RECI
REAL ESTATE CREDIT INVESTMENTS

Real Estate Credit Investments Limited

Annual Report and Accounts 2021

Real Estate Credit Investments is a specialist investor in European real estate credit markets with a focus on fundamental credit and value

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Front cover image: **Co-living development in London**

Attractive returns

from credit exposure to UK and Continental European real estate markets

UK student accommodation

OVERVIEW AND HIGHLIGHTS

As at 31 March 2021

What do we offer

- Defensive credit exposure to UK and European real estate markets
  - Stable and uninterrupted dividends delivered consistently since October 2013

- Granular portfolio with detailed disclosure
  - 61 positions
  - Top position: 14% of full year end NAV (by commitment)

- Attractive and stable income in a low interest rate environment
  - Consistent portfolio yield of 7%+ offering a significant buffer to risk-free rates
  - A high-yielding portfolio, combined with a short weighted average life, ensures minimal exposure to yield widening and the ability to redeploy at higher rates quickly

- Access to Cheyne's established real estate investment team and substantial origination pipeline

Highlights

As at 31 March 2021

Total Assets

£426.2m

(31 March 2020: £441.8m)

Net Assets

£346.9m

(31 March 2020: £337.2m)

NAV per Share

£1.51

(31 March 2020: £1.47)

Net Profit

£37.2m

Full year ended 31 March 2020: £(17.4)m loss


H2b – Office in Paris

RECI offers

Focus on senior secured credit, with defensive LTVs

Strong governance control over its loan book

Large, experienced, well capitalised borrowers

Conservative and flexible leverage profile

Dividend stability without compromising risk

Management from Cheyne Capital's Real Estate team

AT A GLANCE

Our investment strategy provides compelling risk-adjusted returns

Real Estate Credit Investments ("RECI") is a closed-ended investment company which originates and invests in real estate debt secured by commercial or residential properties in Western Europe, focusing primarily on the United Kingdom and France.

The Company's aim is to deliver a stable quarterly dividend with minimal portfolio volatility, across economic and credit cycles, through a levered exposure to real estate credit investments.

Investments are predominantly in:

Self-Originated Loans and Bonds
Predominantly bilateral senior real estate loans and bonds.

Market Bonds
Listed real estate debt securities such as Commercial Mortgage Backed Securities (CMBS) bonds.

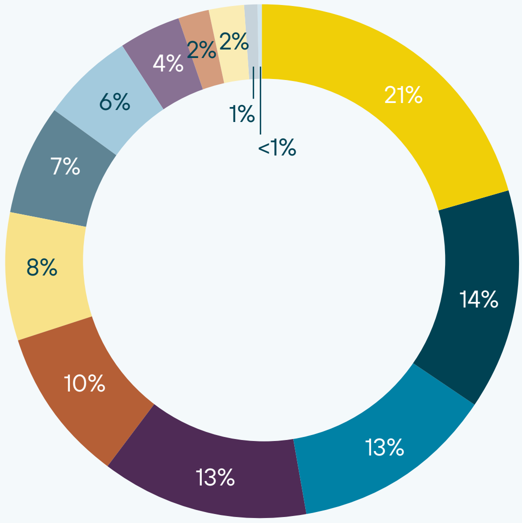
Investment Portfolio Composition
RECI's investment portfolio, a diversified book of 61 positions in real estate bonds and loans, was valued at £390 million as at 31 March 2021, up from £375 million as at 31 March 2020. The investment portfolio had a weighted average levered yield of 9.7% and an average loan-to-value ratio of 65.0% as at 31 March 2021.

Portfolio by Geography (Funded Fair Value)

	31 March 2021*	31 March 2020
UK	**60.3%**	68.9%
France	**26.2%**	20.2%
Italy	**4.3%**	4.9%
Germany	**2.5%**	1.5%
Portugal	**2.3%**	2.2%
Spain	**1.8%**	–
Finland	**1.2%**	1.5%
Netherlands	**0.1%**	0.1%

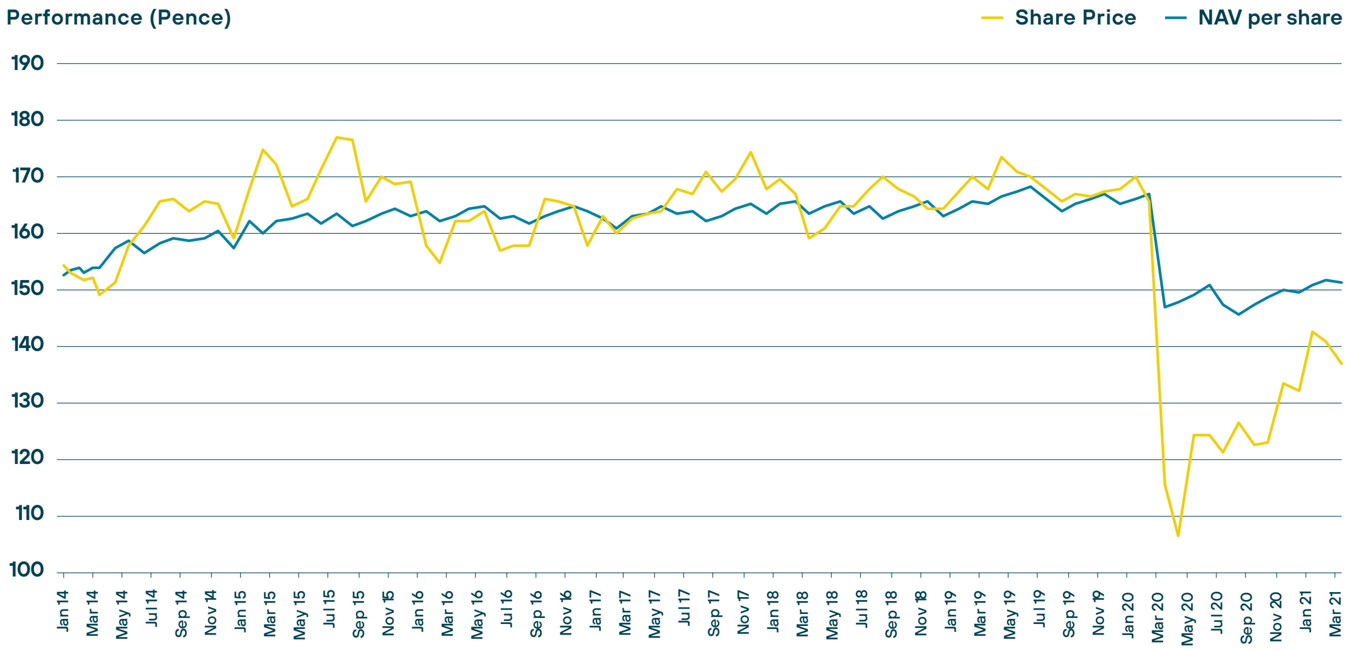
* Excludes 1.3% (31 March 2020: 0.7%) held in bonds backed by assets in multiple European countries.

Sector Breakdown (Funded Fair Value)



	£
Mixed Use	80.4m
Retail	53.9m
Hotel	52.7m
Office	51.0m
Student Accommodation	37.3m
Housebuilder	30.2m
Serviced Apartments	26.0m
Healthcare	23.6m
Leisure	16.5m
Logistics	7.2m
Co-Living	6.7m
Residential	3.2m
Industrial	1.7m
Total	**390.4m**

Share Price vs NAV



NAV and Share Price	As at 31 March 2021
Net Assets	**£346.9m**
Shares Outstanding	**229.3m**
NAV (pence per share)	**£1.51**
Share Price (per share)	**£1.37**
Premium/(Discount)	**-9.4%**
Dividend Yield	**8.8%**
Market Capitalisation	**£314.2m**

Total NAV Return*	
Half Year Ended 31/Mar/21	**6.4%**
Financial Year Ended 31/Mar/21	**11.0%**
Prior Financial Year Ended 31/Mar/20	**-3.6%**
Last Three Financial Years Ended 31/Mar/21	**14.1%**
Last Five Financial Years Ended 31/Mar/21	**29.2%**

* The NAV total return measures the combined effect of any dividends paid, together with the rise or fall in the NAV per Ordinary Share. The NAV total return relates to past performance and takes into account both capital returns and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in the assets of the Company at its NAV per Ordinary Share on the ex-dividend date. The NAV total return is considered an Alternative Performance Measure pursuant to ESMA Guidelines which is unaudited and outside of the scope of IFRS.

ABOUT THE COMPANY

The Investment Objective of the Company is to provide Shareholders with attractive and stable returns, primarily in the form of quarterly dividends

The Company invests in real estate debt secured by commercial real estate in Western Europe, focusing primarily on the United Kingdom and France.

Real Estate Credit Investments Limited ("RECI" or the "Company") is incorporated in Guernsey, governed by the Companies (Guernsey) Law, 2008 (the "Companies Law") and regulated as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission. At the Annual General Meeting ("AGM") in September 2017, the continuation vote was passed and the next continuation resolution will be subject to Shareholder approval at the AGM to be held in September 2021.

The Company invests in real estate debt secured by commercial or residential properties in the United Kingdom and Western Europe, focusing primarily on those countries where it sees the changing dynamics in the real estate debt market offering a sustainable deal flow for the foreseeable future. The Company has adopted a long-term strategic approach to investing and focuses on identifying value in real estate debt. In making these investments, the Company uses the expertise and knowledge of its Alternative Investment Fund Manager ("AIFM"), Cheyne Capital Management (UK) LLP ("Cheyne" or the "Investment Manager").

The shares are currently listed on the premium segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange. The shares offer investors a leveraged exposure to a portfolio of real estate credit investments and pay a quarterly dividend.

Website and Share Price Information

The Company has a dedicated website, which can be found at www.recreditinvest.com, that contains information including regulatory announcements, share price information, financial reports, investment objectives and strategy, investor contacts, information on the Board and information on the Alternative Investment Fund Managers Directive ("AIFMD").

Investment Objective and Investment Policy

Investment Objective

The Investment Objective of the Company is to provide Shareholders with attractive and stable returns, primarily in the form of quarterly dividends, by exposure to a diversified portfolio of real estate credit investments, predominantly comprising real estate loans and bonds.

Investment Policy

To achieve the Investment Objective, the Company invests and will continue to invest in real estate debt secured by commercial or residential properties in the United Kingdom and Western Europe ("Real Estate Credit Investments"). The Real Estate Credit Investments may take different forms but are likely to be:

(i) secured real estate loans, debentures or any other forms of debt instruments (together "Secured Debt"). Secured real estate loans are typically secured by mortgages over the property or charges over the shares of the property-owning vehicle. Individual Secured Debt investments will have a weighted average life profile ranging from six months to 5 years. Investments in Secured Debt will also be directly or indirectly secured by one or more commercial or residential properties, and shall not exceed a loan-to-value ("LTV") of 85% at the time of investment;

(ii) listed debt securities and securitised tranches of real estate related debt securities, for example, residential mortgage backed securities and commercial mortgage backed securities (together "MBS"). For the avoidance of doubt, this does not include equity residual positions in MBS; and

(iii) other direct or indirect opportunities, including equity participations in real estate, save that no more than 20% of the total assets will be invested in positions with an LTV in excess of 85% or in equity positions that are uncollateralised. On certain transactions, the Company may be granted equity positions as part of its loan terms. These positions will come as part of the Company's overall return on its investments and may or may not provide extra profit to the Company depending on market conditions and the performance of the loan. These positions are deemed collateralised equity positions. All other equity positions that the Company may invest in are deemed uncollateralised equity positions.

Dividend Policy
Subject to the applicable requirements and restrictions contained in the Companies Law, the Company may consider making interim dividend payments to Shareholders, having regard to the net income remaining after the potential reinvestment of cash or other uses of income, at a level the Directors deem appropriate, in their sole discretion, from time to time. There is no fixed date on which it is expected that dividends will be paid to Shareholders. The Directors intend that the Company pays dividends to Shareholders when it is able and appropriate to do so.

London Mixed Use development

It is the intention of the Company to continue to pay a stable quarterly dividend with the potential for additional payments if investment returns permit

CHAIRMAN'S STATEMENT

RECI maintained an unchanged dividend of 3 pence per quarter throughout the year

Bob Cowdell
Chairman

I am writing to you today about our financial year ended 31 March 2021, which began during the UK's first ever national lockdown and ended in a third period of national lockdown. Looking back on this period, it will be remembered as a year when Covid-19's global impact left no individual, company or country unaffected. The continuing impacts and the future economic and social consequences of this pandemic remain a challenge for all.

Our financial year began eight days into the first unprecedented lockdown, with global markets having fallen as the speed of Covid-19's global spread and the lack of any vaccine or other known means of effective prevention, created huge uncertainty as to the global impact of this "one in a hundred years" event. It is timely to remember the depth of concern and the very great uncertainty of outlook which faced governments, boards of directors, investment professionals and individuals during the early Spring and Summer of 2020.

In responding to these challenges, your Board worked with Cheyne and our team of advisers to keep our investors fully informed and position RECI to continue to deliver for our Shareholders throughout this extraordinary year. I am pleased to report that for the year ended 31 March 2021: RECI delivered a total net profit of £37.2 million; maintained an unchanged dividend of 3 pence per quarter throughout the year; and saw a significant narrowing of the discount to NAV from 21.4% to 9.4%.

I am hugely grateful for the support and guidance of my fellow Directors and for the hard work, focus and expertise of Cheyne and our team of advisers who, despite grappling with the operational challenges of remote working and in some cases, the personal impact of Covid-19, worked tirelessly to guide RECI through the last financial year.

