Starwood European Real Estate Finance Limited

Interim Financial Report and Unaudited Condensed Consolidated Financial Statements for the six month period from 1 January 2016 to 30 June 2016

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Corporate Summary

Principal Activities and Investment Objective

The investment objective of Starwood European Real Estate Finance Limited ("the Company"), together with its subsidiaries Starfin Public GP Limited ("the GP"), Starfin Public LP ("the Partnership") and Starfin Lux S.à.r.l. ("Luxco") (together "the Group") is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and the wider European Union's internal market, focusing on Northern and Southern Europe. Whilst investment opportunities in the secondary market are considered, the Group's main focus is to originate direct primary real estate debt investments.

The Group seeks to limit downside risk by focusing on secured debt with both quality collateral and contractual protection. The typical loan term is between three and seven years.

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

Structure

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

The Company makes its investments through Starfin Lux S.à.r.l ("Luxco"), an indirect wholly-controlled subsidiary not subject to regulation in Luxembourg or elsewhere. The Company's interest in Luxco is held through a Guernsey limited partnership, Starfin Public LP of which Starfin Public GP Limited is the General Partner. The GP is wholly owned and controlled by the Company. Starfin Carry LP ("The Special Limited Partner") is the only other Limited Partner of the Partnership and is majority owned by the Starwood Capital Group ("Starwood") and has no control over the GP. References to the "Group" refer to the Company, the GP, the Partnership and Luxco.

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

Chairman's Statement

Dear Shareholder,

I am delighted to present the Interim Financial Report and Unaudited Condensed Consolidated Financial Statements of Starwood European Real Estate Finance Limited for the six months from 1 January 2016 to 30 June 2016.

Investment

As at 30 June 2016, the Group was fully invested with investments and commitments of £323.8 million. The Group experienced substantial loan repayments in the first half of the year. These came to £92.1 million including amortisation, in addition to £37.7 million received in the last quarter of 2015. Despite this, the Group remained substantially fully invested throughout the period as origination in the first half of 2016 has been strong, with total commitments to new loans of approximately £100 million, compared to an average of £35 – £40 million during the same period in the prior two years.

Pipeline and Placing Programme

Subsequent to the period end, on 10 August 2016, the Company issued 70,839,398 New Ordinary Shares at 103.05 pence per Ordinary Share pursuant to the current Placing Programme, to raise £73 million before expenses. The net proceeds of the Placing have been committed to finance the acquisition by the Group of a £75 million real estate mezzanine loan secured over a UK regional portfolio of budget hotels. Further details of the new loan are provided in the Investment Manager's report.

The second half of the year has historically been stronger for the Group with 65-100 per cent of loan origination in previous years occurring in this period. Considering the maturity profile of the Group's remaining loans at 30 June 2016 set out on page 8, which shows that approximately 6 per cent of the invested portfolio is expected to mature within the next year, the Board and Investment Manager recognise the likely need to raise further equity in order to fund pipeline transactions in the second half of the year. The Company expects to release a Prospectus to renew the Placing Programme in the coming months.

Outlook

The impact of Brexit has been widely discussed. The Board and Investment Manager continue to monitor the unfolding situation to assess how the Group may be affected. Though there is good reason for caution, and for heightened scrutiny and focus on the loan book, there is also reason to be optimistic that the Group can continue to deliver excellent returns in the UK market without incremental risk. As the rest of Europe may not be immune to increased volatility, with impending national elections and referendums and continued financial market fragility, the Group will remain cautious in its approach to lending but alert to the opportunities that are bound to arise in a volatile market

The Company continues to target a dividend at an annualised rate of 6.5 pence per Ordinary Share and has declared a dividend of 1.625 pence per Ordinary Share (6.5 pence annualised) for each of the first two quarters of 2016.

Going Concern

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

The Directors have undertaken a rigorous review of the Group's ability to continue as a going concern including reviewing the on-going cash flows and the level of cash balances as of the reporting date as well as taking forecasts of future cash flows into consideration. After making enquiries of the Investment Manager and the Administrator and having reassessed the principal risks, 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.

The Group will continue to update you on progress by way of the quarterly fact sheets and investment updates when deals are signed.

On behalf of the Board, I would like to close by thanking my fellow shareholders for their commitment and I look forward to updating you on the Group's progress early next year.

Stephen Smith
Chairman
23 August 2016

Investment Deployment

As at 30 June 2016, the Group had investments and commitments of £323.8 million as follows:

	Sterling equivalent principal balance [1]	Sterling equivalent unfunded commitment [1]
Centre Point, London	£45.0m	–
5 Star Hotel, London	£13.0m	–
Center Parcs Bonds, UK	£9.5m	–
Industrial Portfolio, UK	£31.8m	–
Hospitals, UK	£25.0m	–
Hotel, Channel Islands	£27.0m	–
Varde Partners mixed portfolio, UK	£35.1m	–
Mixed use development, South East UK	£6.5m	£8.5m
Total Sterling Loans	**£192.9m**	**£8.5m**
Industrial Portfolio, Netherlands	£21.4m	–
Office, Netherlands	£11.5m	–
W Hotel, Netherlands	£19.3m	£1.3m
Retail & Residential Portfolio, Ireland	£4.6m	–
Residential Portfolio, Cork, Ireland	£5.0m	–
Residential Portfolio, Dublin, Ireland	£6.5m	–
Logistics, Dublin, Ireland	£14.4m	£3.6m
Total Euro Loans	**£82.7m**	**£4.9m**
Industrial Portfolio, Denmark,	£34.8m	–
Total Danish Krona Loans	**£34.8m**	**–**
Total Portfolio	**£310.4m**	**£13.4m**

Between 31 December 2015 to 30 June 2016, the following significant investment activity occurred (included in the table above):

Hotel, Channel Islands: On 12 February 2016 the Group advanced a £26.95 million whole loan in relation to a hotel in the Channel Islands. This specific hospitality submarket is demonstrating solid performance and the asset financed is the market leader. The fixed rate facility has a term of 5 years and the Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

Residential Portfolio, Dublin: On 2 March 2016 the Group advanced a €7.9 million whole loan relating to the acquisition of 44 apartments in South Dublin. The sponsor is a highly regarded local investor and an existing borrower of the Group. The transaction represented the Group's third loan secured by rented residential units in Ireland, an attractive asset class due to its consistent demand, stable income profile, and Ireland's growing economy. The floating rate facility has a term of 4 years and the Group expects to earn an attractive risk adjusted return in line with its stated investment strategy.

Aldgate Tower, London: On 22 April 2016 the Group received full repayment of £42.0 million for the Aldgate Tower, London loan as a result of the sale of the property. A number of loans in the portfolio benefit from prepayment protection in their early years providing a level of income protection should the loan repay whilst in that protected period. The Aldgate Tower loan was originated in December 2014 and the Group benefitted from such a provision.

Salesforce Tower, London: On 7 April 2016 the Group received full repayment of the £9.9 million Salesforce Tower, London loan as a result of the refinancing of the property following its successful lease up. The Group had always anticipated that this loan would be repaid once the sponsor had achieved its business plan.

