Starwood European Real Estate Finance Limited

Interim Financial Report and Unaudited Condensed Consolidated Financial Statements for the period from 9 November 2012 to 30 June 2013

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Corporate Summary

Investment Objective

The investment objective of Starwood European Real Estate Finance Limited ("the Company") 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 Continental European markets. Whilst investment opportunities in the secondary market are considered, the Company's main focus is to originate direct primary real estate debt investments.

The Company attempts 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 and at least 75 per cent. of total loans by value will be for a term of seven years or less.

Once fully invested the Company intends to be appropriately diversified by geography, real estate sector type, loan type and counterparty. The Company 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 an authorised closed-ended investment company. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 17 December 2012. 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 ("the Partnership") of which Starfin Public GP Limited ("the GP") 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 the former is majority owned by the Starwood Capital Group ("Starwood") and has no control over the GP (see related party transactions). References to the "Group" refer to the Company, the GP, the Partnership and Luxco.

Investment Manager and Investment Adviser

The Investment Manager during the period was Starwood European Finance Partners Limited, 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.

Directors

Stephen Smith *(Non-Executive Chairman)*

Stephen 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)*

Jonathan is currently a Non-Executive Chairman or Director of listed and unlisted companies comprised mainly of investment funds and investment managers, including Alcentra European Floating Rate Income Fund Limited and The Renewables Infrastructure Group Limited. He was previously Managing Director of Royal Bank of Canada's investment business in the Channel Islands. Prior to this, 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, 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 Chartered Fellow of the Chartered Institute for Securities and Investment. Jonathan is a resident of Guernsey.

John Whittle *(Non-Executive Director)*

John is a Chartered Accountant and holds the Institute of Directors Diploma in Company Direction. He is a Non-Executive Director of International Public Partnerships Ltd (FTSE 250), India Capital Growth Fund Ltd, Globalworth Real Estate Investments Limited and Advance Frontier Markets Fund Ltd (all AIM) 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 £20 million private equity acquisition of Ora Telecom. John is also a resident of Guernsey.

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 period from 9 November 2012 (date of incorporation) to 30 June 2013.

At the end of last year, 228,500,000 ordinary shares of the Company, with an issue price of £1.00, were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of the Company's initial public offering (the "IPO"), completed on 17 December 2012.

Since the IPO, the Board has worked closely with the Investment Manager and Investment Adviser both strategically and on a deal by deal basis. The investment deployment has been slower than anticipated at the time of the IPO with 8.1 per cent. invested as at 30 June 2013. However, since 30 June 2013 the Company has committed an additional £22.8 million of capital in two new investments and the pipeline has matured. Terms have been agreed for five loans with investment potential of £117 million and the supporting documentation is being drafted and agreed. We anticipate that these transactions will close by the end of September and if this were to occur the Company would be 68 per cent. invested. The Investment Adviser's report discusses the reasons for the slower pace of investment.

The overall risk profile of the investments made to date and in the pipeline is arguably more conservative than anticipated without compromising the expected returns. Furthermore, the Board is satisfied with the progress made by the Investment Manager and Investment Adviser during the period. Whilst market conditions have changed since the IPO, the Investment Adviser and Investment Manager, working in close collaboration with the Board, have maintained a disciplined and rigorous approach to investment and continue to operate within the risk parameters set out within the prospectus. Notwithstanding the market circumstances, the Board believes that substantially investing the IPO proceeds within the twelve month timeline anticipated during the IPO is reasonably achievable.

At launch, the Company had targeted a dividend of 3.5 pence per ordinary share in respect of the period from Admission (17 December 2012) to the first financial year end (31 December 2013) and 7.0 pence per ordinary share in subsequent financial periods. This was predicated on the assumption that 50 per cent. of the Company's available cash would be invested within six months of the IPO and the remainder within 12 months.

For the period to 31 December 2013, the Company now expects to be able to pay a dividend of at least 1.2 pence based on the three deals that have closed, and if all five pipeline deals referred to above close, and no others, the dividend could be up to 2.4 pence. In the event that further transactions close prior to the year end, the total dividend will be higher and a further update in this regard will be provided in due course.

It is currently expected that a first interim dividend will be declared in October 2013 for the period ending 30 September 2013 of at least 0.70 pence.

Based on detailed projections, as at the date of this statement, the Company remains comfortable that once fully invested it would be able to meet its dividend target of 7.0 pence per annum.

Chairman's Statement (continued)

In order to meet market demand, principally following the Company's inclusion in the FTSE UK Index Series and to manage the higher share price premium over the net asset value per share at that time, the Company issued additional shares within the limits imposed by the Prospectus Rules. The following tap issues were made during the period:

- 21 March 2013: An additional eight million ordinary shares at a price of 104.25 pence per ordinary share.
- 9 April 2013: An additional one million ordinary shares at a price of 104.50 pence per ordinary share.
- 12 April 2013: An additional six hundred thousand shares at a price of 104.00 pence per ordinary share.

Following these issues, the Company currently has issued share capital consisting of 238,100,000 ordinary shares.

The Company 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 shareholders for your commitment and I look forward to updating you on the Company's progress later this year.

Stephen Smith
Chairman

27 August 2013

Investment Adviser's Report

Summary

Starwood European Real Estate Finance Limited (the "Company") is a company limited by shares incorporated in Guernsey under the Companies (Guernsey) Law, 2008, as amended, on 9 November 2012 with registered number 55836, and has been authorised by the Guernsey Financial Services Commission as an authorised closed-ended investment company. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 17 December 2012.

The Company together with its subsidiaries, Starfin Public GP Limited, Starfin Public LP and Starfin Lux S.à.r.l (collectively referred to as the "Group"), as advised by Starwood European Finance Partners Limited (the "Investment Manager"), aims to originate, execute, acquire and service a diversified portfolio of real estate debt investments (including debt instruments) in the UK and Continental European markets.

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.

