	264,096,284
Total assets		284,989,612	401,975,162	328,959,690
Liabilities				
Credit facilities	10	—	—	—
Trade and other payables	9	1,506,891	1,543,420	1,627,985
Total liabilities		1,506,891	1,543,420	1,627,985
Net assets		283,482,721	400,431,742	327,331,705

Capital and reserves				
Share capital	11	269,825,015	385,435,824	313,280,868
Retained earnings		13,938,224	15,123,803	14,257,318
Translation reserve		(280,518)	(127,885)	(206,481)
Total equity		283,482,721	400,431,742	327,331,705
Number of Ordinary Shares in issue	11	270,178,206	385,940,346	313,690,942
Net asset value per Ordinary Share (pence)		104.92	103.75	104.35

These Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 6 September 2024, and signed on its behalf by:

John Whittle	Charlotte Denton
Chairman	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 2024

	Share capital	Retained earnings	Translation reserve	Total equity
	£	£	£	£
Period ended 30 June 2024	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at 1 January 2024	313,280,868	14,257,318	(206,481)	327,331,705
Shares redeemed	(43,455,853)	(1,544,142)	—	(44,999,995)
Dividends paid	—	(9,596,655)	—	(9,596,655)
Operating profit for the period	—	10,821,703	—	10,821,703
Other comprehensive income:				
Other comprehensive loss for the period	—	—	(74,037)	(74,037)
Balance at 30 June 2024	269,825,015	13,938,224	(280,518)	283,482,721
	Share capital	Retained earnings	Translation reserve	Total equity
	£	£	£	£
Period ended 30 June 2023	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at 1 January 2023	395,075,556	21,218,267	(146,059)	416,147,764
Shares redeemed	(9,639,732)	(362,997)	—	(10,002,729)
Dividends paid	—	(18,790,653)	—	(18,790,653)
Operating profit for the period	—	13,059,186	—	13,059,186
Other comprehensive income:				
Other comprehensive income for the period	—	—	18,174	18,174
Balance at 30 June 2023	385,435,824	15,123,803	(127,885)	400,431,742
	Share capital	Retained earnings	Translation reserve	Total equity
	£	£	£	£
Year ended 31 December 2023	(audited)	(audited)	(audited)	(audited)
Balance at 1 January 2023	395,075,556	21,218,267	(146,059)	416,147,764
Shares redeemed	(81,794,688)	(3,207,935)	—	(85,002,623)
Dividends paid	—	(29,003,995)	—	(29,003,995)
Operating profit for the year	—	25,250,981	—	25,250,981
Other comprehensive income:				
Other comprehensive loss for the year	—	—	(60,422)	(60,422)
Balance at 31 December 2023	313,280,868	14,257,318	(206,481)	327,331,705