Financial Performance

RECI reported a total net profit for the financial year ended 31 March 2021 of £37.2 million on year-end total assets of £426.2 million, compared with a £17.4 million net loss in the year ended 31 March 2020, on year-end total assets of £441.8 million.

The NAV as at 31 March 2021 was £1.51 per share (£1.47 per share as at 31 March 2020) which, combined with the 12 pence per share of dividends payable in respect of the year ended 31 March 2021, represents an annualised total return for Shareholders of 11.0% for the year.

During the financial year ended 31 March 2021, the Company's shares traded at an average discount to NAV of 14.1% (0.2% premium for the year ended 31 March 2020).

A fourth interim dividend of 3 pence per share was declared on 23 June 2021, in respect of the year ended 31 March 2021. Total dividends declared in respect of the financial year ended 31 March 2021 were an unchanged 12 pence per share, returning £27.5 million to our Shareholders.

During the last financial year, the Company utilised short-term leverage at an average cost of borrowing of 3.2%; with average gross leverage of £68.2 million or 1.18x NAV.

During the financial year to 31 March 2021, the Company invested £85.2 million in the loan portfolio, of which £41.3 million was the draw down on preceding years' commitments; and purchased £23.2 million of new market bonds for the portfolio. RECI also received cash repayments and interest of £111.6 million in this year.

Responding to the Covid-19 challenges

The global spread of Covid-19 in Q1 2020, had seen severe corrections in markets worldwide, impacting upon RECI's NAV, which had declined to £1.47 at the beginning of the 31 March 2020 financial year, predominantly by the reporting of unrealised losses in the Company's bond portfolio. Thereafter, the NAV remained stable during the financial year, with no defaults in the portfolio. With some mark to market recovery on the bond portfolio, the NAV ended the year at £1.51 per share on 31 March 2021. As more fully described in the Investment Manager's Report, the


Cambridge Aparthotel development

resilience of the portfolio benefitted from its focus on senior loans and bonds and the discipline of lending to large, well capitalised and experienced counterparties.

With prompt and frequent dialogue between the Board and Cheyne, RECI responded swiftly to the impact of Covid-19 by reducing its leverage and preserving a robust cash reserve against the prevailing market and economic threats and uncertainties.

When the financial year began on 1 April 2020, RECI had gross leverage of 1.24x and leverage net of cash of 1.13x. By 31 May 2020 this had been reduced to a gross leverage of 1.16x (1.07x net of cash). In the second half of the financial year ended 31 March 2021, the Board and Cheyne continued to consider the appropriate level of gearing for the Company against the backdrop of market outlook and the emergence of new investment opportunities, and at the financial year end it had a gross leverage of 1.22x (1.16x net of cash). The Board and Cheyne continue to consider a range of potential leverage options and have introduced non-recourse lending on the loan portfolio since 31 March 2021.

Following the steep market correction in February and March 2020, your Board was mindful of maintaining sufficient cash resources over the first half of the financial year, to ensure that the Company would be resiliently positioned to respond to any future negative cash flow impacts upon the portfolio. While we now benefit from knowing the speed of scientists successfully developing vaccines as a mitigant to Covid-19, the retention of cash during the first half of last year was prudent and necessary given the great uncertainties prevailing at the time. It is a testament to Cheyne's deal structuring and counterparty selection that RECI received cash repayments and interest of £111.6 million during the year ended 31 March 2021, most of which were received on or ahead of their original contractual repayment dates. During the second half of the financial year, with the NAV stable and repayments being received as expected, some cash was deployed into a selected number of new senior return-enhancing investments. On each occasion, the various alternative options to utilise the Company's cash were fully considered and the balance of advantage weighed up by the Board and our advisers.

Since the 31 March 2021 year-end, your Board has remained cautious in monitoring our cash reserves and the Company's gross and net leverage and maintained a disciplined approach as to how best to deploy RECI's available cash resources, so as to take advantage of the emerging attractive investment opportunities identified by Cheyne to enhance portfolio returns and improve dividend cover.

On 15 May 2020, following detailed cash modelling and forecasting, your Board announced that the Company intended to continue to pay a stable quarterly dividend and that there would be no change to the Company's dividend policy for the financial year ended 31 March 2021. We also brought forward the declaration of the fourth interim dividend of 3 pence per share in respect of the year ended 31 March 2020.This provided welcome certainty for our Shareholders at a time when many other companies were suspending or cutting their dividends; with dividends per share on the FTSE All Share Index falling 40.0% during 2020.

I am pleased to report that RECI has delivered to our Shareholders an unchanged dividend of 12 pence in respect of the financial year ended 31 March 2021, with quarterly interim dividends declared on 6 August and 26 November 2020 and on 19 February and 23 June 2021; each maintaining a payment of 3 pence per share.

Inevitably with the onset of the Covid-19 pandemic, RECI was not immune from the broader impact of market falls and investor nervousness regarding, among others, the outlook for the credit and real estate asset classes. Accordingly, the financial year began with the share price at £1.16 and standing at a discount to NAV of 21.4%. In response, your Board and Investment Manager focused our efforts on providing transparency and informing investors about the

CHAIRMAN'S STATEMENT (CONTINUED)

status of RECI's own portfolio, positioning and outlook and seeking to provide clarity to our Shareholders. There was price recovery following the dividend declaration and guidance provided on 15 May 2020 and following the 17 November Company Update, with the share price climbing 21.4% by the financial year end and the discount narrowing to 9.4%. Since 1 April 2021, the Company's shares have traded at an average discount of 6.0%. As at the close of trading on 22 June 2021, the shares were priced at £1.45 each, a discount of 5.6%.

In May and November 2020, the Investment Manager provided a detailed and comprehensive review of RECI's portfolio as part of our programme of enhanced investor communication through this uncertain period. This initiative has continued, with the latest Company Update provided on 27 April 2021 and, notwithstanding various Covid-19 related restrictions, a number of online events and meetings have been held with new and existing investors so as to maintain a regular dialogue with our Shareholders and potential new investors. Both your Board and Cheyne are committed to providing detail and transparency regarding the Company's portfolio and investment strategy, allowing all investors to focus upon RECI and its merits and opportunities, notwithstanding the broader macro market environment.

The Board and its advisers are focused on further reducing the discount by continuing to keep investors fully informed; aiming to maintain delivery of an attractive and stable quarterly dividend; and enhancing returns and dividend cover by selectively investing in the current and future pipeline of senior lending opportunities.

Board Update

On 1 March 2021, we welcomed Colleen McHugh to the Board as an independent non-executive director. With over 20 years' global experience in the investment and financial services industry, we are already benefitting from the complementary skills she brings to RECI and her keen interest in environmental, social and governance matters.

The Company announced on 22 February that Graham Harrison will be retiring from the Board at the end of the September 2021 AGM. I would like to express the Board's appreciation of Graham's much valued and insightful contributions to RECI over many years and to wish him every success for the future.

Following Graham's retirement in September, the Board will comprise an equal representation of male and female Directors.

Since the start of the last financial year, members of the Board have purchased an aggregate of 75,250 shares in the Company.

Environmental, Social and Governance Matters ("ESG")

The Directors support the growing regulatory and shareholder emphasis on ESG considerations and recognise the importance of ESG and ethical factors, including climate change, when pursuing the Company's investment objective and in the selection of the service providers and advisers to the Company. The Board believes that the Investment Manager is well-placed to assess the risks and opportunities which will result from accelerating ESG-driven change and continues to develop its ESG approach. Please refer to pages 19-20 of the Strategic Report and page 25 of the Investment Manager's Report where we provide information about the Company's and the Manager's evolving approach to ESG matters.

Outlook

As I write, while the threat and ongoing impacts of Covid-19 remain, it may not have appeared credible a year ago that scientists would have successfully created not one but several effective vaccines which, subject to the challenges of achieving global rollout, have underpinned the current buoyant global equity markets and recent revised positive economic growth forecasts. Nevertheless, as the recent spread of the so-called "Delta variant" of Covid-19 reminds us, one has to be cautious in expressing a view on the broader economic "outlook" as the World continues to wrestle with containing the Covid-19 pandemic and addresses the unprecedented challenges it has left in its wake.

Against this background, your Board and Investment Manager will maintain our disciplined approach to cash management and leverage and continue to focus on that which we can exercise direct control over, namely: expert origination capability; highly disciplined investment selection; modest levels of flexible gearing; maintaining the payment of an attractive and consistent dividend; and positioning the portfolio to enhance NAV.

The April Company Update and the Investment Manager's Report describe Cheyne's view of the attractive opportunities for RECI, which should benefit from the current disruption in real estate and credit markets. This is confirmed by the attractive terms of recent investments and the pipeline identified by them, providing enhanced returns and improving dividend cover. Your Board and Cheyne are encouraged by the opportunities available to strengthen further the portfolio and continue to deliver an attractive dividend to investors seeking a reliable long term income stream.

The Company has its next continuation vote at the AGM to be convened in September 2021 and your Board and Investment Manager believe that RECI is soundly positioned to weather any future Covid-19 related challenges; enhance our portfolio by deploying cash selectively into the new pipeline of opportunities; and continue its delivery of an attractive and stable dividend over the next four-year cycle and beyond.

Bob Cowdell
Chairman
23 June 2021

KPIs AND FINANCIAL HIGHLIGHTS

Key Performance Indicators

Balance Sheet	31 Mar 2021	31 Mar 2020
Net Asset Value ("NAV") per share	**£1.51**	£1.47
Share price	**£1.37**	£1.16
Discount	**(9.4)%**	(21.4)%
Average (discount)/premium in year*	**(14.1)%**	0.2%
Leverage (% of NAV)**	**22.4%**	24.2%

* Average (discount)/premium in year is the average of the difference between the share price and the NAV per share divided by NAV per share.

** Leverage is the recourse financing divided by the net assets.

Profit and Loss	31 Mar 2021	31 Mar 2020
Earnings/(loss) per share	**16.2p**	(8.7)p
Dividends per share declared for the year	**12.0p**	12.0p
NAV total return (including dividends) annualised	**11.0%**	(3.6)%

Financial Highlights

Balance Sheet	31 Mar 2021	31 Mar 2020
Fair value of bilateral loans and bonds	**£310.1m**	£287.3m
Fair value of market bonds	**£80.4m**	£87.9m
Short-term financing	**£(77.8)m**	£(97.0)m
Cash, cash equivalents and cash held by brokers	**£22.2m**	£52.0m
Other assets and liabilities	**£12.1m**	£7.0m
Net assets*	**£346.9m**	£337.2m

* Net assets may not sum due to rounding.

Profit and Loss	31 Mar 2021	31 Mar 2020
Operating income/(loss)	**£45.3m**	£(9.5)m
Finance costs	**£(2.2)m**	£(1.5)m
Operating expenses	**£(5.8)m**	£(5.6)m
Provision for expected credit losses	**£0.0m**	£(0.9)m
Net profit/(loss)*	**£37.2m**	£(17.4)m
Weighted average yield of bilateral loan and bond portfolio (unlevered)**	**8.8%**	10.2%
Weighted average yield of market bond portfolio (unlevered)***	**6.1%**	10.6%

* Net profit/(loss) may not sum due to rounding.

** The effective yield of the loans is the accounting yield based on the funded loan balances, which includes interest and fees. Some loans also enjoy equity upside participation, which is only recognised following evidenced high probability of receipt, which can result in significant incremental gains in excess of the accounting yield. The yield is based on Cheyne's pricing assumptions and actual returns may differ materially from those expressed or implied herein.

*** The weighted average effective yield is based on Cheyne's pricing assumptions and actual returns may differ materially from those expressed or implied herein.

Further Information

Monthly fact sheets as well as quarterly update presentations are available on the Company's website: www.recreditinvest.com

Strategic and Business Review

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Office development in Paris

OBJECTIVES

The opportunity set in senior loans and bonds remains compelling and sustainable

Strategic Framework and Performance Highlights

1

Provide investors with a diversified portfolio of real estate credit investments

Progress in Year Ended 31 March 2021

- Over the course of the last financial year RECI has invested a total of £108.4 million, of which £43.9 million was funded into real estate loan commitments, £41.3 million into self-originated real estate bonds, and £23.2 million into market real estate bonds.

2

Deliver a stable quarterly dividend with minimal volatility

Progress in Year Ended 31 March 2021

- Paid out 3 pence per share each quarter, 12 pence over the year;
- A total of £27.5 million returned to our Shareholders.

Newly Invested in year

£108.4m
(as at 31 March 2021)

Return to Shareholders

£27.5m
(as at 31 March 2021)

Investment Portfolio

£390.4m
(as at 31 March 2021)

3

Exploit opportunities in the real estate market

4

Grow the Company through opportunities the Investment Manager is delivering

Progress in Year Ended 31 March 2021

- Investment book has grown to £390.4 million as at 31 March 2021;
  - Spread across 61 positions with a weighted average levered gross yield of 9.7% and an average loan-to-value of 65.0%.
- RECI also received cash repayments and interest of £111.6 million in the year.

Progress in Year Ended 31 March 2021

- With the onset of Covid-19, RECI sought to lower its leverage and conserve cash;
- As the market conditions improved, RECI selectively reinvested its capital to once more optimise its returns;
- RECI is well placed to continue to grow, given the strong balance sheet and opportunities from the Investment Manager.

The Strategic Report

The Strategic Report describes the business of the Company and details the principal risks and uncertainties associated with its activities.