Investment Deployment

As at 30 June 2013, the Group had invested £19.1 million in a loan to the Maybourne Hotel Group ("Maybourne"), representing 8.1 per cent. of net IPO proceeds. The Group participated as one of three partners in the £147 million mezzanine component of the £547 million refinancing of Maybourne. The five-year loan is secured on three five-star luxury London hotels, being Claridge's, the Connaught and the Berkeley, and consists of a £400 million senior loan and £147 million of mezzanine finance, to which the Group committed £19 million. This investment has been undertaken on an attractive loan-to-value of the low fifties per cent., and the Group will earn a double digit yield in line with its investment criteria.

Two loans have closed subsequent to 30 June 2013 bringing the Company to 18 per cent. invested or committed as at 27 August 2013. Underlying loan confidentiality prohibits full disclosure but in summary:

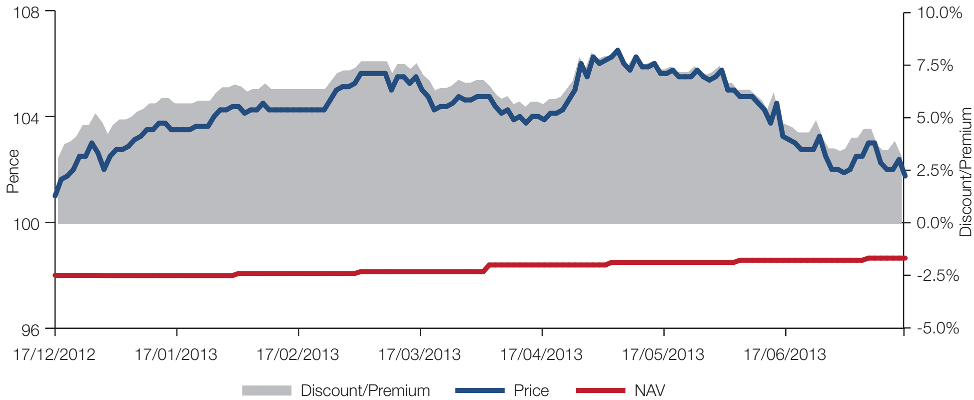
West End, London: The Group has provided £10 million out of a £55.75 million three year term loan to a very strong opportunistic property investor secured by a well located transitional asset in the Tottenham Court Road area of the West End. The Borrower intends to obtain a mixed use planning consent which would then facilitate a refurbishment process at which time the loan would be repaid. The initial loan-to-value is 50 per cent. and the loan is expected to generate approximately a 7 per cent. gross IRR. The Group remains interested in participating in the next stage of the project but has no obligation to do so.

Assisted Living Scheme, London: The Group has executed a facility agreement with a member of the Lifecare Residences group to fund £8.5 million of a £16.75 million mezzanine loan and £4.3 million of a £40 million senior loan together to finance the development of a prime London retirement village. Lifecare Residences is a leading developer and operator of retirement care villages in both the United Kingdom and New Zealand. The Company was the mezzanine loan arranger. This investment has been undertaken on a mid-sixties per cent. loan to gross development value and the Company will earn a blended double digit yield in line with its investment criteria.

Whilst the deployment of capital has been slower than originally anticipated, the pipeline is strong, as described below, and the Investment Adviser remains satisfied with the performance of the Company for the period to 30 June 2013.

Investment Adviser's Report (continued)

Company Performance as at 30 June 2013



As at 30 June 2013 the Net Asset Value ("NAV") was 98.65 pence per ordinary share and the share price was 102.50 pence.

Portfolio Statistics

As at 30 June 2013, the portfolio was invested in line with the Company's investment policy and is summarised below. The position as at 27 August 2013 is also shown as a number of investments have been undertaken since 30 June 2013.

	30 June 2013	27 August 2013
Number of issuers	1	3
Number of investments	1	3
Number of industries	1	3
Percentage of invested portfolio in floating rate investments	100%	79.7%
Invested Loan Portfolio annualised total return	N/A (1)	10.9%
Blended portfolio LTV – to Company first £	N/A (1)	36.2%
Blended portfolio LTV – to Company last £	N/A (1)	52.1%
Average loan term	5 years	3.91 years
Percentage of assets invested in cash	91.9%	82.1%
Percentage of assets invested in senior loans	0.0%	6.1%
Percentage of assets invested in second lien and mezzanine loans	8.1%	11.8%
Percentage of assets invested in other debt instruments	0.0%	0.0%
Percentage invested in GBP	100%	100%
Percentage invested in Euro	0.0%	0.0%

(1) Unable to disclose until the Group has more than one investment, due to confidentiality undertakings.

Currently all of the Company's investments are in London, however, should the five deals in the pipeline close as anticipated then the Company will achieve greater geographical diversity. The table below shows the diversification in terms of industries.

Investment Adviser's Report (continued)

Breakdown by Industry	30 June 2013	27 August 2013
Hospitality	8.1%	8.1%
Mixed Use	0.0%	4.3%
Residential for sale – development	0.0%	5.5%
Cash and other	91.9%	82.1%

Origination Process and Pipeline

The Investment Adviser seeks to originate opportunities for the Company in three principal ways:

- Direct Client Origination – Utilising its broad global and local relationships to source primary business opportunities.
- Bank Interaction – The Investment Adviser and its affiliates have strong banking relationships given the Starwood Capital Group's wider market position. With the growing awareness of the Company and its capabilities, the Investment Adviser is being actively approached by banking partners to work together.
- Equity Business Referral – As a result of Starwood Capital Group's involvement in equity investments, the Investment Adviser often sees opportunities where the pricing or risk level is inappropriate from an equity perspective but where the opportunity to invest in the debt aspect of the investment is more compelling.

All three approaches are active in providing opportunities. It is encouraging to report that these origination approaches means that the Investment Adviser has agreed indicative terms on five other loans, all of which are in execution and more generally we have seen our transaction pipeline continue to mature and have a number of other small, mid and large positions that are progressing well. The five loans in execution offer the Company a total investment potential of approximately £117 million. Three are in Continental Europe and two are in the UK. Sector exposures include the three main commercial real estate sectors of office, retail and light industrial/logistics as well as the residential sectors. These loans are all in line with the Company's investment return targets. We anticipate these transactions all to close by end-September and if this were to occur the Company would be 68 per cent. invested or committed.