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 2024

	1 January 2024 to 30 June 2024 £ (unaudited)	1 January 2023 to 30 June 2023 £ (unaudited)	1 January 2023 to 31 December 2023 £ (audited)
Operating activities:			
Operating profit for the period / year before tax	10,951,803	13,426,403	25,858,174
Adjustments before tax			
Income from loans advanced	(10,792,003)	(18,204,923)	(31,923,037)
Short term deposits interest income	(1,443,065)	(11,435)	(1,222,122)
(Increase) / decrease in prepayments, receivables and capitalised costs	(9,150)	(5,875)	2,567
(Decrease) / increase in trade and other payables	(65,135)	(259,704)	(312,832)
Net unrealised losses / (gains) on foreign exchange derivatives	45,475	(2,184,704)	(286,543)
Net foreign exchange (gains) / losses	(498,392)	5,036,923	(1,523,409)
Net foreign exchange losses / (gains) on foreign exchange derivatives	2,142,687	(2,553,840)	4,988,870
Impairment (reversal) / loss on loans advanced	(143,478)	1,726,000	3,476,360
Credit facility interest and amortisation of fees	8,333	255,504	514,651
Credit facility commitment fees	56,610	424,219	604,878
Currency translation difference	977,980	2,199,941	1,969,811
Corporate taxes paid	(131,405)	(290,396)	(290,396)
	1,100,260	(441,887)	1,856,972
Loans advanced¹	(8,828,699)	(1,661,978)	(7,338,190)
Loan repayments and amortisation	102,077,030	43,551,178	166,897,162
Interest, commitment and exit fee income from loans advanced	13,255,599	16,604,438	33,545,209
Net cash inflow from operating activities	107,604,190	58,051,751	194,961,153
Cash flows from investing activities			
Short term deposits interest income	1,443,065	11,435	1,222,122
Net cash inflow from investing activities	1,443,065	11,435	1,222,122
Cash flows from financing activities			
Share redemptions	(44,999,995)	(10,002,729)	(85,002,623)
Dividends paid	(9,596,655)	(18,790,653)	(29,003,995)
Repayments under credit facility	–	(19,000,000)	(19,000,000)
Credit facility interest and amortisation paid	–	(535,358)	(377,796)
Credit facility commitment fees paid	(111,267)	(443,877)	(715,131)
Net cash outflow from financing activities	(54,707,917)	(48,772,617)	(134,099,545)
Net (decrease)/increase in cash and cash equivalents	54,339,338	9,290,569	62,083,730
Cash and cash equivalents at the start of the period / year	63,837,644	3,576,155	3,576,155
Net foreign exchange (losses) / gains on cash and cash equivalents	(1,033,666)	270,545	(1,822,241)
Cash and cash equivalents at the end of the period / year	117,143,316	13,137,269	63,837,644

1 Net of arrangement fees of £nil (period ended 30 June 2023: £nil, year ended 31 December 2023: £nil) 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 2024

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.

The Company has appointed Starwood European Finance Partners Limited as the Investment Manager (the “Investment Manager”), a company incorporated in Guernsey and regulated by the GFSC. The Investment Manager has appointed Starwood Capital Europe Advisers, LLP (the “Investment Adviser”), an English limited liability partnership authorised and regulated by the FCA, to provide investment advice pursuant to an Investment Advisory Agreement. The administration of the Company is delegated to Apex Fund and Corporate Services (Guernsey) Limited (the “Administrator”).

On 12 December 2012, the Company announced the results of its IPO, which raised net proceeds of £223.9 million. The Company’s Ordinary Shares were admitted to the premium segment of the UK FCA’s Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 17 December 2012. Further issues took place in March 2013, April 2013, July 2015, September 2015, August 2016 and May 2019. On 10 August 2020, the Company announced the appointment of Jefferies International Limited as buy-back agent to effect share buybacks on behalf of the Company. During the years ended 2020, 2021 and 2022 the Company bought back a total of 17,626,702 Ordinary Shares at an average cost of 91.51 pence per share. These Ordinary Shares were held in treasury until they were cancelled in June 2023.

Following the Company’s Extraordinary General Meeting (“EGM”) on 27 January 2023, the Company’s objective changed and is now to conduct an orderly realisation of the assets of the Group and the return of capital to Shareholders. In line with this objective the Board will endeavour to realise all of the Group’s investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders. During June, August and December of 2023 and February and March of 2024 the Company redeemed a total of 125,414,490 Ordinary Shares at an average cost of 103.66 pence per share. Subsequent to period end, in July 2024 the Company compulsorily redeemed a further 76,248,573 Ordinary Shares at a price of 104.92 pence per share. As at the date of the issuance of this report the Company had 193,929,633 shares in issue and the total number of voting rights was 193,929,633. Further details and background is covered in the Corporate Summary section of this report.

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 2024.

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 2023, 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 2023 were approved by the Board of Directors on 18 March 2024. 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 2024 has been reviewed by the Auditor but not audited.

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

There are a number of new and amended accounting standards and interpretations that became applicable for annual reporting periods commencing on or after 1 January 2024.

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 2023.

3. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	30 June 2024	30 June 2023	31 December 2023
	£	£	£
Loans advanced gains - realised	449,103	113,162	221,192
Loans advanced losses - realised	(2,294,092)	(166,935)	(724,358)
Forward contracts gains - realised	2,255,012	2,755,096	5,218,375
Forward contracts losses - realised	(8,500)	(209,237)	(334,112)
Other gains/(losses) - realised	(85,477)	4,904	320,918
Total realised gains	316,046	2,496,990	4,702,015
Loans advanced gains - unrealised	1,305,216	32,929	57,994
Loans advanced losses - unrealised	(1,122,870)	(4,748,425)	(3,236,599)
Forward contracts gains - unrealised	4,039,911	7,716,816	7,319,115
Forward contracts losses - unrealised	(4,085,386)	(5,532,112)	(7,032,573)
Total unrealised gains/(losses)	136,871	(2,530,792)	(2,892,062)
Net gains/(losses)	452,917	(33,802)	1,809,952

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 £10,821,703 (30 June 2023: £13,059,186 and 31 December 2023: £25,250,981) and on the weighted average number of Ordinary Shares in issue at 30 June 2024 of 286,319,699 (30 June 2023: 395,326,056 and 31 December 2023: 378,184,423).

The calculation of NAV per Ordinary Share is based on a NAV of £283,482,721 (30 June 2023: £400,431,742 and 31 December 2023: £327,331,705) and the actual number of Ordinary Shares in issue at 30 June 2024 of 270,178,206 (30 June 2023: 385,940,346 and 31 December 2023: 313,690,942).

5. CASH AND CASH EQUIVALENTS

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

	30 June 2024	30 June 2023	31 December 2023
	£	£	£
Cash at bank	18,661,380	3,125,834	20,673,973
Short term deposit	98,481,936	10,011,435	43,163,671
	117,143,316	13,137,269	63,837,644

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 2024	30 June 2023	31 December 2023
	£	£	£
Prepayments	33,568	32,667	24,225
Investment interest receivable ¹	—	1,505,086	—
	33,568	1,537,753	24,225

¹ Investment interest receivable as at 30 June 2023 relates to loan related payments which were received after period end.

7. LOANS ADVANCED

	30 June 2024	30 June 2023	31 December 2023
	£	£	£
UK			
Hotels, United Kingdom	46,046,030	32,061,420	37,355,613
Industrial Estate, UK	27,261,756	27,414,987	27,410,670

Hospitals, UK	25,354,632	25,363,038	25,370,368
Life Science, UK	16,021,354	20,055,999	15,923,105
Hotel, North Berwick	15,189,791	15,253,555	15,241,403
Hotel and Office, Northern Ireland	7,579,367	10,919,618	9,099,325
Hotel & Residential, UK	—	50,110,830	—
Hotel, Scotland	—	43,249,198	43,232,893
Office, London	—	20,975,997	—
Spain			
Office Portfolio, Spain	8,019,380	8,138,179	8,236,586
Three Shopping Centres	—	29,590,487	29,276,457
Office, Madrid, Spain	—	15,988,322	—
Shopping Centre, Spain	—	13,466,064	11,189,028

Ireland			
Office Portfolio, Ireland	21,392,689	21,264,090	21,428,669
Hotel, Dublin	–	33,267,881	20,332,167
Mixed use, Dublin	–	11,127,912	–
Rest of Europe			
Mixed Portfolio, Europe	–	5,898,911	–
	166,864,999	384,146,488	264,096,284

The amortised carrying cost of the Shopping Centre, Spain in 2023 includes an impairment provision of £1.7 million as at 30 June 2023 and £3.5 million as at 31 December 2023. This loan was settled in March 2024 resulting in the writing back of £0.14 million of the provision held as at 31 December 2023 as shown below.

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

	30 June 2024	30 June 2023	31 December 2023
	£	£	£
Loans advanced at the start of the period / year	264,096,284	432,459,966	432,459,966
Loans advanced ¹	9,410,527	1,637,570	7,338,190
Income from loans advanced	10,792,003	18,204,923	31,923,037
Impairment reversal/(loss) on loans advanced	143,478	(1,726,000)	(3,476,360)
Foreign exchange gains/(losses)	(1,662,643)	(4,769,269)	(3,681,770)
Exit fees received	(1,163,650)	(238,207)	(499,300)
Commitment fees received	(307,042)	(433,719)	(846,127)
Interest payments received ¹	(12,366,928)	(17,437,598)	(32,199,782)
Loan repayments	(102,077,030)	(43,551,178)	(166,921,570)
Loans advanced at the end of the period / year	166,864,999	384,146,488	264,096,284
Loans advanced at fair value	178,250,750	398,443,765	275,556,353

1. These items include interest capitalised of £581,828.

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”.