[1] Euro and Danish Krona balances translated to sterling at 30 June 2016 exchange rates.

Retail Portfolio, Finland: On 26 April 2016 the Group received full repayment of the loan as a result of the sale of the portfolio. This loan was one of the first loans originated by the Group and it was due to mature this year.

Lifecare Residences, London: The Group started to receive repayments of the loan in April as the borrower started to sell the residential properties in line with its business plan. Full and final repayment was received in early June.

Varde Partners mixed portfolio: On 16 May 2016, the Group arranged a 3 year £158.1 million floating rate facility for certain affiliated companies of Varde Partners to refinance a portfolio of 141 retail, office and industrial assets located throughout the UK. With 393 tenants the portfolio reflects very strong diversification in terms of tenant, geography and sector. The Group worked closely with a major investment bank which provided the borrower with a £123 million senior loan facility, leaving the Group to advance a £35.1 million mezzanine facility on which it expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

Mixed Use Development, South East UK: On 2 June 2016, the Group, together with other Starwood affiliates, committed to a £75 million whole loan in relation to three mixed use development projects in the south east of England. In total the Group will fund a £15 million participation in the whole loan with an initial drawdown of £6.5 million. The borrower's aim is to deliver strong mixed use schemes in the centre of high growth commuter locations providing private residential for sale, retail, office, hotel and serviced apartments. These markets are demonstrating consistent, moderate growth given the long term structural shortages of much needed new real estate supply. A large element of the schemes had already been presold to institutional investors ensuring the Group has a lower exposure on a debt per square foot basis. The floating rate facility has a term of 3 years with a single extension option of one year and the Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

Logistics, Dublin, Ireland: The Group committed to a €31.2 million five year floating whole loan to support the acquisition of a portfolio of fully let prime logistics assets in Dublin. Much of the portfolio is let on a long term basis to a strong covenant which uses the assets as its national headquarters. The loan had an initial drawdown of €17.6 million in June with a further drawdown of €4.4 million on 8 July 2016. Post-closing the additional loan uses have proved to be unnecessary and the remaining commitment will consequently not be drawn and has been cancelled. In addition, a prepayment of €7 million was received after 30 June 2016, leaving a net position remaining of €15 million.

After 30 June 2016, the significant investment and share issuance activity outlined below has occurred. Amortisation was also received on a number of loans in line with expectations. Please see note 14 for further information.

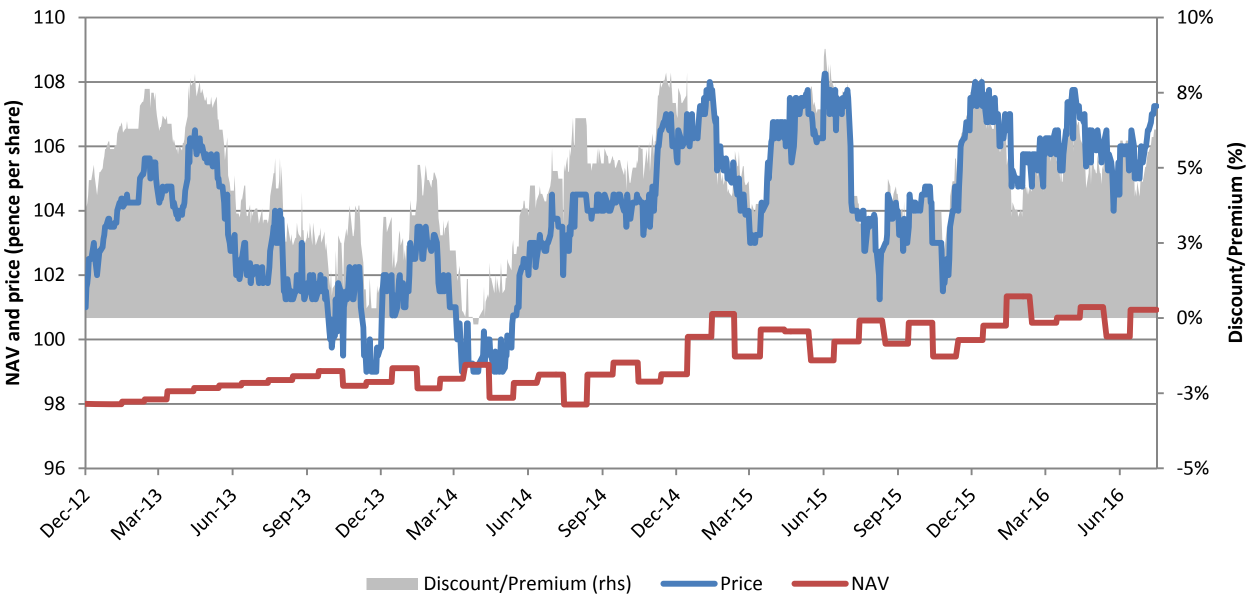
W Hotel, Netherlands: on 29 July 2016 the group received full repayment of the W Hotel Amsterdam loan as a result of the refinancing of the loan following completion of the refurbishment and a period of trading.

Issue of Shares: On 10 August 2016, the Company issued 70,839,398 New Ordinary Shares pursuant to the Placing Programme, to raise £73 million before expenses. The Issue Price was 103.05 pence per Ordinary Share, representing a premium of 2.7 per cent to the Net Asset Value per Ordinary Share as at 31 July 2016 of 100.30 pence (ex-dividend). The net proceeds of the Placing were committed to be used to finance the acquisition by the Group of a £75 million real estate mezzanine loan secured over a UK regional portfolio of budget hotels (the "Regional Budget Hotel Portfolio, UK").

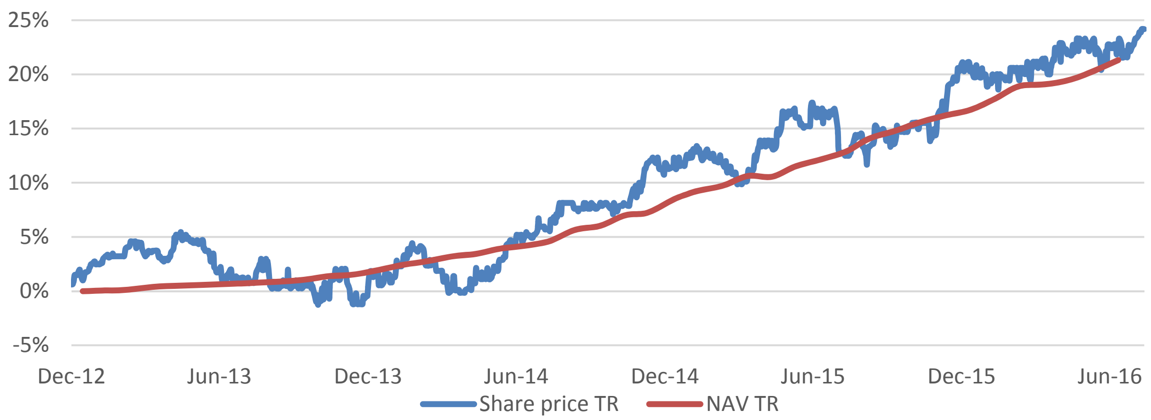
Regional Budget Hotel Portfolio, UK: On 23 August, the Group acquired the mezzanine component of a package of loan facilities recently provided by internationally recognised banks to fund the acquisition of a portfolio of UK budget hotels. The portfolio is a homogeneous portfolio of UK regional limited-service hotels that is geographically diversified, benefits from strong branding and management by an international operator and is now owned by an experienced hotel investor. The new loan is a £75 million five year floating rate loan, and the Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

Company Performance

Share price, NAV and discount/premium



Share price and NAV total return



As at 30 June 2016, the Net Asset Value ("NAV") was 100.92 pence per Ordinary Share and the share price was 105.75 pence.