Investment Objective, Investment Policy and Business Model

The Investment Objective and Investment Policy are set out on page 6, and further to this, the Company's business model is detailed in the Investment Manager's report. There is also an "About the Company" section on page 6 explaining in more detail the corporate structure and listing of the Company's shares.

RECI is externally managed by Cheyne, a UK investment manager authorised and regulated by the Financial Conduct Authority ("FCA"). Cheyne is a limited liability partnership registered in England and Wales on 8 August 2006 and is authorised and regulated in the conduct of investment business in the United Kingdom by the FCA. Cheyne is also the AIFM of the Company.

Current and Future Development

A review of the year and outlook is contained in the Investment Manager's report and also within the Chairman's statement.

Performance

A review of performance is contained in the Key Performance Indicators ("KPIs") and financial highlights section and the Investment Manager's report.

A number of performance measures are considered by the Board and the Investment Manager in assessing the Company's success in achieving its objectives and considering its progress and performance. The KPIs are shown on page 11.

Duties and Responsibilities

The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board is responsible to the Shareholders for the overall management and strategy of the Company but has delegated day-to-day operations to the Investment Manager and Citco Fund Services (Guernsey) Limited (the "Administrator"), while reserving the powers of decision making relating to the determination of the Investment Policy, corporate structure and the management of the share capital of the Company.

The Board is further responsible for financial reporting and controls and determining the dividend and accounting policies. While the Investment Manager manages the portfolio of the Company, the Board retains responsibility for overseeing the Investment Manager and ensuring the establishment and ongoing operation of a sound system of internal control. Any material contracts and those not in the normal course of business are also subject to approval by the Board.

The Board is also responsible for its own structure, size and effectiveness, with the delegation of some duties to Committees made up of its members. The Board retains the control of the Committees and requires that they report to the full Board on a regular basis providing their findings and recommendations. The Nomination Committee is responsible for considering the size, structure and composition of the Board; retirements and appointments of additional and replacement Directors and, as appropriate, makes recommendations to the Board. The Remuneration Committee determines Directors' remuneration and sets the Company's remuneration policy.

The Board performs a formal and rigorous review of its own performance and continually scrutinises its independence and transparency.

The Board's responsibilities for the Annual Report are set out in the Directors' responsibility statement. The Board is also responsible for issuing appropriate half-yearly financial reports and other price-sensitive public reports.

Long-term Viability

The Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has chosen a period of three years for the following reasons:

(i) The Company's planning horizon covers a three-year period;

(ii) The next continuation vote is due in September 2021 and a three-year plan takes the Company past this date. There is no indication currently that the next continuation vote won't be passed. If the continuation resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval within six months of the date of the continuation resolution; and

(iii) The weighted average life of the bond portfolio is 3.0 years as at 31 March 2021, the usual term of a new loan at origination is between 3 to 5 years, so the majority of the assets could be expected to be realised in a three-year period, or shortly thereafter.

The three-year review considers the Company's cash flows arising from the loan and bond portfolios, including interest received and proceeds from realisations, short-term finance obligations of the Company and dividend cover. Further considerations are the inherent sensitivities within the loan and bond portfolios, their impact on the cash flows and a continuation vote in September 2021.

The Board has identified a number of principal risks, which are detailed below. The Board has taken these into account when considering the long-term viability of the Company.

The Board routinely conducts three-year reviews, stress testing the performance against a number of adverse scenarios, such as the fair value write down of the investments, or reduced cash flows from the investment portfolio. The fair value stress test was considered relevant to factor in any potential events affecting the underlying assets or credit concerns about the borrowers which potentially could impact on the fair value. The reduced cash flows stress test was considered relevant in the event of potential defaults arising on the loan portfolio and the inability to recover the interest or principal back in full.

In the current environment the Company has also considered the future of its manager when looking at its own viability, and given the size of the manager's platform away from the Company and the private capital it manages in numerous other funds, the manager is expected to be able to continue to manage RECI for the foreseeable future.

Further consideration has been given with respect to the current market environment, including the economic impacts of the current global Covid-19 pandemic and UK and overseas governments' lockdowns, as well as potential Brexit departure impacts. The Investment Manager has prepared sensitivity analyses including various stress scenarios. An evaluation was performed for each of the positions in light of the likely long-term impact of the Covid-19 economic crisis on operating models and valuations and hence recovery prospects for certain individual positions. The output of this analysis was used to i) report fair value movements, and ii) update all the cash and income forecasting for the portfolio. The Investment Manager performed a granular analysis of the future liquidity profile of the Company. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs).

Even taking these stress scenarios into account and bearing in mind the leverage and liquidity of the bond portfolio, the Company is expected to be able to meet its liabilities over the three-year period.

Risk Management

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

The Board considers that the following are the principal risks and uncertainties faced and has identified the mitigating actions in place to manage them.

Long-term Strategic Risk

The Company is subject to the risk that its long-term strategy and its level of performance fail to meet the expectations of its Shareholders. The shares may trade at a continuing discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV per share. The Board monitors the level of premium or discount of share price to NAV per share.

The Board monitors investment strategy and performance on an ongoing basis and regularly reviews the Investment Objective and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its Shareholders. While the Board may seek to enhance NAV per share and potentially reduce any discount to NAV through share buybacks, this will only be done when resources permit and there can be no certainty that they will do so and/or that an enhancement to share price will be achieved.

The Company has the authority to make market purchases of fully paid shares of up to 14.99% of each class of shares in issue, and renewal of this authority will be sought from Shareholders at the AGM in September 2021 and at each subsequent AGM, or earlier at an Extraordinary General Meeting if the Directors consider it appropriate.

STRATEGIC REPORT (CONTINUED)

Target Portfolio Returns and Dividend

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. In addition, the pace of investment may 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. However, as the Company is able to invest in both bonds and loans, the Investment Manager has the ability to adjust the asset mix towards bonds, thereby helping the Company mitigate potential cash drag when loan repayments are made.

As a result 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 Investment Manager regularly provides the Board with reports on pipeline opportunities, which include analysis of the expected returns available. The Directors also regularly receive information on the performance of the existing loans which includes analysis of the likelihood of any early repayments which may impact returns.

Valuation

The valuation and performance of the Company's investments that comprise its portfolio of real estate debt instruments are the key value drivers for the Company's NAV and interest income. Judgements over fair value estimates could significantly affect these key performance indicators.

The Company categorises its financial assets and liabilities in accordance with IFRS 9 and establishes fair value utilising the methodology in accordance with IFRS 13, as set out in Note 15(d) to the financial statements.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Market Bonds – The Company is subject to the risk that issuers of asset backed securities in which it invests may default on their obligations and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of an instrument in which the Company invests will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Company will not sustain a loss on the transaction as a result. The Company seeks to mitigate this risk by monitoring its portfolio of investments, reviewing the underlying credit quality of its counterparties, on a monthly basis.

Self Originated Assets – The Company is subject to the risk that the underlying borrowers to the loans in which it invests may default on their obligations and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. Any loan may become a defaulted obligation for a variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents. In the event of any default on the Company's investment in a loan by the borrower, the Company will bear a risk of loss of principal and accrued interest on the loan, which could have a material adverse effect on the Company's investment. There can be no assurance that a borrower will not default, that there will not be an issue with the underlying real estate security or that an event which has an immediate and significant adverse effect on the value of these loans will not occur, and that the Company will not sustain a loss on the transaction as a result. The Company seeks to mitigate this risk by performing due diligence and monitoring its portfolio of investments, reviewing the underlying credit quality of its borrowers, performance of the underlying asset, and loan covenant compliance against financial information received and the performance of the security, on a quarterly basis.

Market Risk

Market risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk is comprised of interest rate risk, currency risk, price risk and liquidity risk.

The Company's strategy on the management of market risk is driven by the Company's Investment Objective as detailed on page 6 and in Note 1 to the financial statements.

The Company's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed in the latest Prospectus and summarised in the financial statements.

Interest Rate Risk

Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests in both direct real estate loans and floating rate real estate debt securities, which include mortgage backed securities ("MBS").

Real estate loans can have fixed interest coupons and are therefore potentially exposed to the wider effects of changes in interest rates. For bonds, the interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. A segment of the portfolio consists of floating rate debt investments which are exposed to interest rate risk through changes in interest rates, potentially having an effect on prepayments and defaults of the underlying loans of the securitisations.

While retaining the ability to do so the Company does not currently enter into hedging arrangements in respect of interest rate fluctuations.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk to the extent that foreign exchange rates fluctuate in relation to financial instruments that are denominated in currencies other than GBP.

The Company manages its foreign exchange risk on a portfolio basis. The Company may bear a level of currency risk that could otherwise be hedged where it considers that bearing such risks is appropriate. The Company manages its foreign exposure via forward foreign currency exchange contracts.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities on a timely basis. The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed in Note 15(c) to the financial statements. Where needed, the Investment Manager will seek to liquidate positions to increase cash or reduce leverage.

Much of the market for MBS and real estate loans is relatively illiquid. In addition, investments that the Company purchases in privately negotiated (also called "over the counter" or "OTC") transactions may not be registered under relevant securities laws or otherwise may not be freely tradable, resulting in restrictions on their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result of this illiquidity, the Company's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited.

Furthermore, where the Company acquires investments for which there is not a readily available market, the Company's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such investment is exposed may be limited.

For further information on risks, please refer to Note 15 to the financial statements.

Other Risk Factors (including Brexit and Covid-19 Assessments)

The Board considers many other risks to the ones highlighted above, including potential Brexit and Covid-19 impacts, and these will continue to be monitored or considered by the Board and Investment Manager. Given the short weighted average life of the assets, and the continual replacement of assets in the portfolio from the wider Investment Manager's pipeline, such macro risks are worked through in the life of the assets. Any issues that might potentially impact the value of the investments are taken into account in the fair value. An evaluation of each of the Company's positions in light of Brexit, Covid-19 or other stresses is continually monitored.

Environmental, Social and Corporate Governance ("ESG") Strategy

In carrying out its activities, the Company aims to conduct itself responsibly, ethically, and fairly. The Directors recognise the importance of environmental, social and governance factors, including climate change, when pursuing the Company's Investment Objective and in the selection of the service providers and advisers the Company works with. The Board, in conjunction with the Investment Manager, is monitoring closely upcoming regulation and any developments in this area.

The Company has a management contract with the Investment Manager. It has no employees and all its Directors are non-executive, with day-to-day activities being carried out by third parties. While the Company seeks to consider all aspects of ESG, climate change is not something that is directly impacted by the activity of the Company. The Company does not combust fuel and does not have any greenhouse gas emissions to report from its operations, nor does it have direct responsibility for any other emission producing sources. The Board believes that all companies have a duty to consider their impact on the community and the environment. The majority of Directors and some of the Company's service providers are based in Guernsey, thus minimising the need for commutes or flights to and from Board meetings. In addition, Covid-19 has precipitated an acceleration in the use of technology to facilitate virtual conference meetings, further reducing the need for travel, whilst the use of board portals removes paper requirements for the Directors when attending board meetings. Within the normal course of business, the Company expects there will be some air travel. Indeed, the Company considers that it is important for good corporate governance that the board meets in person on a regular basis, and at least quarterly, with the Investment Manager present.

STRATEGIC REPORT (CONTINUED)

The Company has decided to purchase carbon offsets for all flights that may be required by the Directors and the Investment Manager, thereby facilitating a carbon neutral position. The Company recognises that this action is the first step in an evolving climate strategy, that should encompass carbon removal as well as carbon offsets.

In March 2020, the Company as part of its efforts to reduce its carbon footprint wrote to all Shareholders on the share registrar informing them that the Company's preference going forward was to communicate electronically. Accordingly, the Company's website is now the default method of communication for Shareholder publications. Currently approximately 76% of the Company's Shareholder registrar receive documents and other communications electronically.

The Company's service providers and advisers recognise the importance of strong corporate governance with a culture based on integrity, respect and diversity and have adopted ESG standards. Further, they have documented and implemented policies on day-to-day functioning and supporting initiatives to minimise the environmental impact they have on the climate, where possible or relevant. Details of the ESG and corporate responsibility of the Company's service providers are available on their websites, where possible or relevant, or may be available upon request.

Several standards and codes have received prominence as metrics for investment managers. These include, for example, the UN Principles for Responsible Investment (UN PRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the Financial Reporting Council's Stewardship Code. The Company's main activities are carried out by the Investment Manager who was one of the initial signatories to the Standards Board for Alternative Investments (formerly known as the Hedge Fund Standards Board) and is a signatory to the United Nations supported Principles for Responsible Investment ("PRI"). The Investment Manager applies a Responsible Investment policy to its investment process. Cheyne's Real Estate Team analyses ESG factors in relation to the Company's real estate lending transactions and seeks to engage with the borrowers (to the extent relevant) to implement appropriate Responsible Investing ("RI") policies. Key factors taken into consideration, where appropriate and possible, are best-in-class environmental, design and construction standards, focus on Building Research Establishment Environmental Assessment "BREEAM" ratings, governance rights and engagement with sponsors. By following these steps, the Investment Manager seeks to ensure that the environmental, social and governance aspects of the Company's investments are taken into account.

An example of the Investment Manager's approach is the recent investment into a loan secured by a Co-Living project.

There were several ESG considerations which were important factors in determining whether this was going to be a project that they would recommend investing in. The Investment Manager is pleased that the project incorporates these elements:

- The project will be a car-free development and will provide a cycle hub for c. 200 bicycles, encouraging residents to use sustainable modes of transport;
- The Sponsor is dedicated to delivering 100% of new build assets rated as BREEAM Excellent utilising a range of green and sustainable technologies; and
- The Collective's co-living concept provides a high-quality community-focused accommodation addressing the issue of loneliness and isolation through communal spaces and on-site events.