Fair value estimation

The fair value of financial assets, which comprise derivatives not designated as hedges, are valued based on the difference between the agreed price of selling or buying the financial instruments on a future date and the price quoted on the year end date for selling or buying the same or similar financial instruments.

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

	Notional contract amount ¹	Fair values		
	£	Assets	Liabilities	Total
30 June 2024		£	£	£
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	72,153,271	1,419,030	(471,301)	947,729
Total	72,153,271	1,419,030	(471,301)	947,729
30 June 2023		Assets	Liabilities	Total
	£	£	£	£
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	238,265,359	4,865,135	(1,973,770)	2,891,365
Total	238,265,359	4,865,135	(1,973,770)	2,891,365
31 December 2023		Assets	Liabilities	Total
	£	£	£	£
Foreign exchange derivatives				
Currency forwards:				
Lloyds Bank plc	329,276,074	3,826,628	(2,833,424)	993,204
Total	329,276,074	3,826,628	(2,833,424)	993,204

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

9. TRADE AND OTHER PAYABLES

	30 June 2024	30 June 2023	31 December 2023
	£	£	£
Investment management fees payable	525,743	757,750	672,075
Audit fees payable	223,569	223,094	206,866
Accrued expenses	273,745	172,764	256,530
Administration fees payable	141,865	132,971	82,556
Commitment fees payable	–	154,195	54,654
Tax provision	341,242	102,646	342,547

Directors' fees and expenses payable	727	—	12,757
	1,506,891	1,543,420	1,627,985

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.

In March 2024 the credit facilities available to the Group (of £25 million) were cancelled by the company and their extension not pursued as the Company had sufficient cash in reserve. As at 30 June 2023, the Group had credit facilities of £101,000,000 (31 December 2023: £25,000,000) of which none were drawn (31 December 2023: £nil).

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

	30 June 2024	30 June 2023	31 December 2023
	£	£	£
Borrowings at the start of the period/year	—	18,863,204	18,863,204
Repayments during the period / year	—	(19,000,000)	(19,000,000)
Interest expense recognised for the period / year	—	148,118	153,250
Interest paid during the period / year	—	(330,455)	(327,796)
Credit facility fees incurred	—	(50,000)	—
Credit facility amortisation of fees	—	107,386	311,342
Foreign exchange and translation difference	—	261,747	—
Borrowings at the end of the period/year	—	—	—

11. SHARE CAPITAL

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

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

	Six months to 30 June 2024	Six months to 30 June 2023	Year to 31 December 2023
	£	£	£
Period to:			
Ordinary Shares of no par value Issued and fully paid at beginning of period	313,690,942	395,592,696	395,592,696
Shares redeemed during period	(43,512,736)	(9,652,350)	(81,901,754)
Total Ordinary Shares at end of period	270,178,206	385,940,346	313,690,942

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

Significant share movements

1 January 2024 to 30 June 2024:

	Number	£
Balance at the start of the period	313,690,942	321,570,857
Shares redeemed in six months to June 2024	(43,512,736)	(43,455,853)
Balance at the end of the period	270,178,206	278,115,004
Issue costs since inception		(8,289,989)
Net proceeds		269,825,015

1 January 2023 to 30 June 2023:

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

1 January 2023 to 31 December 2023:

	Number	£
Balance at the start of the period	395,592,696	403,365,545
Shares redeemed in 2023	(81,901,754)	(81,794,688)
Balance at the end of the year	313,690,942	321,570,857
Issue costs since inception		(8,289,989)
Net proceeds		313,280,868

12. DIVIDENDS

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

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

The Company paid the following dividends in respect of the period to 30 June 2024:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2024 ⁽¹⁾	1.375	3,714,950	24 May 2024
30 June 2024 ⁽²⁾	1.375	2,666,532	23 August 2024

(1) Declared on 24 Apr 2024 and to be paid on 24 May 2024 to shareholders on the register as at 3 May 2024.