Portfolio Statistics

As at 30 June 2016, the portfolio was invested in line with the Group's investment policy and this is summarised below.

Number of investments	16
Percentage of currently invested portfolio in floating rate loans (1)	63.0%
Invested Loan Portfolio annualised total return (2)	8.2%
Weighted average portfolio LTV – to Group first £ (3)	18.4%
Weighted average portfolio LTV – to Group last £ (3)	65.8%
Average loan term (stated maturity at inception)	4.4 years
Average remaining loan term	3.3 years
Net Asset Value	£307.0m
Amount drawn under Revolving Credit Facility (excluding accrued interest)	£8.0m
Portfolio value (including accrued income)	£315.0m
Cash	£7.9m
Other net assets/ (liabilities) (including hedges)	-£7.9m

(1) Calculated on loans currently drawn using the exchange rates applicable when the loans were funded.
(2) Calculated on amounts currently outstanding, excluding undrawn commitments, and assuming all currently drawn loans are outstanding for the full contractual term. Twelve of the loans are floating rate (partially or in whole and some with floors) and returns are based on an assumed profile for future interbank rates but the actual rate received may be higher or lower. Calculated only on amounts funded to date and excluding committed amounts and cash un-invested. The calculation excludes the origination fee payable to the Investment Manager.
(3) 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 date of publication of these Financial Statements. 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 W Hotel, Centre Point and the mixed use development, south east UK, the calculation includes the total facility available and is calculated against the market value on completion of the project.

As discussed in the Chairman's Statement, the Group experienced substantial loan repayments in the first half of the year. These came to £92.1 million of repayments and amortisation in addition to £37.7 million received in the last quarter of 2015.

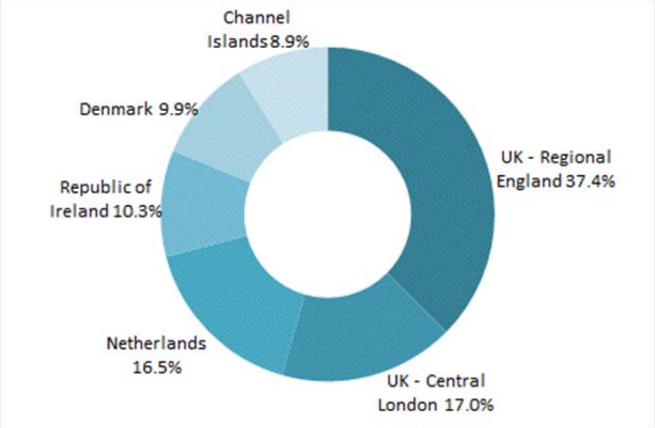
It is worth noting, however, that, notwithstanding a repayment of 42 per cent of the portfolio in such a short period, the Group has managed to remain substantially fully invested throughout and has continued to be able to pay the dividend at target levels. The Group has achieved this through utilising the £60 million revolving credit facility efficiently and being cautious on when to raise additional equity.

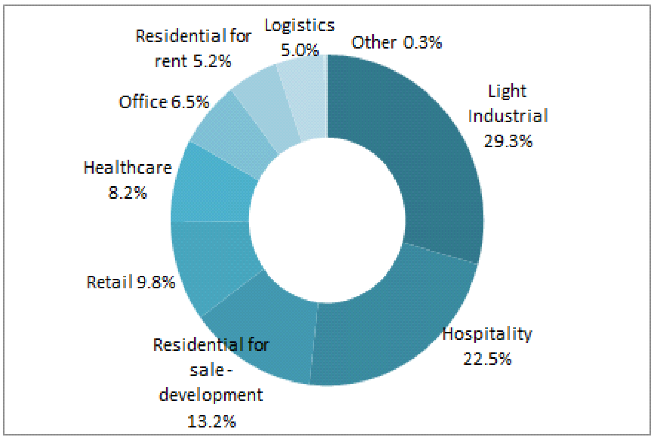
Origination in the first half of 2016 has been stronger than the first half of any previous year with total commitments of approximately £100 million being made compared to an average of £35 – £40 million in the prior two years. The impact of this new origination is also reflected in the maturity profile of investments as at 30 June 2016:

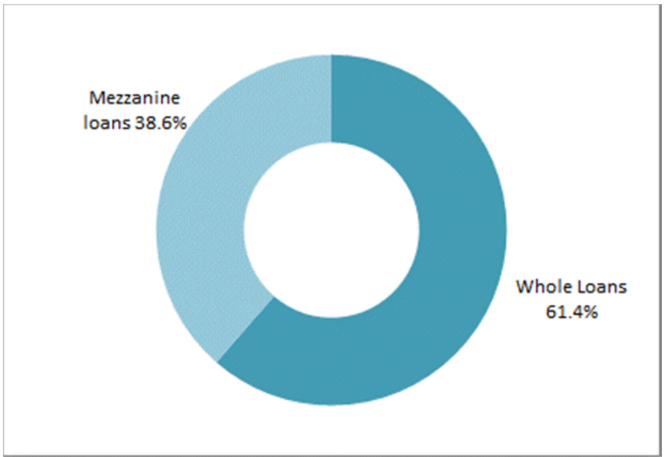
Remaining years to contractual maturity*	Principal value of loans	% of invested portfolio
0 to 1 years	£19.3m	6.2%
1 to 2 years	£51.0m	16.4%
2 to 3 years	£113.9m	36.7%
3 to 5 years	£101.2m	32.6%
5 to 10 years	£25.0m	8.1%

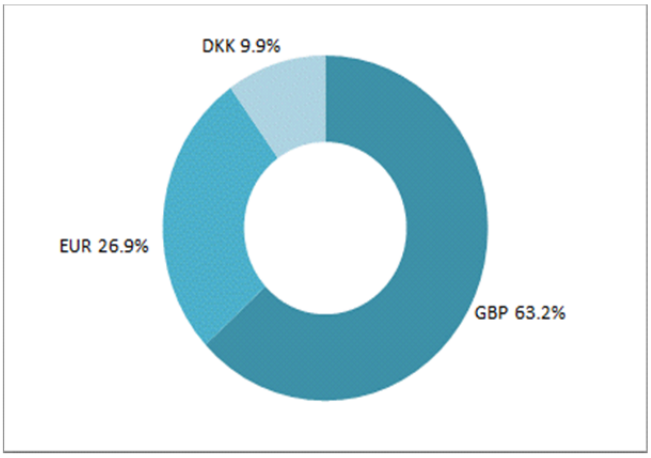
**excludes any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity.*

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









The 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.