We would however highlight that transactions in the current market do have an above average level of uncertainty of closing to that typically expected at such an advanced stage and, as such, this forward guidance is caveated.

Since the IPO, the process of investment has been somewhat slower than anticipated. There are several reasons for this. The Investment Adviser devoted a reasonable degree of resources in the second quarter of 2013 to bidding for a large loan book which would have been transformational for the Company, allowing it to deploy much of its cash in a single transaction underpinned by strong property and loans. In the end our bid, whilst competitive, was insufficient. However, we believe that the Company remains well placed to participate in this type of transaction.

During this time the Investment Adviser continued to focus on direct client origination and reviewed a significant number of potential investment opportunities. There have been numerous reasons for not proceeding including where other bidders succeeded, where the implied mezzanine became too slim and where tenant fundamentals were weak.

Investment Adviser's Report (continued)

Delay or failure to consummate transactions is also being caused by the excessive amount of time involved in moving refinancings forward which leads to many deals becoming derailed, by borrowers believing they are able to refinance higher levered deals which fall down in the due diligence stage and by the Company losing transactions on the basis of pricing or not agreeing to transactions where it considers the structure to be deficient (e.g. lack of mortgage security, amortisation or weak covenants).

Future Strategy and Investment Outlook

In terms of future investment strategy, we are building a presence in both the smaller whole loan lending market and taking a leading role in the very large one-off structured transactions (such as Maybourne). It is also likely a greater UK regional and overall continental European focus will become visible in our proactive origination strategy, as London continues to attract the vast majority of other investors' attention.

It is expected that the principal focus will be making whole loans that can offer "one stop" borrowing and then to carefully consider which loans should be partially syndicated to enhance returns.

We see good and growing prospects for the Company and believe the original target of full investment within 12 months could reasonably still be achieved.

There are a number of factors that can act as an impediment to closing transactions within expected timeframes or at all. Within the bounds of competitive confidentiality the Company wishes to be as clear on the investment pipeline as possible and will keep shareholders informed as events unfold.

Market Summary

The first four to five months of the year highlighted a much greater degree of optimism within the property markets; still cautious but certainly greater than in recent years. In the last few months this optimism has accelerated in specific markets and indeed could now be slightly ahead of actual fundamentals. Nowhere is this more apparent than in London which has recently seen some tightly priced equity investments. Notwithstanding the risk cushion implicit in lending we have also observed a small number of lending transactions that are questionable on either price or structure or both. Conversely market optimism has also engendered a resurgent desire for investors to act upon their refinancing requirements or reinvigorated interest in new investment. This typically creates a greater need for creative property lending. Put together the demand for property finance has unquestionably increased offering greater opportunities but also requiring the Company to continue to be diligent in its underwriting requirements.

On the supply side, many European banks continue to focus on their withdrawal or reduction of exposure to the sector not least to meet Basel III as well as real estate finance being a non-core activity. Individual events, such as the recent nationalisation of SNS by the Dutch government, also underscore continued regulatory concerns over the carrying value of many loans on bank balance sheets. We do however see that global monetary easing has created a generic "hunt for yield" and political pressure to lend is also present, not least in the UK through the "Funding for Lending" scheme. The UK Clearing Banks have greater lending capacity but do remain, for the most part, cautious on business possibilities. An increasing US and European insurance presence means there is excess finance capacity for the prime London office market for strong sponsors and low leverage. Similarly mainstream German lending has become more competitive especially with the appetite and resultant pricing for Pfandbrief, the key covered bond issuance program for domestic German real estate lending banks. Meanwhile the mezzanine lending space continues to develop and is summarily defined by investment funds raising substantial third party capital for higher return lending

Investment Adviser's Report (continued)

strategies – we expect to observe at least £2 billion of fund style investor commitments to the specialist fund managers in this field by the end of 2013.

Put together the picture is fundamentally one of increased activity and active players. The Company observes that there are now two "bookends" in the market being the attractive efficiently priced core senior market and a well-capitalised mezzanine market that has the ability to embrace quite significant risk should it choose to do so but is often hampered by historic return requirements. The availability of finance, both senior and mezz, outside of core locations is actually not deep, particularly for non prime assets and the numbers of players that can embrace "one stop shop lending" in an efficient and timely manner, such as the Company, remains a much smaller sub set.

Principal Risks for the Remaining Six Months of the period to 31 December 2013

The Investment Adviser assesses the following as the principal risks relating to the Company:

- The Company'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;
- The level of dividends and other distributions to be paid by the Company may fluctuate and there is no guarantee that any such distributions will be paid;
- 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; and
- Local laws or regulations may mean that the status of the Company or the ordinary shares is uncertain or subject to change, which could adversely affect investors ability to hold ordinary shares.

The Investment Adviser assesses the following as the principal risks relating to the investment strategy and investment portfolio:

- The Company will be exposed to the commercial real estate market and if that market enters a downturn it could materially adversely affect the Company's business and financial condition;
- Commercial mortgage loans are subject to the ability of the property owner to generate net income from operating the property/ies as well as the risk of delinquency and financial difficulty of the tenants. A major occupier or tenant of a property financed by the Company could default and/or seek to renegotiate terms during the course of a tenancy, which would lower the value of that property and may impact on the income to service the related loans provided by the Company;
- The pace of investment may be slower than expected, resulting in a lower rate of return on the ordinary shares;
- Real estate valuation is inherently subjective and uncertain. In addition, the value of underlying real estate and the rental income it produces may fluctuate as a result of factors which are outside the Company's control;
- The Company may invest in various types of subordinated debt, which would rank behind senior debt tranches for repayment in the event that a borrower defaults;
- The Company's investments will be illiquid and may be difficult or impossible to realise for cash at any particular time;

Investment Adviser's Report (continued)