(2) Declared on 24 July 2024 and to be paid on 23 August 2024 to shareholders on the register as at 2 August 2024.

The Company paid the following dividends in respect of the year to 31 December 2023:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2023	1.375	5,439,400	23 May 2022
30 June 2023	1.375	5,306,680	28 August 2023
30 September 2023	1.375	4,906,662	25 November 2023
31 December 2023 ⁽¹⁾	1.875	5,881,705	23 February 2024

(1) Declared on 25 January 2024 and to be paid on 23 February 2024 to shareholders on the register as at 2 February 2024. As this was declared after year end it was not accrued at year end.

13. RISK MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

(i) Market risk

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

The Investment Manager moderates market risk through a careful selection of loans within specified limits. The Group's overall market position is monitored by the Investment Manager and is reviewed by the Board of Directors on an ongoing basis.

a) Currency risk

The Group, via the subsidiaries, operates across Europe and invests in loans that are denominated in currencies other than the functional currency of the Company.

Consequently, the Group is exposed to risks arising from foreign exchange rate fluctuations in respect of these loans and other assets and liabilities which relate to currency flows from revenues and expenses. Exposure to foreign currency risk is hedged and monitored by the Investment Manager on an ongoing basis and is reported to the Board accordingly.

The Group and Lloyds Bank plc entered into an international forward exchange master agreement dated 5 April 2013 and on 7 February 2014 the Group entered into a Professional Client Agreement with Goldman Sachs, pursuant to which the parties can enter into foreign exchange transactions with the intention of hedging against fluctuations in the exchange rate between Sterling and other currencies. The Group does not trade in derivatives but holds them to hedge specific exposures and have maturities designed to match the exposures they are hedging. The derivatives are held at fair value which represents the replacement cost of the instruments at the reporting date and movements in the fair value are included in the Unaudited Condensed Consolidated Statement of Comprehensive Income under net foreign exchange losses/ (gains). The Group does not adopt hedge accounting in the Unaudited Condensed Consolidated Statement of Financial Statements. At the end of the reporting period the Group had 19 (June 2023: 113 and December 2023: 84) open forward contracts.

b) Interest rate risk

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

The majority of the Group's financial assets are loans advanced at amortised cost, receivables and cash and cash equivalents. The Group's investments have some exposure to interest rate risk which is limited to interest earned on cash deposits and floating interbank rate exposure for investments designated as loans advanced. Loans advanced have been structured to include a combination of fixed and floating interest rates to reduce the overall impact of interest rate movements. Further protection is provided by including interbank rate floors and preventing interest rates from falling below certain levels.

The loans in place at 30 June 2024 are structured so that 85.0 per cent (30 June 2023: 76.1 per cent, 31 December 2023: 90.5 per cent) are floating rate and all of these floating rate loans are subject to interbank rate floors such that the interest cannot drop below a certain level, which offers some protection against downward interest rate risk. The remaining 15.0 per cent by value of the loans are fixed rate, which provides protection from downward interest rate movements to the overall portfolio (but also prevents the Group from benefiting from any interbank rate rises on these positions).

(ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's main credit risk exposure is in the investment portfolio, shown as loans advanced at amortised cost, where the Group invests in whole loans and also subordinated and mezzanine debt which rank behind senior debt for repayment in the event that a borrower defaults. There is a spread concentration of risk as at 30 June 2024 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. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group also has credit risk exposure in its financial assets classified as financial assets through profit or loss which can be diversified between hedge providers in order to spread credit risk to which the Group is exposed. At the period end the 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 2024, the maximum credit risk exposure was £284,956,044 (30 June 2023: £401,942,495 and 31 December 2023: £328,927,132).