Market Summary and Investment Outlook

Brexit and the macro implications of Brexit have been thoroughly discussed throughout all media forms and so we will look to avoid repetition here.

The Group continues to monitor the unfolding situation to assess the impacts upon it.

Prior to Brexit, two annual information updates occurred, being the Savills UK "Financing Property" briefing and the publication of the previous year's De Montfort University UK lending study. The tone of both reviews of the UK lending and real estate market was a healthy but not overheated one albeit that they were issued prior to the EU referendum. Savills nicknamed 2015 as the "Goldilocks Period": not too hot nor too cold. Given the impact of oil and China shocks, 2016 was already reflecting slight margin increases and Loan to Value ("LTV"s) softening. Key points from the Savills and De Montfort reports were as follows:

- 2007 was another life – 64 per cent of lenders in 2007 thought that 80 per cent LTV was "no risk" and senior bank LTVs were typically 70-80 percent LTV compared with 2016 where they were more typically 55-65 per cent.
- The all-in cost of finance remains at generational lows. Although margins are consistently higher than previous cycles, LIBOR has never been this low. 5 year swap rates were 12.5 per cent in Q4 1989, 5.4 per cent in April 1999 and 1 per cent in May 2016.
- With the UK All Property Equivalent Yield at just under 7 per cent, the spread with the cost of money remains extremely wide.
- 2015 UK lending was £53.7 billion, being a 19 per cent increase from 2014. This is the first time since 2007 net lending was close to positive but still not quite.

- Estimated total outstanding UK real estate finance of £211.6 billion at 2015 year-end was held 45 per cent by UK banks/building societies, 16 per cent by international banks, 15 per cent by insurance companies, 11 per cent by German banks, 6 per cent by North American lenders and 7 per cent by alternative lenders.
- In 2015, the average maximum LTV levels for mezzanine decreased from 84 per cent to 80 per cent - this is still relatively high compared to the Group's own typical advance rates.
- The limitations on UK banks are considerable today. These range from regulatory capital treatment issues to ring fencing which has led to a material reduction in their market share. In 2007, UK banks accounted for perhaps 60 per cent plus of new lending whereas now it is circa 30 per cent.
- Alternative lenders (of which the Group is one) are seen favourably by borrowers who identify their speed, skills and flexibility as key attributes.
- Key bubble signs not evident – with limited speculative development finance, low lending complexity, thoughtful lending policies, strong due diligence and no extravagant broker parties.

Brexit subsequently followed the issuance of the Savills and De Montfort reports and it is simply too early to tell the full impact on the markets in which the Group is active but the above suggests that the credit markets are, on an overall basis, reasonably well placed to face any future volatility and uncertainty.

The media frequently identify the property sector for analysis of some kind following Brexit and seeks to use the data to identify future trends. Property data tends to lag the rest of the business world and it will probably be some months before we can extract meaningful analysis, especially as the summer has definitely descended early on the property world given recent events. With the uncertainty of the future post-Brexit, it is not helpful to add further macroeconomic views but we can imagine there will be a modest recessionary environment until further clarity as to how the UK will leave the EU is provided. The UK's short to long term fate will then divide depending on whether the so called soft (single market access) or hard (no single market access) Brexit occurs. In such a short term environment, the Group could foresee investment and leasing softening and a 10-15 per cent value decline has been talked about especially in the office and perhaps retail sectors. Such a value decline has been reflected and magnified (by gearing) in the recent UK listed property stock performance and the very public open ended fund "gating" as a result of an insufficient discount penalty that led to a liquidity run.

It is also worth highlighting a specific aspect of property lending being the Loan to Value covenant clause. LTV clauses exist as early warning devices to allow the lender(s) to react to a changing situation with sufficient time and value headroom by triggering protections if the property value declines to a specified level. Today there is often a two tier covenant structure in place, namely that a very modest value decline will lead to a loan cash sweep (whereby available cash flow is applied to debt repayment or trapped for a period of time to enhance collateral) and then following a further modest decline an LTV default that allows for the loan to be accelerated for repayment. In the recent market, such covenants have typically been set only 5-10 per cent away from the initial starting point. In post Brexit UK, one could imagine that value declines could well impact the LTV covenants of loans in the market. In itself it is unlikely that this will lead to material impairments or losses, however what it might engender is greater credit committee oversight and increased new lending caution from mainstream capital providers. This situation also highlights the obvious but nevertheless vital distinction between the probability of default and probability of loss. Good property lending often seeks balanced but nevertheless rapid default in volatile markets. These triggers may well not imply any actual impairment or loss but, rather, provide the lender(s) with stronger levels of control going forwards when the situation arises.

Whilst there is of course good reason for caution, for heightened scrutiny and focus on the existing loan book, there is also reason to be optimistic that the Group can look to again deliver excellent returns for moderate risk in the UK market. The rest of Europe may not be immune to heightened volatility given the number of national elections and referendums in the coming months and the ongoing financial market fragility. This argues that enhanced lending vigilance should also be applied across the continent whilst reiterating the optimistic sentiment that good lending opportunities should arise. With the vast majority of near term loan repayments having occurred in recent months the Group is well placed to further grow with a loan maturity profile now well spread out over the coming 5 years.

Principal Risks for the Remaining Six Months of the year to 31 December 2016

The principal risks assessed by the Board relating to the Group were disclosed in the Annual Report and Audited Consolidated Financial Statements for the period to 31 December 2015. 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 2016.

- The Group's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns. In addition, the pace of investment has in the past and may in the future be slower than expected, or principal may be repaid earlier than anticipated, causing the return on affected investments to be less than expected. In addition, if repayments are not promptly re-invested this may result in cash drag which may lower portfolio returns. As a result, the level of dividends to be paid by the Company may fluctuate and there is no guarantee that any such dividends will be paid. As a consequence, the shares may trade 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 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 Group's investments are comprised principally of debt investments in the UK, and the wider European Union's internal market and it is therefore exposed to economic movements and changes in these markets. Any deterioration in the global, UK or European economy could have a significant adverse effect on the activities of the Group and may result in significant loan defaults or impairments. In the event of a default the Group is generally entitled to enforce security, but the process may be expensive and lengthy and the outcome is dependent on sufficient capital being available to meet the borrower's obligations. Some of the investments made 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 could be subject to the available 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; and

- 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. As a consequence of this, the Group could breach the covenants of its revolving credit facility, and fall into default.