Further details on Cheyne's ESG policy can we found on their website. https://www.cheynecapital.com/investment-strategies/real-estate/investing-responsibly/

Further information is available in the Corporate Governance Statement on page 38.

Co-living scheme in London

INVESTMENT MANAGER'S REPORT

RECI remains well placed to participate in the healthy new pipeline of Cheyne's deals

Ravi Stickney
Portfolio Manager

RECI's financial year ended 31 March 2021 began just after the announcement of the first UK national lockdown on 23 March 2020.

Looking back at the year, RECI effectively had a "year of two halves".

The first 6 months, spent in the fog of uncertainty, saw the Company review and, where relevant, intervene proactively on each of its underlying credit investments and also strengthen considerably its balance sheet.

This was aided materially by the fact that, in March 2020, RECI was already well positioned on both its investment portfolio as well as its structural strength. Drawing from the lessons of prior crises periods (notably, Brexit in 2016), the Company had:

- A loan book with a substantial focus on senior loans (as opposed to a book heavily exposed to mezzanine and preferred equity);
- A portfolio exposed predominantly to large loans to the best in class operators with substantial balance sheets (as opposed to mid sized or small ticket / bridge loans to the smaller or inexperienced borrowers);
- A conservative LTV of 64.4%; and
- A conservative amount of leverage on its balance sheet of 24.2% (of NAV).

In defending its credits, RECI successfully managed to work with its borrowers (where necessary), consensually, to strike that balance between aiding the borrower in navigating this difficult period whilst also de-risking and defending RECI's position.

I am pleased to note that this was achieved in every instance in the manner intended, with borrowers being given the time and space to successfully address the impacts of this pandemic whilst putting RECI into a more comfortable position to face into the crisis.

Indeed, RECI saw a substantial number of its pre-Covid-19 loans repay (in full); three loans releasing £54.9m during this financial year.

In strengthening its balance sheet going into a period of deep uncertainty, RECI quickly and successfully enhanced its cash position and reduced its leverage materially. This was accomplished by a combination of expediting repayments (where possible), retaining cash (by delaying new origination) and selling some of its bond positions.

The strength of its balance sheet meant that RECI never faced a period of uncertainty with regards to meeting its obligations (to its funders or to its borrowers).

The second half of the year was characterised by the emerging visibility on the trajectory of the virus itself and the growing success of vaccine production. The ability to peer into the future brought with it a gradual turn from a deep financial market crisis to confidence in investment markets globally.

For RECI, that marked a phased transition from defence into a focus on two key questions: (1) the challenge of closing the deep gap between its NAV and the then share price and (2) to utilise the balance sheet to enable RECI to return to a position where dividend cover was re-established (substantial un-invested cash posing a drag on the earning capability of the balance sheet).

RECI's response to these challenges was to:

a) Improve significantly its investor engagement and level of transparency – to provide both current and prospective investors insight into its investment positions and also its balance sheet and cash positions;

b) Ramp up its investment programme into what was, and continues to be, a very attractive pipeline of mainly senior loans, with a view to a selective re-deployment of its significant cash balances into income generating secure investments; and

c) Learn from the concerns of investors over the short term nature of its REPO funding book and move to a balanced book of leverage between short term REPO and longer term matched funding.

In these aims, RECI has made good progress in the last few months:

a) Investor feedback on the improved level of transparency and engagement has been positive and welcoming. With this in mind, we will recommit to continuing and enhancing further our level of investor engagement;

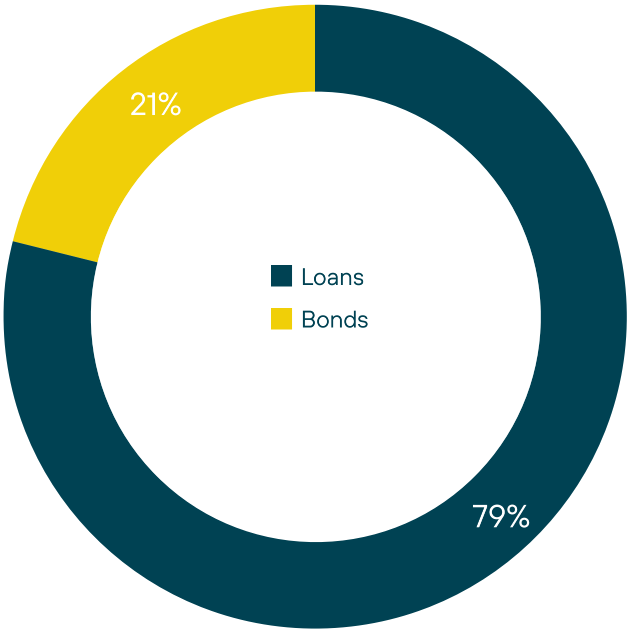
b) RECI has successfully made new commitments of £117.2m against nine loans in the last year. With a WA Yield on new loans at 9.1%, helping considerably towards a migration to dividend coverage from income alone (as opposed to income and profits); and

c) RECI has established, with a number of banks, lines of funding against individual loan credit on a term matched basis.

Prior to the pandemic, RECI had also a stated aim of increasing its size and diversity of investors – to match against the growing opportunity set as well as to keep RECI in tandem with the growth of the overall real estate debt business at Cheyne Capital.

Investment Portfolio Overview

Investment Portfolio Composition (Funded Fair Value)



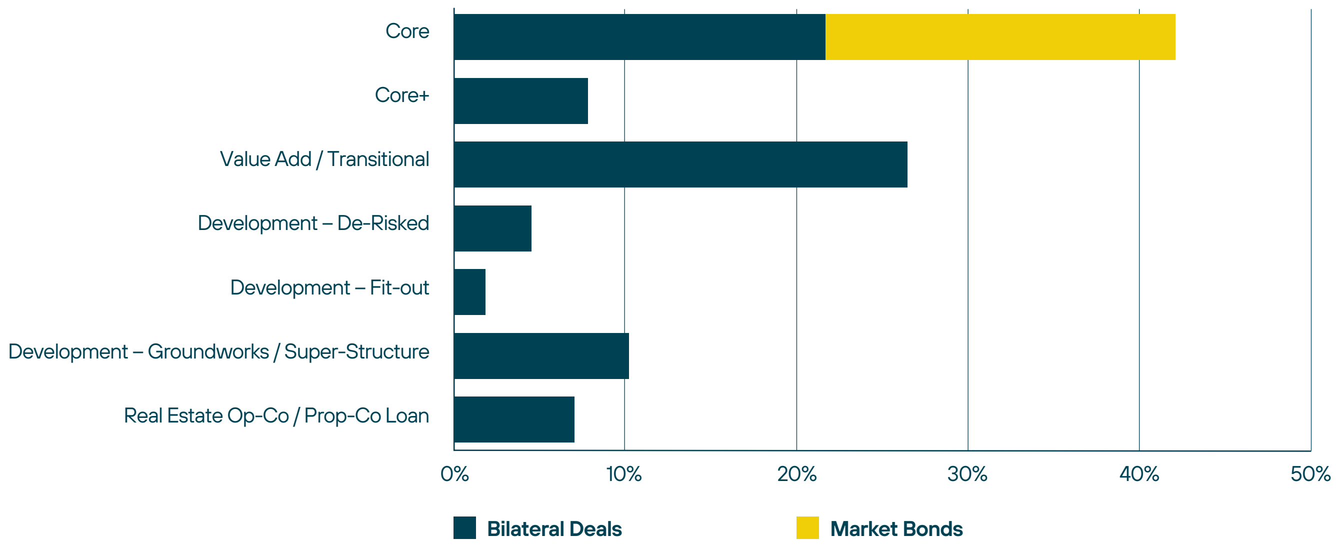
Portfolio by Geography (Funded Fair Value)

	31 Mar 2021*	31 Mar 2020
UK	**60.3%**	68.9%
France	**26.2%**	20.2%
Italy	**4.3%**	4.9%
Germany	**2.5%**	2.2%
Portugal	**2.3%**	1.5%
Spain	**1.8%**	–
Finland	**1.2%**	1.5%
Netherlands	**0.1%**	0.1%

* Excludes 1.3% (31 March 2020: 0.7%) held in bonds backed by assets in multiple European countries.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Portfolio by Investment Strategy (Funded Fair Value)



Top 10 Positions

Top 10 Positions[1] as at 31 March 2021

	Description	Commitment	LTV	Investment Strategy	Asset Type	Manager Commentary
1	Paris prime residential/retail building	£48.9m	67%	Senior Loan	Core	Income producing prime central Paris retail and residential (for rent)
2	UK mixed use portfolio, predominantly office/residential	£38.0m	58%	Senior Loan	Core+	Income producing granular UK portfolio (mainly residential for rent and sale, offices, light industrial)
3	Serviced apartment development in Lisbon	£34.6m	53%	Senior Loan	Development	Development in progress. Expected completion in early 2022
4	Office development in Saint Ouen, Paris	£29.3m	58%	Senior Loan	Development	Refurbishment and extension of a freehold office building
5	London mixed use development, predominantly residential/office	£27.2m	66%	Senior Loan	Development	Substantially complete (delivery scheduled for December 2020), partially pre-let
6	Cambridge Aparthotel	£25.4m	65%	Senior Loan	Development	Development in progress. Expected completion in early 2022
7	UK Care Homes	£23.2m	73%	Senior Loan	Core	Stable, income producing UK care homes
8	London Office	£22.8m	59%	Senior Loan	Core	Fully let 98,246 sq. ft. new grade A office block located in Hoxton
9	UK Student Housing	£22.4m	78%	Mezzanine Loan	Core	Stable income producing UK student accommodation assets
10	Hotel/Branded Residences Development in Algarve, Portugal	£18.5m	56%	Senior Loan	Development	Development in progress. Expected completion in June 2022

[1] Based on total commitment of bonds and loans.

It is our intent to resume that growth path for the Company as soon as practicable. The opportunity set (particularly in senior lending) is more attractive today than it has been for some years, and RECI should grow to benefit from this dynamic.

The challenges and opportunities facing the real estate market in Europe have evolved through the last year. Today, the market is characterised by an abundance of liquidity seeking attractive returns and entry points into a market that has been disrupted. Buyers are taking views on the evolution of asset usage (need) and supply through the pandemic.

The pandemic has presented short term challenges to the most affected asset classes (retail and hospitality). However, what is far more pertinent is the evolution of assets to meet the longer term shift in how we work and live.

For example, the evidence from changes in how we shop is clear in the growth of the logistics assets class and the decline in town centre shopping. This is a trend that is set to continue.

In a similar vein, there will be material changes ringing through virtually every asset class. In broad terms, we see these as arising from the following;

- ESG as discussed in the Strategic Report;
- Rapid advances in technology. Not just in ecommerce, but also in technology relating to the method and materials used in the construction and operation of our buildings;
- A focus on healthcare and life sciences;
- A focus on well being (both in the work place and at home);
- The realisation that, for most industries, a hybrid working model is possible and hence the implications for office space usage, commuting and where we choose to live;
- A deep realisation that social inclusion and advancement, for all is absolutely necessary, with its implications for how we build our cities and communities;
- A drive to ensure that real estate creation is sympathetic to an improvement in our environment – both in terms of the usage of materials and energy and also in terms of the built environment around it; and
- The awareness that governance oversight from the stewards of capital is essential in the creation of assets that promote social good.

For RECI (and the Cheyne real estate debt business), these themes are paramount in how we select projects to fund and in how we interact with our borrowers.

Alongside these far reaching and longer term changes, we see the more immediate concerns for financial markets to be focused upon the question of inflation (is it transient or entrenched?) and the implications of this.

Wider financial market turbulence is now evident against the backdrop of a fear that entrenched inflation, arising from the significant fiscal stimulus from the last 18 months and the backlog of CAPEX being unwound, is going to result in rises in rates and hence a brake on market valuations.

Real estate, whilst not immune to wider investment market sentiment, has a more nuanced relationship with inflation and rates. In broad terms, inflation is viewed as neutral to real estate, insofar as that asset is capable of matching economic inflation with a growth in its rents – which should follow if indeed the economy is in growth. That assumption may not hold true for all asset classes.

Our choice of funding reflects this latter concern in that we seek out assets that have a demonstrable long term need unmet by supply and should benefit from economic growth, with downside protection against economic decline from the defensive basis on which we lend.

Real estate credit market dynamics in Europe have largely remained unchanged since our Company update in November 2020 in that:

- The banking market for European real estate lending remains in stasis constrained by balance sheets and regulatory capital constraints; and
- The high barriers to entry have limited the number of new entrants that have been successful in getting to a meaningful scale and breadth to be able to service the largest sponsors across Europe. Indeed, we note the demise of a number of alternative lenders during the challenging last 12 months.

These market dynamics are then evident in the pace of deployment RECI has enjoyed and the pipeline of investments that it sits on. Further to this, we note now also the expansion in the opportunity set for RECI to cover lending across the project spectrum from core+ through to development, with each sector being just as compelling from a risk adjusted return perspective.