- The Company's investments may be concentrated and are subject to risk of default. In the event of a default of any loan assets of the Company entitling the Company to enforce security, the process may be expensive and lengthy;
- The due diligence process that the Investment Manager and Investment Adviser undertakes in connection with the Company's investments may not reveal all facts, including material facts, that may be relevant in connection with any investment;
- The on-going situation in the Eurozone has improved but may have an adverse effect on investments in Europe and the break up of the Eurozone, or the exit of any member state, would create uncertainty and could affect the Company's investments directly;
- Currency and/or interest rate hedging arrangements may not be successful or available at an acceptable price;
- Repayment of loans could be subject to the availability of refinancing options, including the availability of senior and subordinated debt and is also subject to the underlying real estate collateral at the date of maturity;
- The Company has invested in loans for the development of property. These loans involve an increased risk of loss;
- The Company faces competition in sourcing and making investments;
- The financial markets are uncertain and have been the subject of governmental intervention;
- Principal may be repaid earlier than anticipated, causing the return on certain investments to be less than expected;
- The Company may sell, syndicate or finance the senior elements of loans within its portfolio, which may increase the Company's exposure to losses on such loans;
- The Company has invested in loans in which the collateral and income is controlled by a third party agent or where it only holds a minority of the loan; and
- Pending investment in accordance with the investment policy, the Company's assets will be subject to credit risk of the banks or other financial institutions with which they are deposited.

The Investment Adviser assesses the following as the principal risks relating to the Investment Manager and Investment Adviser:

- The Company is dependent on the expertise of the Investment Manager, the Investment Adviser and their key personnel to evaluate investment opportunities and to implement the Company's investment strategy;
- Past performance is no indication of future results;
- There are various conflicts of interest in the relationship between the Company and the Starwood Capital Group which could result in decisions that are not in the best interests of the Company;
- The Investment Management Agreement was not negotiated on an arm's-length basis and may not be as favourable to the Company as if it had been negotiated on such a basis and may be costly or difficult to terminate; and
- The existence of the carried interest may incentivise the Investment Manager's and the Investment Adviser's personnel to make or recommend risky investments.

Investment Adviser's Report (continued)

The Investment Adviser assesses the following as the principal risks relating to regulation and taxation:

- Changes in the Company's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident shareholders;
- Failure by the Company to maintain its non-UK tax resident status may subject the Company to additional taxes which may materially adversely affect the Company's business, results of operations and the value of the ordinary shares;
- The investment activity to be undertaken by the Company and its subsidiaries may expose the Company to the risk of regulation in Luxembourg and other jurisdictions; and
- The AIFM Directive may prevent the marketing of the ordinary shares in the European Union, which would be likely to adversely affect liquidity in the ordinary shares and the ability of shareholders to realise their investment.

Related Party Transactions

Related party disclosures are given in note 16 to the financial statements.

Directors' Responsibility Statement

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

(a) The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union; and

(b) The Interim Financial Report, comprising of the Chairman's Statement and the Investment Adviser's Report, 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 since inception 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 since inception and that have materially affected the financial position or performance of the Company during that period.

By order of the Board

Stephen Smith
Chairman

27 August 2013

John Whittle
Director

27 August 2013

Independent Review Report to Starwood European Real Estate Finance Limited

Introduction

We have been engaged by Starwood European Real Estate Finance Limited ("the Company") and its subsidiaries (together "the Group") to review the Unaudited Condensed Consolidated Financial Statements in the interim financial report for the period ended 30 June 2013, which comprises the Unaudited Condensed Consolidated Statement of Comprehensive Income, the Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2013, 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 3, the annual financial statements of the Company will be 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.

Independent Review Report to Starwood European Real Estate Finance Limited (continued)

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 period ended 30 June 2013 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

27 August 2013

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the period from incorporation on 9 November 2012 to 30 June 2013

Unaudited	Notes	9 November 2012 to 30 June 2013 £
Income		
Income from loans advanced		1,183,053
Income from cash and cash equivalents		382,128
Total Income from Investments		**1,565,181**
Expenses		
Investment management fees	4(a)	77,051
Directors' fees and travel expenses	16	74,042
Administration fees	4(c)	93,685
Auditors' fees		54,089
Broker's fees		53,699
Legal and professional fees		72,901
Insurance		33,165
Net foreign exchange losses		8,189
Other expenses		62,927
Total operating expenses		**529,748**
Operating profit for the period and total comprehensive income		**1,035,433**
Weighted average number of shares in issue	5	233,348,205
Basic and diluted earnings per ordinary share (pence)	5	0.44

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 2013

Unaudited	Notes	30 June 2013 £
Assets		
Cash and cash equivalents	6	215,545,841
Other receivables and prepayments	7	81,650
Loans advanced	8	19,491,134
Total assets		**235,118,625**
Liabilities		
Trade and other payables	9	240,030
Total liabilities		**240,030**
Net assets		**234,878,595**
Capital and reserves		
Share capital	11	233,843,162
Retained earnings		1,035,433
Total equity		234,878,595
Number of ordinary shares in issue	5	238,100,000
Net asset value per ordinary share (pence)	5	98.65

These Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 27 August 2013, and signed on its behalf by:

Stephen Smith
Chairman

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 from incorporation on 9 November 2012 to 30 June 2013

	Notes	Share capital £	Retained earnings £	Total equity £
Balance at 9 November 2012		–	–	–
Issue of share capital	11	238,509,000	–	238,509,000
Costs of issues	11	(4,665,838)	–	(4,665,838)
Operating profit and total comprehensive income		–	1,035,433	1,035,433
Balance at 30 June 2013		**233,843,162**	**1,035,433**	**234,878,595**