Related Party Transactions
Related party disclosures are given in note 13 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
23 August 2016

Board of Directors

Stephen Smith (non-executive Chairman – Chairman of the Board)
Stephen is currently a director of Gatehouse Bank Plc (appointed in June 2013) and a director of Tritax Big Box REIT Plc, which floated on the London Stock Exchange in December 2013. Previously, he was the Chief Investment Officer of British Land Company Plc, the FTSE 100 real estate investment trust from January 2010 to March 2013 with responsibility for the group's property and investment strategy, leaving at the end of June 2013. He was formerly Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed end funds. Prior to joining AXA in 1999 he was Managing Director at Sun Life Properties for five years. Stephen is a UK resident.

Jonathan Bridel (non-executive Director – Management Engagement Committee Chairman)
Jonathan is currently a non-executive Chairman or director of listed and unlisted companies comprised mainly of investment funds and investment managers. These include The Renewables Infrastructure Group Limited (FTSE 250), Alcentra European Floating Rate Income Fund Limited, Sequoia Economic Infrastructure Income Fund Limited and Funding Circle SME Income Fund Limited which are listed on the main market of the London Stock Exchange and DP Aircraft I Limited and Fair Oaks Income Fund Limited. He was previously Managing Director of Royal Bank of Canada's investment business in the Channel Islands. Prior to this, after working at Price Waterhouse Corporate Finance in London, Jonathan served in senior management positions in the British Isles and Australia in banking, specialising in credit and in private businesses as Chief Financial Officer. Graduating from the University of Durham with a degree of Master of Business Administration in 1988, Jonathan also holds qualifications from the Institute of Chartered Accountants in England and Wales where he is a Fellow, the Chartered Institute of Marketing and the Australian Institute of Company Directors. Jonathan is a Chartered Marketer and a member of the Chartered Institute of Marketing, the Institute of Directors and a Chartered Fellow of the Chartered Institute for Securities and Investment. Jonathan is a resident of Guernsey.

John Whittle (non-executive Director – Audit Committee Chairman)
John is a Fellow of the Institute of Chartered Accountants in England and Wales and holds the Institute of Directors Diploma in Company Direction. He is a non-executive director of International Public Partnerships Limited (FTSE 250), India Capital Growth Fund Limited, Globalworth Real Estate Investments Limited and Aberdeen Frontier Markets Investment Company Limited (all listed on AIM), Toro Ltd (listed on SFM), and also acts as non-executive director to several other Guernsey investment funds. 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 Price Waterhouse in London before embarking on a career in business services, predominantly telecoms. He co-led the business turnaround of Talkland International (now Vodafone Retail) and was directly responsible for the strategic shift into retail distribution and its subsequent implementation; he subsequently worked on the £20million private equity acquisition of Ora Telecom. John is also 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; and

2. The Interim Financial Report, comprising of the Chairman's Statement and the Investment Manager's Report, meets the requirements of an interim management report and includes a fair review of information required by DTR 4.2.4 R:

   (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

Stephen Smith Chairman 23 August 2016	John Whittle Director 23 August 2016

Independent Review Report to Starwood European Real Estate Finance Limited

Introduction

We have been engaged by Starwood European Real Estate Finance Limited ("the Company") to review the Unaudited Condensed Consolidated Financial Statements in the Interim Financial Report for the half year ended 30 June 2016, which comprises the Unaudited Condensed Consolidated Statement of Comprehensive Income, the Unaudited Condensed Consolidated Statement of Financial Position, the Unaudited Condensed Consolidated Statement of Changes in Equity, the Unaudited Condensed Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Unaudited Condensed Consolidated Financial Statements.

Directors' Responsibilities

The Interim Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the Annual Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Unaudited Condensed Consolidated Financial Statements included in this Interim Financial Report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the Unaudited Condensed Consolidated Financial Statements in the Interim Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

Scope of Review

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Condensed Consolidated Financial Statements in the Interim Financial Report for the half year ended 30 June 2016 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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers CI LLP
Chartered Accountants

Guernsey, Channel Islands

23 August 2016

Independent Review Report to Starwood European Real Estate Finance Limited

Publication of Interim Financial Report

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 Report and Unaudited Condensed Consolidated Financial Statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Unaudited Condensed Consolidated Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	1 January 2016 to 30 June 2016 £ (unaudited)	1 January 2015 to 30 June 2015 £ (unaudited)	1 January 2015 to 31 December 2015 £ (audited)
Income				
Income from loans advanced	6	14,055,008	9,793,289	22,716,523
Income from cash and cash equivalents		12,948	22,811	34,262
Other income		577	-	9,307
Total income from investments		**14,068,533**	**9,816,100**	**22,760,092**
Expenses				
Investment management fees	13	1,140,459	881,192	1,976,640
Directors' fees and travel expenses	13	62,756	58,261	138,841
Administration fees		136,759	121,090	249,599
Auditors' fees		68,644	80,507	135,882
Broker's fees and expenses		950	50,000	47,802
Legal and professional fees		96,028	60,471	151,158
Net foreign exchange losses		204,691	349,388	443,435
Revolving credit facility commitment fees		132,950	159,963	275,741
Revolving credit facility amortisation of fees		114,005	115,405	230,662
Revolving credit facility interest		290,533	3,298	226,964
Other expenses		49,036	42,007	125,844
Total operating expenses		**2,296,811**	**1,921,582**	**4,002,568**
Operating profit for the period / year before tax		**11,771,722**	**7,894,518**	**18,757,524**
Taxation	12	2,661	1,856	2,439
Operating profit for the period / year and total comprehensive income		**11,769,061**	**7,892,662**	**18,755,085**
Weighted average number of shares in issue	3	304,180,000	238,100,000	259,548,110
Basic and diluted earnings per Ordinary Share (pence)	3	3.87	3.31	7.23

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 2016

	Notes	As at 30 June 2016 £ (unaudited)	As at 30 June 2015 £ (unaudited)	As at 31 December 2015 £ (audited)
Assets				
Cash and cash equivalents	4	7,932,190	2,604,326	520,558
Other receivables and prepayments		17,794	231,685	95,684
Revolving credit facility capitalised costs	5	98,344	327,605	212,348
Loans advanced	6	315,010,353	232,143,801	307,694,827
Financial assets at fair value through profit or loss	7	-	11,395,469	5,918,115
Total assets		**323,058,681**	**246,702,886**	**314,441,532**
Liabilities				
Financial liabilities at fair value through profit or loss	7	7,183,140	-	-
Revolving credit facility	8	8,039,241	8,003,298	8,162,405
Trade and other payables		865,270	736,960	806,083
Total liabilities		**16,087,651**	**8,740,258**	**8,968,488**
Net assets		**306,971,030**	**237,962,628**	**305,473,044**
Capital and reserves				
Share capital		300,392,205	233,843,162	300,397,205
Retained earnings		6,578,825	4,119,466	5,075,839
Total equity		**306,971,030**	**237,962,628**	**305,473,044**
Number of Ordinary Shares in issue		304,180,000	238,100,000	304,180,000
Net asset value per Ordinary Share (pence)		100.92	99.94	100.43

These Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 23 August 2016, and signed on its behalf by:

Stephen Smith
Chairman

John Whittle
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 2016

Period ended 30 June 2016	Share capital £ (unaudited)	Retained earnings £ (unaudited)	Total equity £ (unaudited)
Balance at 1 January 2016	300,397,205	5,075,839	305,473,044
Issue of share capital	-	-	-
Cost of issues	(5,000)	-	(5,000)
Dividends paid	-	(10,266,075)	(10,266,075)
Operating profit and total comprehensive income	-	11,769,061	11,769,061
Balance at 30 June 2016	**300,392,205**	**6,578,825**	**306,971,030**

Period ended 30 June 2015	Share capital £ (unaudited)	Retained earnings £ (unaudited)	Total equity £ (unaudited)
Balance at 1 January 2015	233,843,162	4,441,254	238,284,416
Dividends paid	-	(8,214,450)	(8,214,450)
Operating profit and total comprehensive income	-	7,892,662	7,892,662
Balance at 30 June 2015	**233,843,162**	**4,119,466**	**237,962,628**

Year ended 31 December 2015	Share capital £ (audited)	Retained earnings £ (audited)	Total equity £ (audited)
Balance at 1 January 2015	233,843,162	4,441,254	238,284,416
Issue of share capital	67,971,650	-	67,971,650
Cost of issues	(1,417,607)	-	(1,417,607)
Dividends paid	-	(18,120,500)	(18,120,500)
Operating profit and total comprehensive income	-	18,755,085	18,755,085
Balance at 31 December 2015	**300,397,205**	**5,075,839**	**305,473,044**

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 2016

	1 January 2016 to 30 June 2016 £ (unaudited)	January 2015 to 30 June 2015 £ (unaudited)	1 January 2015 to 31 December 2015 £ (audited)
Operating activities:			
Operating profit for the period / year and total comprehensive income	11,769,061	7,892,662	18,755,085
Adjustments			
Net interest income	(14,055,008)	(9,793,289)	(22,716,523)
Interest income on cash and cash equivalents	(12,948)	(22,811)	(34,262)
Decrease / (increase) in prepayments and receivables	77,890	20,824	(63,722)
(Decrease) / increase in trade and other payables	(61,027)	(44,983)	28,869
Net loss / (gain) on financial instruments held at fair value through profit and loss	13,101,255	(6,371,885)	(894,531)
Net foreign exchange (losses) / gain	(13,248,630)	6,931,247	3,239,456
Revolving credit facility interest	290,533	3,298	226,964
Revolving credit facility amortised	114,005	115,405	230,662
Revolving credit facility commitment fees	132,950	-	275,741
Other non-cash items	-	(220,547)	-
	(1,891,919)	**(1,490,079)**	**(952,261)**
Loans advanced [1]	(88,743,585)	(37,557,709)	(145,454,076)
Loans repaid	92,105,742	21,939,143	63,499,033
Origination fees paid	(697,828)	(677,579)	(1,372,444)
Origination expenses paid	(30,057)	-	(97,194)
Interest, commitment and exit fee income from loans	17,062,139	7,833,961	16,022,619
Syndication expenses paid	-	(133,200)	(133,200)
Net cash inflow from operating activities	**17,804,492**	**(10,085,463)**	**(68,487,523)**
Cash flows from investing activities			
Interest income from cash and cash equivalents	12,948	22,811	34,262
Net cash inflow from investing activities	**12,948**	**22,811**	**34,262**
Cash flows from financing activities			
Net share issue proceeds received [2]	-	-	66,554,043
Cost of share issues	(5,000)	-	-
Revolving credit facility utilised	(116,742)	8,000,000	8,155,816
Revolving credit facility interest paid	(296,955)	-	(220,375)
Revolving credit facility commitment fees paid	(129,075)	-	(280,470)
Dividends paid	(10,266,075)	(8,214,450)	(18,120,500)
Net cash outflow from financing activities	**(10,813,847)**	**(214,450)**	**56,088,514**
Net decrease in cash and cash equivalents	7,003,593	(10,277,102)	(12,364,747)
Cash and cash equivalents at the start of the period / year	520,558	13,172,978	13,172,978
Net foreign exchange gain / (loss) on cash and cash equivalents	408,039	(291,550)	(287,673)
Cash and cash equivalents at the end of the period / year	**7,932,190**	**2,604,326**	**520,558**

[1] Net of arrangement fees of £ 1,503,322 (30 June 2015: £ 654,984; 31 December 2015: £ 1,479,139)

[2] Net of share issue cost of £nil (30 June 2015 £nil; 31 December 2015: £1,057,802) 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 2016

1. General Information

The Company is a close-ended investment company incorporated in Guernsey. The Unaudited Condensed Consolidated Financial Statements comprise the Financial Statements of the Company, the GP, the Partnership and the Luxco (together "the Group") as at 30 June 2016.

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 the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the European Union. 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 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The statutory Financial Statements for the year ended 31 December 2015 were approved by the Board of Directors on 17 March 2016. The opinion of the Auditors on those Financial Statements was unqualified and did not contain an emphasis of matter. The accounting policies adopted in this Interim Financial Report are unchanged since 31 December 2015. This Interim Financial Report for the period ended 30 June 2016 has been reviewed by the Auditors but not audited.

Standards and Interpretations in issue and not yet effective:

New standards	Effective date
IFRS 9 Financial Instruments – Classifications and Measurement	1 January 2018
IFRS 15 Financial Instruments – Revenue from Contracts from Customers	1 January 2018

Revised and amended standards	Effective date
IAS 7 Statement of Cash Flows	1 January 2017

The Directors are assessing the impact of these further changes.

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 2015.

3. Earnings Per Share and Net Asset Value Per Share

The calculation of basic earnings per Ordinary Share is based on the operating profit of £11,769,061 (31 December 2015: £18,755,085) and on the weighted average number of Ordinary Shares in issue during the period of 304,180,000 (31 December 2015: 259,548,110) Ordinary Shares.

The calculation of NAV per Ordinary Share is based on a NAV of £306,971,030 (31 December 2015: £305,473,044) and the actual number of Ordinary Shares in issue at 30 June 2016 of 304,180,000 (31 December 2015: 304,180,000).

4. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2016 £	30 June 2015 £	31 December 2015 £
Cash at bank	7,932,190	2,604,326	520,558
	7,932,190	**2,604,326**	**520,558**

Cash and cash equivalents comprises cash and short term deposits held with various banking institutions with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

5. Revolving Credit Facility Capitalised Costs

The revolving credit facility capitalised costs are directly attributable costs incurred in relation to the establishment of the £60 million loan facility.