Looking ahead to the rest of the current financial year, the main aims for RECI are going to be:

- A continued focus on capital deployment into the best risk adjusted returns in credit – which are clearly in the senior loan space. And to ensure that that deployment is consistent with the themes highlighted above in keeping with the long term trends in real estate use and also in promoting the use of RECI's capital towards social and environmental progress;

INVESTMENT MANAGER'S REPORT (CONTINUED)

- To maintain (and improve) long term dividend cover from income generated;
- To resume the growth of the Company in keeping with the growth of the opportunity set and to also grow market liquidity and the diversity of its investor base;
- To employ a balanced mix in its funding line between short term flexible funding as well as term matched longer term funding; and
- To continue and improve on the level of investor engagement and transparency.

The real estate team and business at Cheyne Capital has worked hard to address the challenges of the last 12 months. The dedicated real estate team has now grown to comprise 36 professionals, supported by Cheyne Capital's 80 strong support teams. This robust and long standing investment and support platform is committed to serving the future growth and success of RECI.

Portfolio Construction and Investment Approach

RECI's investment focus is on European real estate credit comprising loans (mainly senior loans) and bonds. Since the 2016 Brexit vote, RECI has benefited from pivoting its investment strategy away from mezzanine (and subordinate) loans towards lower risk senior loans and bonds. This repositioning reflected the fact that global volatility and uncertainty were likely to persist and economic cycles were likely to be increasingly short.

As the Company has grown, it has also moved its origination away from the small/mid market borrowers and towards the larger, well capitalised and experienced borrower counterparties. These pivots positioned the Company's investment book well coming into the present crisis.

RECI's balance sheet leverage and liquidity have been managed to position it well for periods of stress. As at 31 May 2021, the Company's leverage was just 26.8% of NAV or 1.27x (15.5% of NAV or 1.16x on a net look through basis).

Responding to Covid-19

Since the onset of this crisis and the resultant market turbulence, RECI moved to take the following measures:

- As a result of banks having a reduced lending appetite, Cheyne has become a "go to" lender;
- A move to more senior position resulted in no defaults due to robust positions;
- Since the initial Covid-19 impact in March 2020, the mark to market has recovered by 4.1 pence to the NAV;
- Cash reserves maintained at between 5% to 10% of the NAV; and
- As at 31 March 2021, dividends maintained at 3 pence per quarter, a 8.8% yield, based on share price as at 31 March 2021.

Maintaining Dividend Stability

Since 2013, the Company has paid out attractive regular quarterly dividends broadly equivalent to 7% of NAV.

The Company has an overarching aim of paying out its income in dividends to investors and to dividend sustainability. Dividend sustainability will depend on income coverage and cash coverage. Our granular cash forecasting and stress scenarios give us the confidence in the Company's outlook. To maintain and improve the Company's income coverage, the Company will gradually deploy into the increasingly attractive investment pipeline (described above).

It remains the Company's intention to maintain a stable quarterly dividend paying capability through economic cycles.

Portfolio Composition

RECI's investment portfolio, a diversified book of 61 positions in real estate bonds and loans, was valued at £390.4 million as at 31 March 2021, up from £375.2 million as at 31 March 2020. The investment portfolio had a weighted average levered yield of 9.7% and an average loan to value of 64.9% as at 31 March 2021.

Bilateral Loan and Bond Portfolio

The drawn fair value of the bilateral loan and bond portfolio, excluding accrued interest, had increased from £287.3 million as at 31 March 2020 to £310.1 million as at 31 March 2021. During the year, the Company made £117.2 million of commitments to new deals, taking total loan commitments to £465.1 million as at 31 March 2021. The average loan portfolio LTV exposure as at 31 March 2021 was 68.4%. The portfolio continues to provide attractive risk-adjusted returns with a weighted average unlevered yield of 8.8% per annum, before any back-end fees, profit share or equity element contributions are taken into account.

Bilateral Loan and Bond Portfolio Summary as at 31 March 2021

Number of loans	29
Drawn Value (£ millions)	310.1
Undrawn Loan Commitments (£ millions)	119.8
Weighted average yield of portfolio	8.8%
Weighted average yield of portfolio (levered)	9.2%
Weighted average LTV of portfolio	68.4%
Weighted average life of portfolio (years)	1.7

Market Bond Portfolio

As at 31 March 2021, the market bond portfolio of 32 bonds (excluding the self-originated bonds) was valued at £80.4 million, compared to £87.9 million as at 31 March 2020. The recorded interest income on the bonds in the year ended 31 March 2021 was £2.9 million compared to £4.2 million in the year ended 31 March 2020.

The bond portfolio has the potential for strong defensive returns:

- The portfolio is characterised by a short duration (3.0 years) and high coupon, which is defensive to interest rate rises and provides resilience in turbulent markets;
- The weighted average unlevered yield of the market bond portfolio as at 31 March 2021 was 8.8%, and the weighted average levered yield of the bond portfolio as at 31 March 2021 was 9.2%; and
- The average leverage of the portfolio over the financial year was 20.7%, achieved through the provision of short-term flexible financing. The Company enters into repurchase arrangement agreements with several banks to provide leverage. This financing is collateralised against certain of the Company's bond portfolio assets with a fair value totalling £186.1 million (31 March 2020: £108.1 million) and a weighted average cost at 31 March 2021 of 2.3% (31 March 2020: 1.8%) per annum. The average period to maturity of the repurchase arrangements is three to six months.

Market Bond Portfolio Summary as at 31 March 2021

Number of bonds	32
Fair Value (£ millions)	80.4
Weighted average yield of portfolio	6.1%
Weighted average yield of portfolio (levered)	13.9%
Weighted average LTV of portfolio	51.5%
Weighted average life of portfolio (years)	3.0

Outlook

The Company having successfully managed its investment portfolio and liquidity through the last 15 months, the priority now is to continue to achieve strong dividend cover, through ongoing interest income on its assets.

The core aim of RECI is to provide its investors with a stable dividend yield by originating and making investments in conservative real estate debt in the European real estate markets. RECI has consistently done this through the crisis periods of 2009, 2011 and 2016 (Brexit), and is well positioned to do so now.

RECI remains well placed to participate in the continued healthy new pipeline of Cheyne's deals comprising predominantly loans that are senior risk, at lower LTVs, but with attractive returns.

Cheyne Capital Management (UK) LLP
23 June 2021

Governance

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Mixed-use development in London

BOARD OF DIRECTORS

Bob Cowdell
Chairman
(UK resident)

Susie Farnon
Chairman of the Audit Committee
(Guernsey resident)

John Hallam
Senior Independent Director
(Guernsey resident)

Graham Harrison
Independent Director
(Guernsey resident)

Colleen McHugh
Independent Director
(Guernsey resident)

Bob Cowdell is an independent non-executive Director who has focused on the financial sector throughout his career; initially as a solicitor and then as a corporate broker and adviser. He was previously co-founder and Head of the ABN AMRO Global Investment Funds Team and then Head of Financials at RBS Hoare Govett.

He is currently chairman of Castel Underwriting Agencies Limited and a non-executive director of Thomas Miller Holdings Limited; and a former non-executive director of Baillie Gifford UK Growth Fund Plc, Catlin Underwriting Agencies Limited, Catlin Insurance Company (UK) Limited, XL London Market Limited and XL Insurance Company SE. A Freeman of the City of London, he is a member of the Institute of Directors and the Chartered Insurance Institute. He has been a member of the Board since June 2015.

Mrs Farnon is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1983. She is a former Banking and Finance partner of KPMG Channel Islands from 1990 until 2001 and head of the Channel Island Audit Practice from 1999.

She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of the States of Guernsey Audit Commission and as vice-chairman of the Guernsey Financial Services Commission. Susie is a non-executive director of a number of property and investment companies listed on the London Stock Exchange or elsewhere and is a board member of the Association of Investment Companies. She has been a member of the Board since February 2018.

Mr Hallam is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. He is a former partner of PricewaterhouseCoopers having retired in 1999 after 27 years with the firm both in Guernsey and in other countries.

He is the chairman of NB Distressed Debt Investment Fund Ltd as well as being a director of a number of financial services companies, some of which are listed on recognised stock exchanges. He served for many years as a member of the Guernsey Financial Services Commission from which he retired in 2006 having been its chairman for the previous three years. He has been a member of the Board since March 2016.

Mr Harrison is co-founder and managing director of Asset Risk Consultants Limited, an investment consulting practice based in Guernsey. After obtaining a Master's in Economics from the London School of Economics, he began his career working in structured finance for Midland Montagu in London and then as a project economist for the Caribbean Development Bank in Barbados.

In 1993, he moved back to Guernsey to help develop investment-related business for the Bachmann Group and in 2002 he led a management buy-out which saw Asset Risk Consultants Limited become an independent business. A Chartered Fellow of the Chartered Institute for Securities and Investment, he has been on the Board of the Company since launch. He is also currently a non-executive director of a number of investment and asset management companies including BH Global Limited and Volta Finance Limited.

Mrs McHugh is managing director of 1818 Venture Capital, a licensed asset manager based in Guernsey. In addition, she is a non-executive director for a private investment fund. She sits on the Investment committee for Wealthify (part of the Aviva PLC group) a UK regulated Robo-adviser.

Colleen has over 20 years' experience in the investment and financial services industry having worked predominantly as an Investment Manager and Private Banker for publicly listed banks such as HSBC, Barclays and Butterfield Bank, across several regions, but with a focus on international financial centres. She holds an economics degree from the University of Ireland (Galway) and a MBA from the University of London. Colleen is a Chartered Wealth Manager and a fellow of the Chartered Institute of Securities and Investment.

MANAGEMENT TEAM

Ravi Stickney
Head of Cheyne Real Estate/Portfolio Manager

Ravi is Head of the Real Estate Team. He joined Cheyne in 2008 and has 20 years' experience in the real estate debt markets. Previously, he was on ING Bank's proprietary investments desk (2005 to 2008), with sole responsibility for managing a €400 million long/short portfolio of European commercial real estate credits and CMBS. Prior to that, he was at Lehman Brothers (2002 to 2005), structuring and executing UK and European CMBS/RMBS and commercial real estate mezzanine loans. He acted as sole operating adviser on the restructuring and eventual sale of the first distressed UK CMBS deal, and he continues to play an active role in the direction of various distressed European real estate credits. He began his career on the UK commercial real estate desk at Ernst & Young in 1998.

Richard Lang
Head of Business Mngt/Co-Portfolio Manager

Richard is Business Manager of the real estate desk, and is a partner at Cheyne, having joined in 2007. Before joining Cheyne, Richard worked at Barclays Capital, and prior to that was at Deutsche Bank, where he was responsible for the controlling of the commercial mortgage backed securities and Securitised Products businesses. Before that, he worked in management roles within the fixed income areas of RBS and Paine Webber. He is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant in 1999.

Arron Taggart
UK Origination

Arron has over 20 years' experience in the real estate markets. He joined Cheyne in August 2012 to originate real estate loans in the UK and Northern Europe. Prior to Cheyne, Arron was a Property Specialist and Partner at Clydesdale Bank responsible for the origination and execution of real estate loans in London and the South of England. He was also responsible for the management of the loan portfolio and setting regional strategy. Prior to Clydesdale Bank, he was at Bank of Scotland and Hitachi Capital.

Raphael Smadja
French Origination

Raphael joined Cheyne in January 2014 and has 10 years' experience. Prior to Cheyne, he was an Associate Director in Real Estate Finance at Deutsche Pfandbriefbank, responsible for sourcing and structuring commercial real estate loans across Europe. Prior to that, he held positions within the Real Estate Finance and CMBS space at Moody's, UBS and Morgan Stanley.

Daniel Schuldes
German Origination

Daniel has over 10 years' experience in the European real estate debt and ABS markets. He joined Cheyne in 2007 and specialises in the origination, structuring, negotiation and execution of German real estate credit transactions. He was previously an associate on Credit Suisse's asset finance team in London, which was responsible for originating and structuring the bank's European securitisations. He focused on fundamental analysis of RMBS collateral.

Sa'ad Malik
Structured Credit

Sa'ad joined Cheyne in 2016. Prior to joining Cheyne, he founded Rhino Investment Management LLP in 2011, an FCA-authorised boutique investment and advisory firm, active in the European commercial real estate market. Among his responsibilities were strategy, origination, client management, structuring and execution. He previously worked for Lehman Brothers International (Europe) in 2004, and for Credit Suisse Securities (Europe) Limited in 2005, when he was Director in their European Real Estate Finance & Securitisation area, and had a central role in building the Titan Europe CMBS platform. Sa'ad started his career in 2000 with Commerzbank Securities in Asset-Backed Finance.

Lydia Boos
Legal Counsel

Lydia is Legal Counsel for the Cheyne Real Estate Team. Prior to joining Cheyne in 2018, Lydia was a senior associate at Bryan Cave Leighton Paisner LLP where she worked since starting her legal training in 2008. Lydia joined BCLP's real estate finance department upon qualifying as a solicitor in September 2010. At BCLP, Lydia was responsible for advising a range of lender and sponsor clients on real estate focused investment and development transactions across a variety of sectors, often including complex intercreditor structures.

Julia Duseviciute
Business Manager

Julia joined Cheyne in 2017. Prior to Cheyne, she held analyst positions at several boutique wealth management companies in London. Prior to that, she was a Relationship Manager at a consultancy company in Dubai. Julia earned her BSc in Mathematics from the University of Nottingham.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2021.

General Information

The Company was incorporated in Guernsey on 6 September 2005 with registered number 43634.

The "About the Company" section of the Annual Report on page 6 provides information regarding the structure of the Company, the investment objective and the listing details of the shares of the Company.