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

Unaudited Condensed Consolidated Statement of Cash Flows

For the period from incorporation on 9 November 2012 to 30 June 2013

Unaudited	9 November 2012 to 30 June 2013 £
Operating activities:	
Operating profit for the period and total comprehensive income	**1,035,433**
Adjustments for non-cash items:	
Net interest income	(1,565,181)
Increase in prepayments	(60,163)
Increase in other payables and accrued expenses	240,030
Net foreign exchange losses	8,189
	(341,692)
Loans advanced	(19,060,999)
Interest income from loans advanced	752,918
Net cash outflow from operating activities	**(18,649,773)**
Cash flows from investing activities	
Interest income from cash and cash equivalents	360,641
Net cash inflow from investing activities	**360,641**
Cash flows from financing activities	
Net share issue proceeds received	234,878,549
Costs of share issues	(1,035,387)
Net cash inflows provided by financing activities	**233,843,162**
Net increase in cash and cash equivalents	215,554,030
Cash and cash equivalents at start of the period	–
Net foreign exchange losses	(8,189)
Cash and cash equivalents at the end of the period	**215,545,841**

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 from incorporation on 9 November 2012 to 30 June 2013

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

On 12 December 2012, the Company announced the results of its initial public offering, which raised net proceeds of £223.9 million. The Company's ordinary shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 17 December 2012. A further £9.9 million of net proceeds was raised via tap issues throughout the period.

The Unaudited Condensed Consolidated Financial Statements comprise the financial statements of the Company, Starfin Public GP Limited (the "GP"), the Starfin Public LP (the "Partnership") and Starfin Lux S.à.r.l ("Luxco") (together "the Group") as at 30 June 2013.

The Company's investment objective is to provide its shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and Continental European markets. To pursue its investment objective, the Company, through the Partnership, will invest in the Luxco through both equity and profit participation instruments or other funding instruments. The Luxco will then grant or acquire loans (or other debt instruments) to borrowers in accordance with the Company's investment policy. Some investments may be made via special purpose vehicles wholly owned by the Luxco or the Company. The Company expects all of its investments to be debt obligations of corporate entities domiciled or with significant operations in the United Kingdom and Continental Europe.

The Company has appointed Starwood European Finance Partners Limited as the Investment Manager ("the Investment Manager"), which is regulated by the GFSC. The Investment Manager has appointed Starwood Capital Europe Advisers, LLP ("the Investment Adviser"), an English limited liability partnership authorised and regulated by the Financial Conduct Authority, to provide investment advice pursuant to an Investment Advisory Agreement. The administration of the Company is delegated to Ipes (Guernsey) Limited ("the Administrator").

2. 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 Company is a going concern.

Note 13 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of financial instruments and exposure to credit risk and liquidity risk. The Directors have undertaken a rigorous review of the Group's ability to continue as a going concern including reviewing the ongoing cash flows and the level of cash balances as of the reporting date.

After making enquiries of the Investment Manager and the Administrator, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing these financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

3. Basis of Preparation and Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Statement of compliance

The Group will in due course produce Consolidated Financial Statements in accordance with The Companies (Guernsey) Law, 2008 (as amended) and International Financial Reporting Standards ("IFRS") as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as approved by the International Accounting Standards Committee ("IASC") which remain in effect.

Standards and Interpretations in issue and not yet effective:

New Standards		**Effective for periods commencing on or after**
IFRS 9	Financial Instruments – Classifications and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
Revised and amended standards		
IAS 28	Investments in Associates and Joint Ventures (revised)	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (amended)	1 January 2012
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities (amended)	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities (amended)	1 January 2014
IFRS 7/9	Mandatory Effective Date and Transition Disclosure (amended)	1 January 2015

The Group has elected to adopt the new standards IFRS 10, IFRS 11, IFRS 12 and IFRS 13 early, but the Directors do not anticipate that the adoption of these and other standards and interpretations will have a significant impact on the Consolidated Financial Statements of the Group.

(b) Basis of preparation

These Unaudited Condensed Consolidated Financial Statements have been prepared on a going concern basis in accordance with IAS 34 and IFRIC interpretations and the Disclosure and Transparency Rules of the Financial Conduct Authority. The Unaudited Condensed Consolidated Financial Statements have been prepared under the historical cost convention.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Unaudited Condensed Consolidated Financial Statements relate to:

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

– The impairment of financial assets held as loans advanced, the key area of judgement being, as to whether there is any indication that a loan may be impaired (see note 3(g));

– The functional currency of subsidiary undertakings of the Company, which is considered by the Directors to be Sterling (see notes 3(d) and 3(j)); and

– The operating segments, of which the Directors are currently of the opinion that the Company and its subsidiaries are engaged in a single segment of business, which is based on the loan advanced as at the reporting date (see note 3(e)).

(c) Basis of consolidation

The Unaudited Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) made up to the statement of financial position date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits directly from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50 per cent. of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiary undertakings	Date of Control	Ownership %	Country of Incorporation
Starfin Public GP Limited	20 November 2012	100	Guernsey
Starfin Public LP	22 November 2012	100	Guernsey
Starfin Lux S.à.r.l	30 November 2012	100	Luxembourg

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiary undertakings are consistent with the policies adopted by the Group.

(d) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Unaudited

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

Condensed Consolidated Financial Statements are presented in Sterling, which is the Group's presentation currency.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board, since the Board makes strategic decisions. As at the reporting date only one loan had been advanced, and as such the Directors are currently of the opinion that the Company and its subsidiaries are engaged in a single segment of business, being the provision of a diversified portfolio of real estate backed loans. As additional loans are advanced, and the internal reporting of the Group develops, the Directors will consider the way in which internal reporting is provided to them and will ensure any impact on segment reporting will be appropriately updated and disclosed in the annual financial statements for the year ended 31 December 2013.

(f) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise secured loans advanced, trade and other receivables and cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method less provisions for any impairments.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

(g) Impairment of financial assets

Impairment for specific bad and doubtful debts are made against loans and receivables, by an evaluation of the exposure on a case by case basis. An assessment is made, on a quarterly basis, as to whether there is any indication that a loan may be impaired; if any such indication exists and where the carrying value exceeds the estimated recoverable amount based on revised future cash flows, the loan will be reduced by the estimated impairment loss. The impairment loss is calculated as the difference between the present value of future cash flows, discounted at the loan's original effective interest rate, and the loan's current carrying value. The amount of any impairment loss is recorded in the Income Statement.