6. Loans Advanced

	30 June 2016 £	30 June 2015 £	31 December 2015 £
UK			
Maybourne Hotel Group, London	-	11,238,404	-
West End Development, London	-	10,157,547	-
Lifecare Residences, London	-	13,686,114	14,027,005
Salesforce Tower, London	-	13,577,468	11,859,123
Centre Point, London	45,546,532	45,412,853	45,498,669
Aldgate Tower, London	-	39,704,307	42,577,547
5 Star Hotel, London	12,950,308	6,901,727	13,142,848
Center Parcs Bonds, UK	9,802,192	-	9,868,456
Industrial Portfolio, UK	32,435,918	-	32,357,364
Hospitals, UK	25,347,652	-	25,502,202
Hotel, Channel Islands	27,534,512	-	-
Varde Partners mixed portfolio, UK	35,363,902	-	-
Mixed use development, South East UK	6,358,950	-	-
Netherlands			
Office	11,542,901	10,034,985	10,362,243
Industrial Portfolio	21,686,660	14,382,543	20,515,407
W Hotel	19,636,978	12,073,845	15,865,865
Finland			
Retail Portfolio	-	27,293,162	24,548,879
Denmark			
Industrial Portfolio	35,073,315	27,680,846	32,404,690
Ireland			
Retail and Residential Portfolio	4,773,536	-	4,584,580
Residential Portfolio, Cork	5,090,452	-	4,579,949
Residential Portfolio, Dublin	6,535,793	-	-
Logistics, Dublin	15,330,752	-	-
	315,010,353	**232,143,801**	**307,694,827**

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

6. Loans Advanced (CONTINUED)

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

	30 June 2016 £	30 June 2015 £	31 December 2015 £
Loans advanced at the start of the period / year	307,694,827	220,954,400	220,954,400
Loans advanced	90,337,277	38,212,693	146,933,215
Loans repaid	(92,105,742)	(21,939,143)	(63,499,033)
Arrangement fees earned	(1,503,322)	(654,984)	(1,479,139)
Commitment fees earned	(36,875)	(51,081)	(72,657)
Accrued interest purchased on loan acquisition	(474,589)	-	474,589
Exit fees earned	(2,515,759)	(126,532)	(227,417)
Origination fees paid	723,796	251,204	946,069
Origination expenses paid	30,057	-	97,194
Effective interest income earned	14,055,008	9,793,289	22,716,523
Interest payments received / accrued	(14,034,916)	(7,656,348)	(16,197,134)
Foreign exchange losses	12,840,591	(6,639,697)	(2,951,783)
Loans advanced at the end of the period / year	**315,010,353**	**232,143,801**	**307,694,827**
Loans advanced at fair value	**328,088,808**	**241,188,965**	**320,752,322**

For further information on the fair value of loans advanced, refer to note 11.

7. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss comprise currency forward contracts which represent contractual obligations to purchase one currency and sell another currency on a future date at a specified price. The underlying instruments 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 fair value of derivative instruments held are set out below:

Goldman Sachs:

	Notional contract amount [1]	Fair values		
30 June 2016	£	Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	24,694,820	145,576	(682,643)	(537,067)
Total	**24,694,820**	**145,576**	**(682,643)**	**(537,067)**

Lloyds Bank plc:

	Notional contract amount [1]	Fair values		
30 June 2016	£	Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	98,761,512	734,558	(7,380,631)	(6,646,073)
Total	**98,761,512**	**734,558**	**(7,380,631)**	**(6,646,073)**

7. Financial Assets at Fair Value through Profit and Loss (CONTINUED)

Total:

30 June 2016	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	123,456,331	880,134	(8,063,274)	(7,183,140)
Total	**123,456,331**	**880,134**	**(8,063,274)**	**(7,183,140)**

Goldman Sachs:

31 December 2015	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	22,551,503	2,072,414	(87,249)	1,985,165
Total	**22,551,503**	**2,072,414**	**(87,249)**	**1,985,165**

Lloyds Bank plc:

31 December 2015	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	96,295,877	5,426,435	(1,493,485)	3,932,950
Total	**96,295,877**	**5,426,435**	**(1,493,485)**	**3,932,950**

Total:

31 December 2015	Notional contract amount [1] £	Fair values Assets £	Liabilities £	Total £
Foreign exchange derivatives				
Currency forwards	118,847,380	7,498,849	(1,580,734)	5,918,115
Total	**118,847,380**	**7,498,849**	**(1,580,734)**	**5,918,115**

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

8. Revolving Credit Facility

Under the Company's investment policy, the Company is limited to aggregate short and long term borrowings at the time of the relevant drawdown of an amount equivalent to a maximum of 30 per cent of NAV but longer term borrowings will be limited to 20 per cent of NAV in any event. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded. The interest rate payable will depend on how long the loan is outstanding: LIBOR plus 2.50 per cent per annum at initial draw down and increasing for loans outstanding for more than six months. The facility is secured by a pledge over the bank accounts of the Company, its interests in Starfin Public LP and the intercompany funding provided by the Company to Starfin Public LP. Starfin Public LP also acts as guarantor of the facility and has pledged its bank accounts as collateral. The undertakings and events of default are customary for a transaction of this nature. As at 30 June 2016 an amount of £8,039,074 (31 December 2015: £8,155,816) was drawn and interest of £167 (31 December 2015: £6,589) was payable.

9. Dividends

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

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

The Company paid the following dividends in respect of the period to 30 June 2016:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2016	1.625	4,942,925	16 May 2016

After the end of the period, the Directors declared a dividend in respect of the financial period ended 30 June 2016 of 1.625 pence per share which will be paid on 25 August 2016 to Shareholders on the register on 5 August 2016.

The Company paid the following dividends in respect of the year to 31 December 2015:

Period to:	Dividend rate per Share (pence)	Net dividend paid (£)	Payment date
31 March 2015	1.75	4,166,750	30 April 2015
30 June 2015	1.75	4,582,900	31 July 2015
30 September 2015	1.75	5,323,150	31 October 2015
31 December 2015	1.75	5,323,150	18 February 2016

10. 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.

10. Risk Management Policies and Procedures (CONTINUED)

The Directors monitor and measure the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Even though the risks detailed in the Annual Report and Financial Statements for the year ended 31 December 2015 still remain appropriate, further information regarding these risk policies are outlined below:

i) Market risk

Market risk includes market price risk, currency risk and interest rate 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. As such the Directors do not consider that the Group is subject to market price risk. 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 on-going 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 on-going basis and is reported to the Board accordingly.

b) Interest rate risk

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

The majority of the Group's financial assets are loans advanced, receivables and cash and cash equivalents. The Group's investments have some exposure to interest rate risk but this 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, preventing interest rates from falling below certain levels.

ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's main credit risk exposure is in the loan portfolio, shown as loans advanced, 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 2016 due to several loans being advanced since inception. There is also credit risk in respect of other financial assets as a portion of the Group's assets are cash and cash equivalents or accrued interest. The banks used to hold cash and cash equivalents have been diversified to spread the credit risk to which the Group is exposed. The Group also has credit risk exposure in its financial assets through profit and loss which is diversified between hedge providers in order to spread credit risk to which the Group is exposed. 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 year end date. As at 30 June 2016, the maximum credit risk exposure was £322,942,543 (31 December 2015: £314,229,184).