The Company's investment management activities are managed by the Investment Manager, who is also the AIFM. The Company has entered into an Investment Management Agreement under which the Investment Manager manages its day-to-day investment operations, subject to the supervision of the Company's Board of Directors. The Company is an Alternative Investment Fund ("AIF") within the meaning of the Alternative Investment Fund Manager Directive ("AIFMD") and accordingly the Investment Manager has been appointed and registered as AIFM of the Company.

Principal Activity and Business Review

The principal activity of the Company during the year was that of an investment company investing in real estate credit investments. For full details of the Investment Policy of the Company see page 6.

Results and Dividends

The results for the year and the Company's financial position as at year end are shown on pages 60-61. Dividends totalling £27.5 million (31 March 2020: £25.1 million) were paid on the shares during the year.

A fourth interim dividend for the year ended 31 March 2021 of 3 pence per share (31 March 2020: 3 pence per share) was declared by the Directors on 23 June 2021 and is payable on 30 July 2021. This fourth interim dividend has not been included as a liability in these financial statements.

Capital Structure

Details of the authorised, issued and fully paid share capital, together with details of the movements in the Company's issued share capital during the current and prior year are shown in Note 14 to the financial statements.

The Company has one class of shares which carry no right to fixed dividends. Each share carries the right to one vote at general meetings of the Company.

No person has any special rights of control over the Company's share capital.

Board of Directors

The Board appoints all Directors on merit. When the Nomination Committee considers Board succession planning and recommends appointments to the Board, it takes into account a variety of factors. Knowledge, experience, skills, personal qualities, residency and governance credentials play an important part.

The Directors of the Company who served during the year and to the date of this report were:

Bob Cowdell (Chairman)
Susie Farnon
John Hallam
Graham Harrison
Colleen McHugh (appointed on 1 March 2021)

The following summarises the Directors' directorships in other public companies listed on the London Stock Exchange:

Director	Company Name
Susie Farnon	Apax Global Alpha Limited BH Global Limited HICL Infrastructure PLC
John Hallam	NB Distressed Debt Investment Fund Ltd
Graham Harrison	BH Global Limited Volta Finance Limited

Mr Harrison and Mrs Farnon both sit on the board of BH Global Limited, but the Company believes that this does not impact their ability to be considered independent. All Directors are independent of the Investment Manager and free from any business or other relationship that would materially interfere with the exercise of their independence.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Incorporation (the "Articles") and The Companies (Guernsey) Law, 2008. The Articles themselves may be amended by special resolution of the Shareholders. The powers of Directors are described in the Articles and in the financial statements in the Corporate Governance Statement. Under its Articles, the Company has authority to issue an unlimited number of shares of no par value.

The Directors' current interests in the share capital of the Company (some of which are held directly or by entities in which the Directors may have a beneficial interest) are:

	Number of Shares	% Shares Held
Bob Cowdell (Chairman)	154,000	0.07
John Hallam	100,000	0.04
Susie Farnon	45,250	0.02
Graham Harrison	25,000	0.01
Colleen McHugh	4,000	0.00

Substantial Interests in Share Capital

Chapter 5 of the Disclosure and Transparency Rules, requires disclosure of major shareholder acquisitions or disposals (over 5% of the shares) in the Company (see list below of major Shareholders). During the year, there were two notifications of such transactions, (31 March 2020: four notifications).

List of major Shareholders as at 31 March 2021:

Name	Total Shares Held	% Shares Held
Premier Miton Group	17,980,985	7.84
Bank Leumi le Israel	17,923,354	7.82
Close Brothers Group	16,336,179	7.12
Fidelity Worldwide Investment (FIL)	15,969,802	6.96
Canaccord Genuity Group Inc	14,703,861	6.41
Smith & Williamson	12,701,600	5.54
Liontrust Asset Management	11,692,667	5.10

Issued Share Capital

The issued share capital of the Company consisted of 229.3 million shares (31 March 2020: 229.3 million shares).

Directors' and Officers' Liability Insurance

Directors' and Officers' liability insurance is in place and due for renewal on 5 July 2021.

Listing Information

The shares are currently listed on the premium segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange.

Website

The Directors are responsible for the oversight of the website and delegate to Cheyne responsibility for the maintenance and integrity of the financial and corporate information included on it.

The Investment Manager

Having reviewed the performance of the Investment Manager, the Directors are satisfied that the continued appointment of the Investment Manager on the terms agreed is in the best interests of the Shareholders and the Company. The Company has entered into the Investment Management Agreement under which the Investment Manager manages its day-to-day investment operations. Details of the Investment Management Agreement can be found in Note 18 to the financial statements.

Auditor

Deloitte LLP has been the Company's external auditor since the Company's incorporation. Further information on the work of the auditor is set out in the Audit Committee report. The Company undertook a competitive tender process during Autumn 2018 and Deloitte was reappointed.

The Audit Committee reviews the appointment of the auditor on an annual basis.

Principal Risks and Uncertainties

Principal risks and uncertainties are discussed in the Strategic Report.

Related Party Transactions

Related party transactions are disclosed in Note 18 to the financial statements. There have been no material changes in the related party transactions described in the last annual report.

Going Concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, they consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing the audited financial statements.

As highlighted in the long-term viability section in the Strategic Report, the Investment Manager performed an evaluation of each of its positions in light of the likely long-term impact of the Covid-19 crisis on operating models and valuations, and performed a granular analysis of the future liquidity profile of the Company. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs). Stress testing is then performed on this cash flow forecast against a number of adverse scenarios, such as the fair value write down of the investments, or reduced cash flows from the investment portfolio. The fair value stress test was considered relevant to factor in any potential events affecting the underlying assets or credit concerns about the borrowers which potentially could impact on the fair value. The reduced cash flows stress test was considered relevant in the event of potential defaults arising on the loan portfolio and the inability to recover the interest or principal back in full.

DIRECTORS' REPORT (CONTINUED)

Taking account of the updated forecasting, the Directors consider that the cash resources available as at 31 March 2021 of £21.2 million together with the cash held at the broker of £0.9 million, the liquidity of the market bond portfolio and the financing available through activities such as repurchase agreements are sufficient to cover normal operational costs and current liabilities, including the proposed dividend, as they fall due for a period of at least twelve months from the date of signing the audited financial statements.

In line with its Articles of Incorporation, the Company will put forward a resolution for its continuation at the next annual general meeting (likely to be scheduled for 16 September 2021). The Directors have no reason to believe that the continuation vote will not be passed by Shareholders. The previous vote was passed by an overwhelming majority, for the following reasons:

- The Company's performance since then has been robust, notwithstanding the challenges of the impacts of the Covid-19 pandemic;
- The current general market conditions are much improved from last year's market uncertainty surrounding Covid-19, and investors have been commenting on the relevance and attractiveness of RECI's proposition;
- Considering the information available to the Directors at the time of approving the Annual Report and Accounts, the Directors continue to believe it is appropriate to prepare the financial statements on a going concern basis; and
- For further information, please refer to Note 2 to the financial statements.

AGM

It is intended that the AGM of the Company will be held at 10:30am on 16 September 2021 and details of the resolutions to be proposed at the AGM, together with explanations, will appear in the Notice of Meeting to be distributed to Shareholders together with a copy of this Annual Report. The meeting will be conducted subject to the prevailing Covid-19 restrictions in force at that time but it is expected that Members of the Board will be in attendance at the AGM and will be available to answer Shareholder questions.

On behalf of the Board on 23 June 2021.

Bob Cowdell
Director

Susie Farnon
Director

REMUNERATION COMMITTEE REPORT

The Company has established a Remuneration Committee.

The Directors of the Company are entitled to receive an annual fee for their services as Directors. Each Director shall be entitled to be repaid all expenses reasonably incurred in the performance of their duties as Director to the Company. If by arrangement by the Board, any Director shall perform or render any special duties or services outside of their ordinary duties as a Director, they may be paid such reasonable additional remuneration as the Board may determine.

Each of the Directors has signed a letter of appointment with the Company setting out the terms of their appointment.

Remuneration Policy

The Company's Remuneration Policy is that fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. No element of the Directors' remuneration is performance related.

Shareholders will be given the opportunity to approve the Remuneration Report at the next AGM.

Directors' annual fees are listed in the table below:

	2021/2020 GBP	2020/2019 GBP
Bob Cowdell (Chairman)	75,000	75,000
Susie Farnon (Audit Committee Chairman)	46,750	45,000
John Hallam	36,750	35,000
Graham Harrison	36,750	35,000
Colleen McHugh	36,750	–

Directors' remuneration for the years ended 31 March 2021 and 31 March 2020 was as follows:

	Year ended 31 Mar 2021 GBP	Year ended 31 Mar 2020* GBP
Bob Cowdell (Chairman)	75,000	85,000
Susie Farnon	45,875	50,000
John Hallam	35,875	40,000
Graham Harrison	35,875	40,000
Colleen McHugh**	3,062	–
	195,687	**215,000**

* The Directors' remuneration for the year ended 31 March 2020 includes a transaction fee of £10,000 for the Chairman and £5,000 each for the other Directors in relation to the 2019/2020 placing programme.

** Mrs McHugh joined the Board on 1 March 2021.

The annual Directors' remuneration for Mrs Farnon, Mr Hallam and Mr Harrison increased by £1,750 for the second half of the year as approved by the Board on 17 September 2020.

CORPORATE GOVERNANCE STATEMENT

Statement of Compliance with Corporate Governance

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with the February 2019 edition of the AIC code of Corporate Governance for investment companies ("AIC Code") is deemed to comply with both the UK and Guernsey Codes of Corporate Governance.

To comply with the UK Listing Regime, the Company must comply with the requirements of the UK Corporate Governance Code.

The Board has considered the principles and recommendations of the AIC Code, by reference to the guidance notes provided by the AIC Guide, and considers that reporting against these will provide appropriate information to Shareholders. To ensure ongoing compliance with these principles the Board reviews a report from the Corporate Secretary identifying how the Company is in compliance and identifying any changes that might be necessary.

The Company has complied with the recommendations of the AIC Code throughout the accounting period, except as set out below.

The AIC Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the whistle-blowing policy.

The Board considers some of these provisions are not relevant to the position of the Company as it is an externally managed investment company. The Directors are non-executive and the Company does not have employees, and the Board is satisfied that any relevant issues that arise can be properly considered by the Board or by Shareholders at AGMs. The Remuneration Committee considers matters relating to Directors' remuneration. An external assessment of Directors' remuneration has not been undertaken. The Company's Remuneration policy is that fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. Please refer to the Remuneration Report on page 37.

The Board

The Directors' details are listed in the Directors' Report, which set out their range of investment, financial and business skills and experience.

The Board meets at least four times a year and, in addition, there is regular contact between the Board, the Investment Manager and the Company Secretary including an annual strategy meeting and Investment Manager due diligence visits, when the Board attends the offices of the Investment Manager and meets with senior executives. Further, the Board requires that it is supplied in a timely manner with information by the Investment Manager, the Company Secretary and other advisers in a form and of a quality appropriate to enable it to discharge its duties. During the last financial year, the majority of the Board's formal and informal meetings were carried out virtually, in accordance with Government guidelines in relation to Covid-19.

Duties and Responsibilities

The Board has overall responsibility for optimising the Company's performance by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board is responsible to Shareholders for the overall management of the Company. The Board has delegated the day-to-day operation of the Company to the Investment Manager, Administrator and the Company Secretary. The Board reserves the powers of decisions relating to the determination of the Investment Policy, the approval of changes in strategy, capital structure, statutory obligations, public disclosure and the entering into of any material contracts by the Company.

	Scheduled Board Meetings Attendance	Nomination Committee Meeting Attendance	Audit Committee Meeting Attendance	Management Engagement Committee Meeting Attendance
Number of meetings	**4**	**2**	**3**	**1**
Attendance by:				
Bob Cowdell (Chairman)	4	2	3	1
Susie Farnon	4	2	3	1
John Hallam	4	2	3	1
Graham Harrison	4	2	3	1
Colleen McHugh*	–	–	–	–

* Mrs McHugh joined the Board on 1 March 2021 which was after the last Board meeting held in the year under review.

The adjoining table shows the number of regularly scheduled meetings held by the Board and each committee for the year ended 31 March 2021 as well as the number of attendances at each meeting. Due to Covid-19, these meetings took place via video call.

Additionally, a number of ad-hoc meetings were held during the year which, as they dealt primarily with administrative and transaction matters, were attended by those Directors available at the time.

The Board established a Remuneration Committee on 19 February 2021 consisting of the same members of the Board and chaired by Mr Hallam.

Chairman
The Chairman, Mr Cowdell, is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman is also responsible for ensuring that the Directors receive accurate, timely and clear information. The Chairman is responsible for effective communication with Shareholders and can be contacted through the Company Secretary.

Senior Independent Director ("SID")
Mr Hallam is the SID and, as such, his primary roles are to support the Chairman and act as an intermediary for the other non-executive Directors in matters relating to the Chairman including leading them in the annual performance evaluation of the Chairman. The SID is also available to Shareholders who may have any concerns which contact through the normal channels of the Chairman and AIFM has failed to resolve or for which such contact is inappropriate. Mr Hallam can also be contacted through the Company Secretary.

Board Independence
For the purposes of assessing compliance with the AIC Code 6th Principles and Provisions, the Board considers whether the current Directors are independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. In making this assessment, consideration is also given to all other factors which might be relevant including length of service. The Board has concluded that all Directors remain independent.

Committees of the Board
In accordance with the AIC Code, the Board has established an Audit Committee, a Nomination Committee, a Management Engagement Committee and a Remuneration Committee, in each case with formally delegated duties and responsibilities within written terms of reference.