(h) Cash and cash equivalents

In the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

(j) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'Net foreign exchange gains/(losses)'.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

(k) Interest income

Interest income on loans advanced is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Interest on cash and cash equivalents is recognised on an accruals basis.

(l) Origination, exit and loan arrangement fees

Origination, exit and direct loan arrangement fees paid or received will be recognised using the effective interest method under loans advanced and amortised over the lifetime of the related financial asset through profit and loss.

(m) Expenses

All other expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis.

(n) Taxation

The Company is a tax-exempt Guernsey limited liability company as it is domiciled and registered for taxation purposes in Guernsey where it pays an annual exempt status fee under The Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 (as amended). Accordingly, no provision for Guernsey tax is made.

The Partnership is transparent for both Guernsey and Luxembourg tax purposes, and therefore no provision for taxes has been made.

The Luxco is subject to the applicable general tax regulations in Luxembourg.

(o) Other receivables

Trade and other receivables are amounts due in the ordinary course of business. They are classified as assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(p) Other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business. They are classified as liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are declared by the Board of Directors, or in the case of final dividends for which shareholder approval is required, in the period which they are approved by the Company's shareholders.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

4. Material Agreements

(a) Investment Management Agreement

The Company and the Investment Manager have entered into an investment management agreement, dated 28 November 2012 (the "Investment Management Agreement"), pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objectives and policy.

The Investment Manager is entitled to a management fee which is calculated and accrued daily at a rate equivalent to 0.75 per cent. per annum of Net Asset Value (excluding any cash balances until such time as 75 per cent. of the Net Issue Proceeds are invested). The management fee is payable quarterly in arrears.

In addition, the Investment Manager is entitled to an asset origination fee of 0.75 per cent. of the value of all new loan investments made or acquired by the Company. The asset origination fee to be paid by the Company is expected to be paid upon receipt by the Company of all loan arrangement fees received on the deployment of the Company's funds.

The Investment Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice, such notice not to be given before the fourth anniversary of Admission (17 December 2016).

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.

(b) Partnership Agreement

As per the Amended and Restated Limited Partnership Agreement relating to Starfin Public LP, dated 28 November 2012, the Company commits substantially all of the Net Issue Proceeds to the Partnership. That commitment is drawn down as required by the GP for the funding of investments. 0.01 per cent. of the Company's commitment was paid as a capital contribution shortly after admission to trading on the London Stock Exchange ("Admission") and the balance of 99.99 per cent., is committed and will be paid when requested by the GP.

Each amount of income and capital proceeds received by the Partnership will be distributed in the following order of priority:

- First, to the GP until the GP has received distributions equal to the GP's Share, the GP will be entitled to receive and there will be allocated to the GP in each accounting period a sum of £1,000;
- Second, to the extent of any excess, to the Company until the Company has achieved the hurdle total return; and
- Third, 20 per cent. of the excess to Starfin Carry LP ("the Special Limited Partner") (further information in Related Party Transactions) and 80 per cent. of the excess to the Company.

The hurdle total return will be achieved when the Net Asset Value ("NAV") of the Company, plus the total of all dividends declared and paid to ordinary shareholders, is equal to the NAV of the Company as at Admission as increased by 8 per cent. per annum, on a simple interest basis (but excluding actual carried interest accrued and deemed as a creditor on the balance sheet). To the extent that the Company makes further

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

issues of ordinary shares, the hurdle total return will be adjusted accordingly, by reference to the issue prices of such further issues and dividends declared subsequent to such issues.

(c) Administration Agreement

The Company has engaged the services of Ipes (Guernsey) Limited ("the Administrator") to act as administrator and company secretary. Under the terms of the administration agreement dated 28 November 2012, the Administrator is entitled to a fee of no less than £135,000 per annum with an additional amount chargeable of 0.035 per cent. per annum on the amount by which the Company's Net Asset Value exceeds £140,000,000 and further amounts as may be agreed in relation to any additional services provided by the Administrator. The Administrator is, in addition, entitled to recover third party expenses and disbursements.

(d) Registrar's Agreement

The Company and Computershare Investor Services (Guernsey) Limited ("the Registrar") entered into a registrar agreement dated 28 November 2012, pursuant to which the Company appointed the Registrar to act as registrar of the Company for a minimum annual fee payable by the Company of £7,500 in respect of basic registration.

(e) IPO Sponsor's and Placing Agreement

In connection with the IPO, the Company engaged the services of Dexion Capital plc ("Dexion") and Jefferies International Limited ("Jefferies"), (collectively the "Joint Bookrunners"), to act as joint global co-ordinators, bookrunners, placement agents, arrangers and sponsors in connection with the issue of the ordinary shares ("the Issue") and the application for Admission.

The total expenses of the Issue paid by the Company (including customary commissions and expenses payable to the Joint Bookrunners, certain fees, costs and expenses of Starwood Capital Group Management, LLC and its affiliates ("Starwood")) relating to the establishment of the Company and the fees of all other advisers and services providers to the Company and the Joint Bookrunners are equal to two per cent. of the gross Sterling proceeds of the Issue and were capped at this level.

The Sponsor and Placing Agreement is governed by the laws of England and Wales.

On 5 February 2013, the Company appointed Dexion and Jefferies as joint brokers to the Group. Dexion and Jefferies are each entitled to receive a fee of £50,000 per annum plus expenses.

(f) Licence Agreement

The Company and Starwood Capital Group Management, LLC ("the Licensor") have entered into a trade mark licence agreement dated 28 November 2012 ("the Licence Agreement"), pursuant to which the Licensor has agreed to grant to the Company a royalty-free, non-exclusive worldwide licence for the use of the "Starwood" name for the purposes of the Company's business.