The Investment Manager has adopted procedures to reduce credit risk exposure by conducting credit analysis of the counterparties, their business and reputation which is monitored on an ongoing basis. After the advancing of a loan, a dedicated debt asset manager employed by the Investment Adviser monitors ongoing credit risk and reports to the Investment Manager, with quarterly updates also provided to the Board. The debt asset manager routinely stresses and analyses the profile of the Group's underlying risk in terms of exposure to significant tenants, performance of asset management teams and property managers against specific milestones that are typically agreed at the time of the original loan underwriting, forecasting headroom against covenants, reviewing market data and forecast economic trends to benchmark borrower performance and to assist in identifying potential future stress points. Periodic physical inspections of assets that form part of the Group's security are also completed in addition to monitoring the identified capital expenditure requirements against actual borrower investment.

The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Directors consider both historical analysis and forward looking information in determining any expected credit loss. The Directors consider the loss given default to be close to zero as all loans are the subject of very detailed underwriting, including the testing of resilience to aggressive downside scenarios with respect to the loan specifics, the market and general macro changes. In addition to this, all loans have very robust covenants in place, strong security packages and significant loan-to-value headroom.

During the period, one asset which is classified as Stage 2 made a significant repayment decreasing the Group's exposure to loss. One asset classified as Stage 3 was settled and an impairment loss of £3.5 million was recognized (this loss had already been provided for as at 31 December 2023).

(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. However, as at 30 June 2024 the company had no credit facilities as it had not pursued the extension of the facilities it had held up to March 2024 (amounting to £25.0 million) as it held sufficient cash reserves to cover unfunded cash loan commitments (30 June 2023: £101.0 million of which none were drawn; 31 December 2023: £25.0 million of which none were drawn).

As at 30 June 2024, the Group had £117,143,316 (30 June 2023: £13,137,269 and 31 December 2023: £63,837,644) available in cash and £1,506,891 (30 June 2023: £1,543,420 and 31 December 2023: £1,627,985) trade payables. The Directors considered this to be sufficient cash to meet the Group's liabilities and undrawn loan commitments. These are set out in the Investment Managers report.

(iv) Risk of default under the revolving credit facilities

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

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

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

The Group had no available credit facilities as at 30 June 2024 as it was decided not to pursue the extension of any credit facilities that had been available to it in the past as the Group has sufficient resources to meet its liabilities as they fall due, therefore, the Group is no longer subject to this risk as at 30 June 2024.

14. FAIR VALUE MEASUREMENT

IFRS 13 requires the Group 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).

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

30 June 2024

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Investments at fair value through profit or loss	—	1,419,030	—	1,419,030
Short term deposit ¹	98,481,936	—	—	98,481,936
Total	98,481,936	1,419,030	—	99,900,966
Liabilities				
Investments at fair value through profit or loss	—	(471,301)	—	(471,301)
Total	—	(471,301)	—	(471,301)

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

30 June 2023

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

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

31 December 2023

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Investments at fair value through profit or loss	—	3,826,628	—	3,826,628
Short term deposit ¹	43,163,671	—	—	43,163,671
Total	43,163,671	3,826,628	—	46,990,299
Liabilities				
Investments at fair value through profit or loss	—	(2,833,424)	—	(2,833,424)
Total	—	(2,833,424)	—	(2,833,424)

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

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 2024

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	—	—	178,250,750	178,250,750	166,864,999
Total	—	—	178,250,750	178,250,750	166,864,999

30 June 2023

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

31 December 2023

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Loans advanced	—	—	275,556,353	275,556,353	264,096,284
Total	—	—	275,556,353	275,556,353	264,096,284

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

The fair value of loans advanced have been determined by discounting the expected cash flows using a discounted cash flow model. For avoidance of doubt, the Group carries its loans advanced at amortised cost.

Cash and cash equivalents include cash at hand and fixed deposits held with banks. Other receivables and prepayments include the contractual amounts and obligations due to the Group and consideration for advance payments made by the Group. Credit facilities and trade and other payables represent the contractual amounts and obligations due by the Group for contractual payments.

15. TAXATION

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £1,600 as of 2024 (previously £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 2023: €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 arms-length principle. The effective annual tax rate in Luxembourg during the reporting period was 24.94 per cent (year ended 31 Dec 2023 :24.94 per cent).