Audit Committee
The Audit Committee is chaired by Mrs Farnon, and its other members are Mr Cowdell, Mr Harrison, Mr Hallam and Mrs McHugh. The terms of reference of the Audit Committee state that it will meet not less than three times in each financial year. The Audit Committee report on pages 43-45 sets out the role and activities of this committee and its relationship with the external auditor.

Nomination Committee
The Nomination Committee is chaired by Mr Cowdell and its other members are Mr Hallam, Mr Harrison, Mrs Farnon and Mrs McHugh. The members of the Nomination Committee are and will be independent Directors. The terms of reference state that the Nomination Committee will meet not less than once a year; will have responsibility for considering the size, structure and composition of the Board; and retirements and appointments of additional and replacement Directors; and that the Nomination Committee will make appropriate recommendations to the Board.

The Board appoints all Directors on merit. When the Nomination Committee considers Board succession planning and recommends appointments to the Board, it takes into account a variety of factors. Knowledge, experience, skills, personal qualities, residency and governance credentials play an important part. The Board aims to have a balance of skills, experience, diversity (including gender) and length of service and knowledge of the industry. The Board undertakes an evaluation of its performance on an annual basis. The performance of each Director is considered as part of a formal review by the Nomination Committee.

As part of the Company's succession planning and following an extensive search, the Company was delighted to announce on 22 February 2021, the appointment of Mrs McHugh to the Board. She has over 20 years' global experience in the investment and financial services industry. Mrs McHugh's appointment brings the board's female representation to 40%. With Mr Harrison stepping down in September, the female board composition will be 50%.

The position of Chairman of each Committee will be reviewed on an annual basis by the Nomination Committee and their membership and terms of reference are kept under review.

The performance of the Chairman of the Board will be assessed by the Senior Independent Director through discussions with the other Directors.

Management Engagement Committee
The Management Engagement Committee is chaired by Mrs Farnon, with its other members being Mr Hallam, Mr Cowdell, Mr Harrison and Mrs McHugh. The Committee will meet at least once a year for the purpose of evaluating the performance of the Company's service providers, the review of service agreements and service level statements and the level and method of their remuneration.

Remuneration Committee
The Remuneration Committee is chaired by Mr Hallam, with its other members being Mr Cowdell, Mrs Farnon, Mr Harrison and Mrs McHugh. The Committee will meet at least once a year for the purpose of determining Directors' remuneration and setting the Company's remuneration policy.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Director Re-Election Tenure and Induction

The Nomination Committee has considered the question of a policy on Board tenure. It is strongly committed to striking the correct balance between the benefits of continuity and those that come from the introduction of new perspectives to the Board. As provided for in the AIC guidelines and in order to phase future retirements and appointments the Board has not, at this stage, adopted any specific limits to terms, but expects to refresh the Board at appropriate intervals.

The Board regards all Directors as being independent. The Board has adopted a policy whereby all Directors will be proposed for re-election each year and so all Directors will be proposed for re-election at the forthcoming AGM with the exception of Mr Harrison, who has notified the Board that he does not intend to stand for re-election as a Director of the Company. Details of Directors' tenure are disclosed on pages 30-31.

Internal Controls

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Company faces. The Board regularly reviews the process, which has been in place from the start of the financial year to the date of approval of this report. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with the Principles and Provisions of the AIC Code, the Board regularly reviews the effectiveness of the Company's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from the Investment Manager in order to consider whether all significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. To this end, a Risk Matrix is maintained, which identifies the significant risks faced by the Company together with the controls intended to manage them and is reviewed at each scheduled Board meeting. The Board has also performed a specific assessment considering all significant aspects of internal control arising during the year covered by this report. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

While investment management is provided by Cheyne, the Board is responsible for setting the overall Investment Policy and monitors the actions of the Investment Manager at regular Board meetings. Administration services are provided by Citco. Regular compliance reports from both the Investment Manager and the Administrator are received by the Board. In addition, the Administrator makes available its Global Fund Accounting and Custody Controls Examination, SOC 1 report to the Board on an annual basis.

Custody of assets is undertaken by the Depositary, The Bank of New York Mellon (International) Limited.

The Investment Manager has established an internal control framework and reviews the segregation of duties within this to ensure that control functions are segregated from the trading and investing functions. As a part of this framework, the valuation of financial instruments is overseen by an internal pricing committee which is supported by resources which ensure that it is able to function at an appropriate level of quality and effectiveness.

Specifically, the Investment Manager's pricing committee is responsible for establishing and monitoring compliance with valuation policy. Within the trading and investing functions, the Investment Manager has established policies and procedures that relate to the approval of all new transactions, transaction pricing sources and fair value hierarchy coding within the financial reporting system.

The Directors of the Company clearly define the duties and responsibilities of their agents and advisers, whose appointments are made by the Board after due consideration. The Board monitors the ongoing performance of such agents and advisers. Each agent and adviser maintains its own systems of internal control on which it reports to the Board. The systems are designed to ensure effective and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Shareholder Engagement

The Board believes that the maintenance of good relations with Shareholders is important for the long-term prospects of the Company and seeks engagement with investors. Where appropriate, the Chairman and other Directors are available for discussion about governance and strategy with major Shareholders and the Chairman ensures communication of Shareholders' views to the Board. The Board receives feedback on the views of Shareholders from Liberum Capital Limited (the "Corporate Broker") and the Investment Manager, and Shareholders are welcome to contact the Chairman or any Director at any time via the Company Secretary.

The Directors believe that the AGM provides an appropriate forum for Shareholders to communicate with the Board and encourages participation. There is an opportunity for individual Shareholders to question the Chairmen of the Board and the Audit Committee at the AGM. The Board assesses the results of AGMs considering whether the number of votes against or withheld in respect of resolutions are such as to require discussion in the subsequent Annual Report.

Corporate Social Responsibility

The Board keeps under review developments involving social and environmental issues, and will report on those to the extent they are considered relevant to the Company's operations. The Company's ESG strategy is outlined on pages 19-20 of this report.

UK Criminal Finances Act 2017

In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of "failing to take reasonable steps to prevent the facilitation of tax evasion", the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

GDPR

The Board confirms that the Company has considered GDPR and taken measures itself and with its service providers, to meet the requirements of GDPR and equivalent Guernsey law.

Anti-Bribery and Corruption Policy

The Board has adopted a formal Anti-bribery and Corruption Policy. The policy applies to the Company and to each of its Directors. Furthermore, the policy is shared with each of the Company's main service providers.

Whistle-blowing

As the Company has no employees of its own, it does not have a whistle-blowing policy but in its review of service providers the Management Engagement Committee ensures that they do.

Employees and Socially Responsible Investment

The Company has a management contract with the Investment Manager. It has no employees and all of its Directors are non-executive, with day-to-day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees.

The Company's main activities are carried out by the Investment Manager who was one of the initial signatories to the Standards Board for Alternative Investments (formerly known as the Hedge Fund Standards Board) and is a signatory to the United Nations-supported Principles for Responsible Investment ("PRI").

Modern Slavery Act 2015

The Company as a Guernsey incorporated entity is not within scope of the Modern Slavery Act 2015, and is therefore not obliged to make a human trafficking statement.

Gender Metrics

The Board has chosen not to adopt a definitive policy with quantitative targets for board diversity. However, gender, knowledge, skills, experience, residency and governance credentials are all considered by the Nomination Committee when recommending appointments to the Board and in formulating succession plans. Following Mr Harrison's retirement in September, the Board will comprise an equal representation of male and female Directors.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principal Risks and Uncertainties
The Board has carried out a robust assessment to identify the principal risks that could affect the Company, including those that would threaten its business model, future performance, solvency or liquidity. It has adopted a controls-based approach to its risk monitoring requiring each of the relevant service providers, including the Investment Manager, to establish the necessary controls to ensure that all known risks are monitored and controlled in accordance with agreed procedures. The Directors receive periodic updates at their Board meetings on key risks and have adopted their own control review to ensure where possible, risks are monitored appropriately.

Each Director is aware of the principal risks and uncertainties inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls that enable it to manage these principal risks and uncertainties within acceptable limits and to meet all of its legal and regulatory obligations.

The Board considers the process for identifying, evaluating and managing these principal risks and uncertainties faced by the Company on an ongoing basis and these principal risks and uncertainties are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

The Company's principal risks are discussed in the Strategic Report of these financial statements and in the Company's Prospectus, available on the Company's website (www.recreditinvest.com) while those specifically relating to financial reporting are discussed in the Audit Committee report and Note 15 to the financial statements.

Changes in Regulation
The Board monitors and responds to changes in regulation as it impacts the Company and its policies.

Stakeholders Engagement Section 172 Statement
The Board is committed to promoting the long-term success of the Company whilst conducting business in a fair, ethical and transparent manner. Whilst directly applicable only to companies incorporated in the UK, the Board recognises the intention of the AIC Code that matters set out in section 172 of the Companies Act, 2006 are reported on. The Board strives to understand the views of the Company's key stakeholders and to take these into consideration as part of its discussions and decision-making process. As an investment company, the Company does not have any employees and conducts its core activities through third-party service providers. Each provider has an established track record and through regulatory oversight is required to have in place suitable policies and procedures to ensure they maintain high standards of business conduct, treat their own stakeholders fairly, and employ corporate governance best practice. The Company strongly believes that fostering healthy and constructive relationships with its broad range of stakeholders should result in increased Shareholder value over the long term.

Key stakeholder groups over the last year:

- Shareholders: Institutional and Retail shareholders; and
- Commercial service providers: Investment Manager, Administration agent, Corporate broker, Legal advisers, Auditor.

Key service providers retained, providing continuity of service and familiarity with the objectives of the Company

How RECI has communicated and engaged:

- Annual general meeting;
- Regular market announcements;
- Investor communications including monthly factsheets and quarterly updates;
- Dedicated RECI website;
- Investor presentations;
- Annual and interim reports;
- Views and feedback sought from institutional shareholders via corporate broker;
- Regular Board meetings during the period attended by representatives from the Investment Manager;
- Annual service provider questionnaire; and
- Webinars and Zoom meetings.

Key Information Document
In accordance with the EU Packaged Retail and Insurance-based Investment Products Directive on 1 January 2018, a Key Information Document is available on the Company's website at: http://recreditinvest.com/PDFs/RECI-KID.pdf

AUDIT COMMITTEE REPORT

Dear Shareholder,

On the following pages, we present the Audit Committee's report for 2021, setting out the responsibilities of the Audit Committee and its key activities during the year ended 31 March 2021. As in previous years, the Audit Committee has reviewed the Company's financial reporting, the independence and effectiveness of the External Auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received and reviewed from the Investment Manager, Administrator and External Auditor.

A member of the Audit Committee will be available at each AGM to respond to any Shareholder questions on the activities of the Audit Committee.

Susie Farnon
Chairman of the Audit Committee

Membership of the Audit Committee

The Audit Committee is chaired by Mrs Farnon, and its other members are Mr Cowdell, Mr Harrison, Mr Hallam and Mrs McHugh. The FRC Guidance on Audit Committees recommends that such a committee should comprise solely of independent non-executive directors and, as noted in the Corporate Governance Statement, the Board has considered the independence of its members and has concluded that they all remain independent. The Company Chairman currently serves as a member of the Audit Committee. The terms of reference state that the Audit Committee will meet not less than three times in the year and meet the external auditor twice a year, on which occasions the need to meet without representatives of either the Investment Manager or the Administrator being present is considered. The terms of reference include all matters indicated in the Disclosure and Transparency Rule 7.1 and the AIC Code.

The Board has taken note of the requirement that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in that respect with all members being highly experienced and Mrs Farnon and Mr Hallam being chartered accountants who also sit or have sat on other audit committees.

Responsibilities

The Audit Committee has regard to the AIC Code and examines the effectiveness of the Company's internal control systems, the integrity of the annual and half-yearly reports and Financial Statements and ensures that they are fair, balanced and understandable and provide the necessary information. They also consider the auditor's remuneration and engagement, as well as the auditor's independence and any non-audit services provided by them. Other areas of responsibility include:

- Consideration of the fair value of the Company's investments and income generated from the portfolio;
- Consideration of the accounting policies of the Company;
- Meeting with the external auditor to discuss the proposed audit plan and reporting;
- Assess the effectiveness of the external auditor and audit process;
- Consideration of the need for an internal audit function;
- Review of any independent reports in respect of the Investment Manager, the Administrator or the Depositary;
- Consideration of the risks facing the Company including the Company's anti-bribery, corruption and similar obligations; and
- Monitoring the Company's procedures for ensuring compliance with statutory regulations and other reporting requirements.

In addressing all of the above considerations, the Audit Committee seeks the appropriate input from the auditor, Investment Manager, Administrator, Company Secretary and Legal Counsel and makes a recommendation to the Board of the Company as appropriate.

Meetings

The Audit Committee normally meets at least three times annually, including shortly before the Board meets to consider the Company's half-yearly and annual financial reports, and reports to the Board on its deliberations and recommendations. It also has an annual planning meeting with the auditor and other ad-hoc meetings as considered necessary. During the past year Covid-19 restrictions have meant that not all such meeting could be held in person and some were held by video and telephone conference as circumstances required.

The Audit Committee operates within clearly defined terms of reference and provides a forum through which the Company's external auditor reports to the Board. The terms of reference of the Audit Committee are available from the Company's registered office. The Audit Committee receives information from the Company's service providers with the majority of information being directly sourced from the Company Secretary, Administrator, the Investment Manager and the external auditor. The Audit Committee considers the nature, scope and results of the auditor's work and reviews their performance annually prior to providing a recommendation to the Board on the reappointment or removal of the auditor.