Under the terms of the Licence Agreement, it may be terminated by the Licensor; (i) if the Investment Management Agreement or any other similar agreement between the Company and the Investment Manager (or either of their respective affiliates) is terminated for any reason whatsoever or expires: (ii) if the Company suffers an insolvency event or breaches any court order relating to the Licence Agreement; or (iii) upon two months' written notice without cause.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

(g) Lock up Agreement

The Company, the Joint Bookrunners, Starwood and Starwood Property Trust Inc ("STWD") entered into a lock up agreement dated 28 November 2012 ("the Lock Up Agreement"), pursuant to which (i) STWD agreed not to transfer, dispose of or grant any options over any of the ordinary shares acquired by STWD under the Placing; and (ii) Starwood has agreed to procure that any Starwood personnel to whom any ordinary shares are transferred by Starwood do not transfer, dispose of or grant any options over any of the ordinary shares to be acquired by Starwood under the Placing, in each case for a period of 6 months following Admission.

(h) Hedging Master Agreement

The Company and Lloyds TSB Bank Plc entered into an international forward exchange master agreement dated 5 April 2013 ("the Hedging Master Agreement"), 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 Hedging Master Agreement is governed by the laws of England and Wales.

5. Earnings Per Share and Net Asset Value Per Share

The calculation of basic earnings per ordinary share is based on the operating profit of £1,035,433 and on the weighted average number of ordinary shares in issue during the period of 233,348,205 ordinary shares.

The calculation of net asset value per ordinary share is based on a net asset value of £234,878,595 and the actual number of ordinary shares in issue at 30 June 2013 of 238,100,000.

6. Cash and Cash Equivalents

Cash and cash equivalents comprise as follows:

Unaudited	30 June 2013 £
Fixed deposits of one month	107,600,000
Cash at bank	107,945,841
	215,545,841

Cash and cash equivalents comprises cash held by the Group 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. For further information and the associated risks refer to note 13.

7. Other Receivables and Prepayments

Unaudited	30 June 2013 £
Bank interest receivable	21,487
Prepayments	60,163
	81,650

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

8. Loans Advanced

The Group's accounting policy on the measurement of financial assets is discussed in note 3(f).

Unaudited	30 June 2013 £
UK	
Maybourne Hotel Group	19,491,134
	19,491,134

The Directors believe that the carrying value of the financial asset approximates its fair value. No element of loans advanced are past due or impaired. For further information and the associated risks see the Investment Adviser's Report and note 13.

9. Other Payables and Accrued Expenses

Unaudited	30 June 2013 £
Investment management fees	35,882
Administration and company secretarial fees	45,772
Audit fees	54,089
Legal fees	38,331
Broker fees	41,199
Other expenses	24,757
	240,030

10. Commitments

The Company and the GP (acting in its capacity as General Partner of the Partnership) entered into a loan agreement ("the loan") dated 17 December 2012 committing the principal amount of £223,930,000 to the Partnership. The arrangement is based on the understanding that the commitment will be used primarily to fund the advancing of loans, and as such the commitment will only be drawn down once loans have been approved for issue by the Company.

As at 30 June 2013 £19,145,980 had been drawn by the GP (acting in its capacity as General Partner of the Partnership under the agreement).

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

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.

As at 30 June 2013 the Company had issued and fully paid up share capital as follows:

	30 June 2013
Ordinary shares of no par value	
Issued and fully paid	238,100,000

Rights attached to shares

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
9 November 2012 to 30 June 2013

Ordinary Shares	Number	£
Balance at start of the period	–	–
Shares issued on 17 December 2012	228,500,000	228,500,000
Shares issued on 21 March 2013	8,000,000	8,340,000
Shares issued on 09 April 2013	1,000,000	1,045,000
Shares issued on 12 April 2013	600,000	624,000
Balance at end of the period	**238,100,000**	**238,509,000**

During the period the Company issued 238,100,000 shares, raising total proceeds of £238,509,000. The proceeds net of issue costs of £4,665,838 amounted to £233,843,162.

12. Dividends

In any financial year, the Company makes distributions to shareholders of not more than the cash income it receives less its running costs paid in the year. Cash income comprises cash received by the Company attributable to the investment portfolio and income received on cash and cash equivalents.

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

Dividends will be declared by the Directors and paid in compliance with the solvency test prescribed by Guernsey law.

During the period ended 30 June 2013 no dividends were declared by the Directors.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

13. Risk Management Policies and Procedures

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

The Group's Investment Manager is responsible for identifying and controlling risks. The Board of Directors is ultimately responsible for the overall risk management approach within the Group.

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:

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 ongoing basis.

Currency risk

The Group, via the subsidiaries, will operate across Europe and will invest in loans that may be denominated in currencies other than the functional or presentational currency of the Company. Consequently the Group will be exposed to risks arising from foreign exchange rate fluctuations related to currency flows from revenues and expenses and from the translation of income statement and statement of financial position items which are denominated in foreign currencies. Exposure to foreign currency risk is monitored by the Investment Manager on an ongoing basis and is reported to the Board accordingly.

The Company and Lloyds TSB Bank Plc entered into an international forward exchange master agreement dated 5 April 2013 ("the Hedging Master Agreement"), 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. At the reporting date no foreign exchange transactions had been entered in to under the terms of this agreement.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

30 June 2013	Sterling £	Euro £	Total £
Assets			
Loans advanced	19,491,134	–	19,491,134
Bank interest receivables	21,487	–	21,487
Cash and cash equivalents	215,509,411	36,430	215,545,841
Liabilities			
Trade and other payables	(237,285)	(2,745)	(240,030)
Total net currency exposure	**234,784,747**	**33,685**	**234,818,432**

Currency sensitivity analysis

Should the exchange rate against Sterling increase or decrease by 5 per cent. with all other variables held constant, the net assets of the Group at 30 June 2013 would increase or decrease by £1,684. These percentages have been determined based on potential volatility and deemed reasonable by the Directors.

In accordance with the Company's policy, the Investment Manager monitors the Group's currency position, and the Board of Directors reviews it.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and related income from the 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 LIBOR-based exposure for investments designated as loans advanced.