10. Risk Management Policies and Procedures (CONTINUED)

ii) Credit risk (CONTINUED)

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 on-going basis. After the advancing of a loan a dedicated debt asset manager employed by the Investment Adviser monitors on-going 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.

iii) Liquidity risk

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

The Group manages its liquidity risk through short term and long term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 30 per cent of NAV and has entered into a revolving credit facility of £60 million of which £8,039,241 was drawn on 30 June 2016 (31 December 2015: £8,003,298).

As at 30 June 2016, the Group had £7,932,190 (31 December 2015: £520,558) available in cash and £865,270 (31 December 2015: £806,083) trade payables. The Directors considered this to be sufficient cash available, together with the undrawn facilities on the revolving credit facility, to meets the Group's liabilities.

11. Fair Value Measurement

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

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

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

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

11. Fair Value Measurement (CONTINUED)

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

30 June 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Liabilities				
Derivative liabilities	-	(7,183,140)	-	(7,183,140)
Total	**-**	**(7,183,140)**	**-**	**(7,183,140)**

31 December 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Derivative assets	-	5,918,115	-	5,918,115
Total	**-**	**5,918,115**	**-**	**5,918,115**

There have been no transfers between levels for the period ended 30 June 2016 (31 December 2015: nil).

The following table summarises within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 30 June 2016 but for which fair value is disclosed:

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Assets					
Cash and cash equivalents	-	7,932,190	-	7,932,190	7,932,190
Other receivables and prepayments	-	17,794	-	17,794	17,794
Loans advanced	-	-	328,088,808	328,088,808	315,010,353
Total	**-**	**7,949,984**	**328,088,808**	**336,038,792**	**322,960,337**

	Level 1 £	Level 2 £	Level 3 £	Total fair values £	Total carrying amount £
Liabilities					
Trade and other payables	-	865,270	-	865,270	865,270
Financial liabilities	-	7,183,140	-	7,183,140	7,183,140
Revolving credit facility	-	8,039,241	-	8,039,241	8,039,241
Total	**-**	**16,087,651**	**-**	**16,087,651**	**16,087,651**

11. Fair Value Measurement (CONTINUED)

The following table summarises within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2015 but for which fair value is disclosed:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£	£	£	£	£
Assets					
Cash and cash equivalents	-	520,558	-	520,558	520,558
Other receivables and prepayments	-	95,684	-	95,684	95,684
Loans advanced	-	-	320,752,322	320,752,322	307,694,827
Total	**-**	**616,242**	**320,752,322**	**321,368,564**	**308,311,069**

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	£	£	£	£	£
Liabilities					
Trade and other payables	-	806,083	-	806,083	806,083
Revolving credit facility	-	8,162,405	-	8,162,405	8,162,405
Total	**-**	**8,968,488**	**-**	**8,968,488**	**8,968,488**

The carrying values of the assets and liabilities included in the above table are considered to approximate their fair values, except for loans advanced. The fair value of loans advanced has been determined by discounting the expected cash flows using a discounted cash flow model. For the avoidance of doubt, the Group carries its loans advanced at amortised cost in the Financial Statements.

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. Trade and other payables represent the contractual amounts and obligations due by the Group for contractual payments.

12. Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £1,200 (31 December 2015: £1,200).

The Luxembourg indirect subsidiary of the Company, Luxco, is subject to the applicable tax regulations in Luxembourg, as it is incorporated under the Securitization Law of 22 March 2004.

13. 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.

Fees, expenses and other payments

	Outstanding at 30 June 2016 £	For the period ended 30 June 2016 £
Directors' fees and expenses paid		
Stephen Smith	-	23,750
John Whittle	-	20,000
Jonathan Bridel	-	17,500
Expenses paid	-	1,506
Investment Manager		
Investment management fees earned	569,869	1,140,459
Origination fees earned	25,968	723,796
Expenses	1,800	5,706

	Outstanding at 31 December 2015 £	For the year ended 31 December 2015 £
Directors' fees and expenses paid		
Stephen Smith	-	46,250
John Whittle	-	37,500
Jonathan Bridel	-	33,750
Placing Programme fees	-	15,000
Expenses paid	-	6,341
Investment Manager		
Investment management fees earned	575,154	1,976,640
Origination fees earned	-	946,069
Expenses	18,012	41,754
Hatfield Phillips International [1]		
Origination expenses	-	50,000

[1] Hatfield Phillips International is a subsidiary of Starwood Property Trust

13. Related Party Transactions (CONTINUED)

Shareholdings and dividends paid

	Dividends paid for the period ended 30 June 2016	As at 30 June 2016
	£	Number of shares
Starwood Property Trust Inc	309,825	9,180,000
SCG Starfin Investor LP	77,119	2,285,000
Stephen Smith	2,664	78,929
John Whittle	400	11,866
Jonathan Bridel	400	11,866

	Dividends paid for the year ended 31 December 2015	As at 31 December 2015
	£	Number of shares
Starwood Property Trust Inc	639,331	9,180,000
SCG Starfin Investor LP	158,808	2,285,000
Stephen Smith	7,566	78,929
John Whittle	572	11,866
Jonathan Bridel	572	11,866

Other

The Group continues to participate in a number of loans in which Starwood Property Trust, Inc. ("STWD") and Starfin European Debt TC, L.P. ("Starfin TC") acted as a co-lender. The details of these loans are shown in the table below.

Loan	Related party co-lenders
Centre Point, London	STWD, Starfin TC
5 Star Hotel, London	Starfin TC
W Hotel, Netherlands	STWD, Starfin TC
Mixed use development, South East UK	STWD

14. Events After the Reporting Period

On 10 August 2016, the Company issued 70,839,398 New Ordinary Shares pursuant to the Placing Programme, to raise £73 million before expenses. The Issue Price was 103.05 pence per Ordinary Share, representing a premium of 2.7 per cent to the Net Asset Value per Ordinary Share as at 31 July 2016 of 100.30 pence (ex-dividend). The net proceeds of the Placing were committed to be used to finance the acquisition by the Group of a £75 million real estate mezzanine loan secured over a UK regional portfolio of budget hotels (the "Regional Budget Hotel Portfolio, UK").

Since the period end, the Group had the following loan advances and loan repayments :

	Loans advanced	**Loans repaid**
	£	**£**
Residential Portfolio, Dublin	-	704
Retail and Residential Portfolio	-	799,682
Varde Partners mixed Portfolio, UK	-	6,323,454
Hotel, Channel Islands	-	100,000
Logistics, Dublin, Ireland	3,793,762	5,826,100
Residential Portfolio, Cork, Ireland	-	29,356
Office, Netherlands	-	29,762
W Hotel, Netherlands	-	17,967,378
Regional Budget Hotel Portfolio, UK	75,000,000	-
	78,793,762	**31,076,436**

Corporate Information

Directors
Stephen Smith *(Non-executive Chairman)*
Jonathan Bridel *(Non-executive Director)*
John Whittle *(Non-executive Director)*

(all care of the registered office)

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