16. RELATED PARTY TRANSACTIONS

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

	Outstanding at 30 June 2024 £	Outstanding at 30 June 2023 £	Outstanding at 31 December 2023 £
Investment Manager			
Investment management fees payable	525,743	757,750	672,075
	For the period ended 30 June 2024 £	For the period ended 30 June 2023 £	For the year ended 31 December 2023 £
Directors' fees and expenses			
John Whittle	30,000	30,000	60,000
Shelagh Mason	22,500	22,500	45,000
Charlotte Denton	25,000	25,000	50,000
Gary Yardley	21,000	21,000	42,000
Expenses	502	4,612	7,739
Investment Manager			
Investment management fees earned	1,092,092	1,520,900	2,910,524
Expenses	49,197	42,781	90,813

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 2024 £	Dividends paid during the period ended 30 June 2023 £	Dividends paid during the year ended 31 December 2023 £
Starwood Property Trust Inc.	221,727	434,150	670,125
SCG Starfin Investor LP	55,432	108,538	167,531
John Whittle	822	1,609	2,483
Charlotte Denton	1,078	2,111	3,259
Shelagh Mason	2,737	5,359	8,272
Duncan MacPherson*	6,011	11,875	18,329
Lorcain Egan*	2,030	3,975	6,135
	As at 30 June 2024 Number of shares	As at 30 June 2023 Number of shares	As at 31 December 2023 Number of shares
Starwood Property Trust Inc.	6,242,339	8,916,984	7,247,687
SCG Starfin Investor LP	1,560,587	2,229,246	1,811,923
John Whittle	23,133	33,040	26,857
Charlotte Denton	30,355	43,360	35,244
Shelagh Mason	77,051	110,066	89,461
Duncan MacPherson*	170,743	243,891	198,239
Lorcain Egan*	57,149	81,638	66,353

* Employees at the Investment Adviser

RELATED PARTIES' INTEREST IN SHARES

The related parties' interests in the Ordinary Shares of the Company are shown on the table above. Changes in shareholdings between 30 June 2023, 31 December 2023 and 30 June 2024 are as a result of the compulsory share redemptions which took place during those periods.

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
Office Portfolio, Spain	STWD
Office Portfolio, Ireland	STWD
Hotels, United Kingdom	SEREDF I

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2024, the following loan amortisation (both scheduled and unscheduled) has been received up to the date of publication of this report:

Local Currency

Subsequent to 30 June 2024, the Group funded £1.1 million in relation to loan commitments made in prior years which were unfunded.

In July 2024, a compulsory share redemption was announced which returned circa £80.0 million to shareholders through the compulsory redemption of 76,248,573 shares at a price of £1.0492 per share.

Alternative Performance Measures

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

NAV PER ORDINARY SHARE

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

NAV TOTAL RETURN

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

SHARE PRICE TOTAL RETURN

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

NAV TO MARKET PRICE DISCOUNT / PREMIUM

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

INVESTED LOAN PORTFOLIO UNLEVERED ANNUALISED TOTAL RETURN

The unlevered annualised return is a calculation at the quarterly reporting date of the estimated annual return on the portfolio at that point in time. It is calculated individually for each loan by summing the one-off fees earned (such as up-front arrangement or exit fees charged on repayment) and dividing these over the full contractual term of the loan, and adding this to the annual returns. Where a loan is floating rate (partially or in whole or with floors), the returns are based on an assumed profile for future interbank rates, but the actual rate received may be higher or lower. The return is calculated only on amounts funded at the quarterly reporting date and excludes committed but undrawn loans and excludes cash not invested. The calculation also excludes origination fees paid to the Investment Manager, which are accounted for within the interest line in the financial statements.

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

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

- In the quoted return, we amortise all one-off fees (such as arrangement and exit fees) over the contractual life of the loan. However, it has been our general experience that loans tend to repay sooner and as such, these fees are generally 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.

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 or loan extensions).

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.

Further Information

Corporate Information

Directors

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

Investment Manager

Starwood European Finance
Partners Limited
1 Royal Plaza
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