The following table shows the portfolio profile of the financial assets at 30 June 2013:

	30 June 2013 £
Floating rate	
Loans advanced	19,491,134
Cash	107,945,841
Fixed rate	
Loans advanced	–
Cash equivalents	107,600,000
Total interest sensitivity gap	**235,036,975**

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

If interest rates had changed by 100 basis points, with all other variables remaining constant, the effect on the net profit and equity would have been as shown on the table below.

	30 June 2013
Increase of 100 basis points	2,350,370
Decrease of 100 basis points	(2,350,370)

These percentages have been determined based on potential volatility and deemed reasonable by the Directors.

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 subordinated and mezzanine debt, which rank behind senior debt for repayment in the event that a borrower defaults.

There is a concentration risk as at 30 June 2013 due to only one advanced loan being in existence, however this risk is offset as the loan is secured by collateral. There is also credit risk in respect of other financial assets as a significant 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 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 period end date. As at 30 June 2013, the maximum credit risk exposure was £235,036,975.

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.

The Group maintains its cash and cash equivalents across five different banks to diversify credit risk which have been all rated A- or higher by Moody's and this is subject to the Group's credit risk monitoring policies as mentioned above.

	Cash £	1 month fixed deposit £	Total as at 30 June 2013 £
Barclays Bank plc	33,773,570	26,900,000	60,673,570
Santander UK plc	24,416,851	26,900,000	51,316,851
Lloyds TSB Bank plc	24,389,386	26,900,000	51,289,386
HSBC Bank plc	24,392,284	26,900,000	51,292,284
ING Luxembourg, SA	973,750	–	973,750
Total cash and cash equivalents	**107,945,841**	**107,600,000**	**215,545,841**

The carrying amount of these assets approximates their fair value.

Liquidity risk

Liquidity risk is the risk that the Group will not be able 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.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

Liquidity risks arising in respect of other financial liabilities of the Group are those due to counterparties. However, at 30 June 2013, there was sufficient liquidity in the form of cash and cash equivalents to satisfy the Company's obligations.

Except for the loans advanced, the Group's financial assets and financial liabilities all have maturity dates within one year. An analysis of the maturity of financial assets classified as loans advanced is shown in the table below:

	Less than one year £	Between one and five years £	After five years £	Total as at 30 June 2013 Total as at
Senior Loans	–	–	–	–
Mezzanine Loans	–	19,491,134	–	19,491,134
	–	**19,491,134**	**–**	**19,491,134**

Capital management policies and procedures

The Group's capital management objectives are:

- To ensure that the Group will be able to continue as a going concern; and
- To maximise the income and capital return to equity shareholders through an appropriate balance of equity capital and long-term debt.

In accordance with the Group's investment policy, the Group's principal use of cash (including the proceeds of the IPO) has been to fund investments in the form of loans sourced by the Investment Adviser and the Investment Manager, as well as initial expenses related to the issue, ongoing operational expenses and payment of dividends and other distributions to shareholders in accordance with the Company's dividend policy.

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis.

The Company has no imposed capital requirements.

The Company's capital at 30 June 2013 comprises:

	30 June 2013 £
Equity	
Equity share capital	233,843,162
Retained earnings and other reserves	1,035,433
	234,878,595

14. Controlling Party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

15. Taxes

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies)(Guernsey) Ordinance 1989 for which it pays an annual fee of £600.

The Luxembourg indirect subsidiary of the Company is subject to the applicable tax regulations in Luxembourg.

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. Details on the Investment Manager are included in note 4 to the Unaudited Condensed Consolidated Financial Statements.

Total investment management fees for the period amounted to £77,051, with outstanding fees of £35,882 at 30 June 2013. In addition, the Investment Manager has been paid an origination fee of £142,500 in respect of the Maybourne loan and has been reimbursed £4,104 in expenses.

In December 2012 SCG Starfin Investor LP, majority owned by Starwood, subscribed for 2,285,000 ordinary shares in the Company for a consideration of £2,285,000. As at 30 June 2013, SCG Starfin Investor LP held 2,285,000 ordinary shares in the Company.

In December 2012 STWD, a company managed and advised by Starwood, subscribed for 9,140,000 ordinary shares in the Company for a consideration of £9,140,000. As at 30 June 2013, STWD held 9,140,000 ordinary shares in the Company.

Starwood has been reimbursed £244,098 in fees and expenses in relation to IPO costs paid on behalf of the Company pre receipt of the share issue proceeds and other expenses in the period to 30 June 2013. In addition, under the Sponsor and Placing Agreement, and as disclosed in the Prospectus, the Joint Bookrunners were entitled to pay part of the commissions received by them to certain investors, including Starwood and its Affiliates. Under this agreement, the Joint Bookrunners made a payment to Starwood and its Affiliates of £171,375.

The Special Limited Partner is entitled to receive any carried interest earned as a result of the performance of the Group's investments. The Special Limited Partner is owned by Starwood (for more information see note 4).

StarConsult S.à.r.l, a company managed by Thierry Drinka who is also a director of Luxco, has been reimbursed £4,611 in fees related to the setup of the Company. In addition fees of £1,465 were paid for administrative services in the period to 30 June 2013.

On 17 December 2012 Stephen Smith, Chairman of the Board, subscribed to 40,000 ordinary shares, for a consideration of £40,000. As at 30 June 2013, Stephen Smith held 40,000 ordinary shares in the Company.

The Directors of the Company are remunerated individually per annum as follows:

Chairman – £45,000
Other Directors – £32,500

Notes to the Unaudited Condensed Consolidated Financial Statements (continued)

For the period from incorporation on 9 November 2012 to 30 June 2013

The total Directors' fees and travel expenses for the period amounted to £74,042, with outstanding fees of £nil due to the Directors at 30 June 2013.

The Chairman of the Audit Committee, John Whittle, will be entitled to receive an additional fee of £2,500 per annum from 1 January 2014. No such additional fees were payable in the period ending 30 June 2013.

17. Post Balance Sheet Events

After the period end the Group closed two further investments with commitments of £10 million and £12.8 million respectively (for more information see the Investment Adviser's report on page 7).

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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