AUDIT COMMITTEE REPORT (CONTINUED)

Significant Issues Considered over Financial Reporting
The Audit Committee has determined that the key risks of misstatement of the Company's financial statements relate to the judgements in respect of the fair value of the Company's portfolio and income recognition.

Additional information regarding principal risks and uncertainties is provided in the Strategic Report and in Note 15 to the financial statements.

The Board considers a report from the Investment Manager at each Board meeting which sets out a review of the portfolio and its performance. The report also details earnings forecasts and asset class analysis. As a result, the Board is able to interrogate the Investment Manager on the basis of the assumptions made and the validity of the expected forecasts.

Valuation of Portfolios
The Audit Committee conducted a detailed review of each loan position through discussions with the AIFM's relevant individual asset managers challenging them as appropriate. Such discussions covered aspects such as:

- Available and recent professional valuations of the underlying collateral;
- Credit quality of the individual borrower;
- Quality of the underlying collateral;
- Operational and financial performance of the borrower;
- Status of development schedules compared to original plans;
- Planning or other disputes;
- Comparison between effective and actual yields; and
- Whether or not any value should be ascribed to contingent fees and potential profit participations provided for in contractual arrangements.

When considering the self-originated bonds investments the Audit Committee considered a number of factors including, but not restricted to:

- Pricing sources;
- The valuation approach used to value certain bonds by the independent pricing adviser and challenging the AIFM's assessment of the comparable securities and sector analysis used in determining the valuation of these bonds;
- The range of valuations determined by the independent pricing adviser in light of the approaches used and the weighting applied by the Investment Manager to derive a fair value point estimate;
- Comparison between effective and actual yields;
- Depth of prices and any disparity between different marks;
- Indicative liquidity;
- Comparison of realised prices with previous valuations; and
- The significance of unobservable inputs used to determine the fair value of the bond investments and classification within the fair value hierarchy.

Having conducted this process the Committee concluded that any assumptions used were reasonable and that the valuations were in accordance with the applicable standards.

During the year, the Chairman of the Audit Committee and other members attended the two valuation meetings between the auditor and the Investment Manager.

Income Recognition
The Audit Committee and the Board as a whole considered and challenged the Investment Manager's expected realisation or maturity dates and the resultant expected cash flows. The Committee found that the assumptions used were reasonable and that whilst it is possible that the expected realisation dates may change over time the Committee and the Board are satisfied that the assumed realisation dates and the Investment Manager's methods of calculating income are reasonable and in line with International Financial Reporting Standards ("IFRS").

Risk Management
The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The work of the Audit Committee is driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Strategic Report and in Note 15 to the financial statements, and it receives reports from the Investment Manager on the Company's risk evaluation process and reviews changes to significant risks identified.

Internal Audit
The Committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the Committee believes that, given the Company has no employees, the SOC 1 internal control report provided by the Administrator and the reporting provided by the Investment Manager are sufficient and has made a recommendation to the Board to this effect.

External Audit
Deloitte LLP has been the Company's external auditor since the Company's inception. The Company undertook a competitive tender process during Autumn 2018 and Deloitte was reappointed.

The objectivity of the auditor is reviewed by the Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. Auditor independence is maintained through limiting non-audit services to audit-related work that falls within defined categories. All engagements with the auditor are subject to pre-approval from the Audit Committee and fully disclosed within the Annual Report for the relevant period. A new lead audit partner is appointed every five years and the Audit Committee ensures the auditor has appropriate internal mechanisms in place to ensure its independence.

When evaluating the external auditor, the Committee has regard to a variety of criteria including industry experience, independence, reasonableness of audit plan, ability to deliver constructive criticism, effectiveness of communication with the Board and the Company's service providers, quality control procedures, management of audit process, price and added value beyond assurance in audit opinion.

In order to maintain auditor independence, Deloitte LLP ensured the following safeguards were in place:

- review and challenge of key decisions by the Quality Review Partner and engagement quality control review by a member of the Independent Professional Standard Review Team.

John Clacy, who previously served as the audit partner for the years ending 31 March 2011 to 31 March 2015, replaced David Becker as audit partner for the year ending 31 March 2021. The Audit Committee has considered this in light of guidance and the changes to the business since this time, and as such, they are satisfied that his independence is not impaired.

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the level of non-audit fees. During the year, Deloitte charged non-audit fees of £34,000 for the 30 September 2020 interim review.

Notwithstanding the provisions of such services, the Audit Committee considers Deloitte LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

To fulfil its responsibility regarding the independence of the auditor, the Audit Committee considers:

- discussions with or reports from the auditor describing its arrangements to identify, report and manage any conflicts of interests in light of the requirements of the Crown Dependencies' Audit Rules and Guidance; and
- the extent of non-audit services provided by the auditor and arrangements for ensuring the independence, objectivity and robustness and perceptiveness of the auditor and their handling of key accounting and audit judgements.

To assess the effectiveness of the auditor and the audit process, the Committee reviews:

- the auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit;
- feedback from other service providers evaluating the performance of the audit team;
- arrangements for ensuring independence and objectivity; and
- robustness of the auditor in handling key accounting and audit judgements.

The Audit Committee was satisfied with the audit process and Deloitte LLP's effectiveness and independence as an Auditor having considered the degree of diligence and professional scepticism demonstrated by them.

During the year ended 31 March 2021, the auditor had four meetings with the Audit Committee and with the Chairman of the Audit Committee on other occasions when necessary.

On behalf of the Audit Committee.

Susie Farnon
Chairman of the Audit Committee

23 June 2021

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Company financial statements in accordance with IFRS. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 ("IAS 1") requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

(i) The financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

(ii) The Chairman's Statement, the Strategic Report and the Investment Manager's report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties they face; and

(iii) So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies (Guernsey) Law, 2008 (as amended).

Responsibility Statement of the Directors in Respect of the Annual Report under the UK Corporate Governance Code

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and financial statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

By order of the Board.

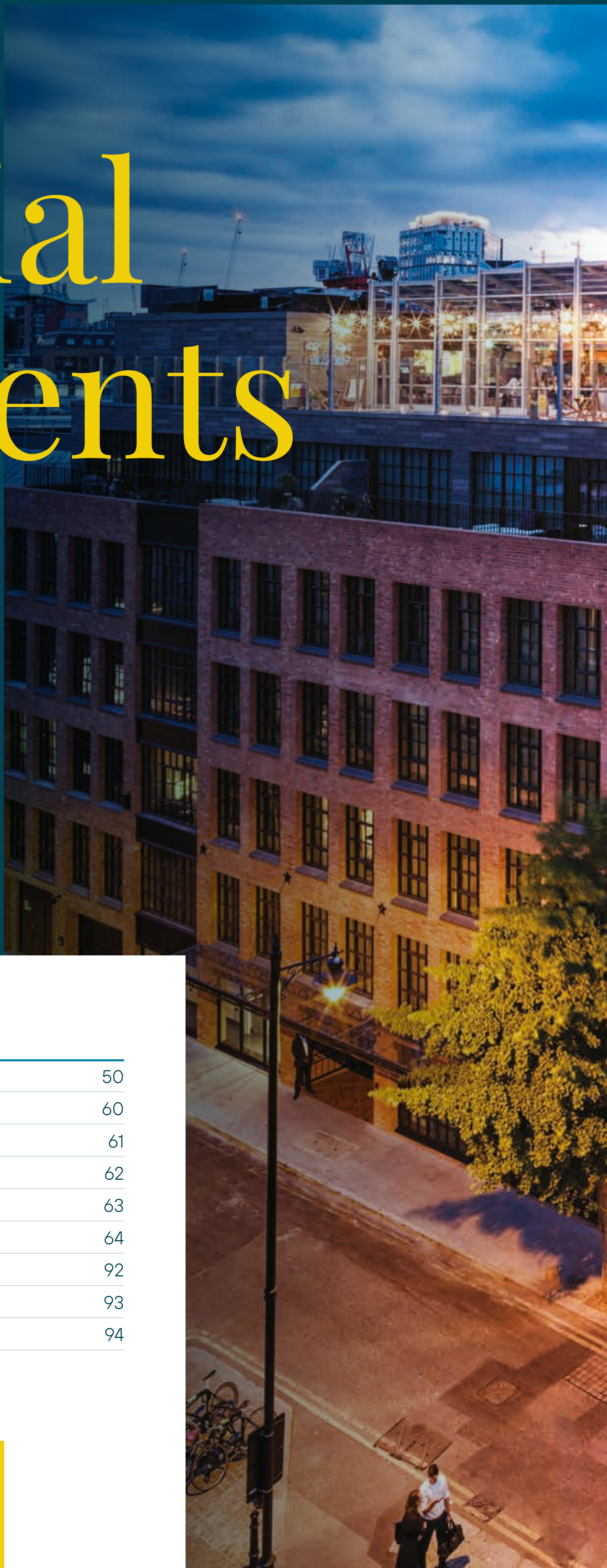
Bob Cowdell
Director

Susie Farnon
Director

23 June 2021

Co-living scheme in London

Financial Statements



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London Hotel

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REAL ESTATE CREDIT INVESTMENTS LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Real Estate Credit Investments Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related Notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in Note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Key inputs to the valuation of self-originated bond investments; and
- Valuation of self-originated loan investments.

Within this report, key audit matters are identified as follows:

- Newly identified
- Increased level of risk
- Similar level of risk
- Decreased level of risk

Materiality

The materiality that we used in the current year was £6.9 million which was determined on the basis of approximately 2% of net assets of the Company.

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach

There have been no significant changes in our audit approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's going concern paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying forecasts;
- Performing sensitivity analysis on the key assumptions applied to understand those that could potentially give rise to a material uncertainty in respect of the use of the going concern basis;
- Checking consistency of the forecast assumptions applied in the going concern assessment with other forecasts, including asset maturity and valuation assumptions;
- Assessing the liquidity position of the Company by evaluating the impact of repayment of the Company's financing agreements at maturity without renewal, and considered the mitigating actions identified by the Directors as available responses to liquidity risks; and
- Evaluating the recommendation by the Directors and their assertion of passing the upcoming continuation vote. We considered the current and historical performance of the Company and the Broker's discussions with certain Shareholders.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REAL ESTATE CREDIT INVESTMENTS LIMITED (CONTINUED)

5.1. Key inputs to the valuation of self-originated bond investments

Key audit matter description

Self-originated bond investments of £173.9 million (2020: £149.7 million) make up 41% (2020: 34%) of total assets and are a key value driver for the Company's Net Asset Value (NAV) and interest income.

The primary pricing source for the self-originated bonds is from an independent pricing provider (IHS Markit Private Team). The IHS Markit Private Team values the bonds using a market-based valuation methodology, which involves material assumptions relating to comparable observable bond prices and yields. In addition, IHS Markit Private Team determine a valuation based on internal proprietary sector curves.

The valuation of the self-originated bond investments included in the financial statements uses the mid-point of the two approaches and represents a change in accounting estimate as described in Note 3 to the financial statements.

This has contributed to a heightened risk of fraud and error associated with the valuation approach applied, whether this is acceptable or consistent with IFRS 13 Fair value measurement, and that inappropriate inputs have been used leading to a material misstatement of fair value. The key inputs to valuation of the bond investments are:

- The pricing of self-originated bonds by the IHS Markit Private Team, including the comparable bonds selected to determine the yield to maturity of the self-originated bonds and the proprietary sector curves; and
- The use and application of the mid-point of those pricing sources to the self-originated bond portfolio.

There is also a risk that there are significant unobservable inputs used to determine the fair value of the self-originated bonds at the balance sheet date to the extent that these inputs will impact the classification in the Fair Value Hierarchy under IFRS 13.

The accounting policies related to this key audit matter can be found in Note 2 to the financial statements, with the valuation described as one of the key sources of estimation uncertainty in Notes 3 and 15 to the financial statements. This is further described in the Audit Committee Report on page 44.

5.1. Key inputs to the valuation of self-originated bond investments

How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we have performed the following audit procedures: • Obtained an understanding of relevant controls in relation to the valuation process; • Assessed the Company's processes for challenging the reliability of the independent prices through discussions with management, review of the Price Committee minutes and inquires with the IHS Markit Private Team; • Assessed the 31 March 2021, and post year end, bond surveillance reports to identify any evidence of fair value changes including whether the bonds are not performing, any delinquency in contractual payments or signs of financial distress by the borrower; • Alongside our internal valuation specialists we: – Evaluated the competence, capabilities and objectivity of IHS Markit Private Team; – Challenged the investment manager's and IHS Markit Private Team's approach to the valuation of the bonds against accepted market practices; and – Re-performed the valuation analysis to determine the bond prices and challenged the appropriateness and consistency of the comparables used by the IHS Markit Private Team. • On a sample basis, performed sensitivity analysis on the yield to maturity and sector curve discount yields, including weighting of pricing sources applied by management; • Challenged management's judgement over the classification of the bonds in the Fair Value Hierarchy under IFRS 13 by assessing the significance of observable and unobservable inputs used to determine fair value; and • Performed back testing by agreeing proceeds received from the sale of bonds, if any, both during the year and subsequent to 31 March 2021, against their fair value prior to the sale.
Key observations	We concluded that the assumptions applied by management, in arriving at the fair value of the Company's self-originated bond investments were reasonable, and that the resulting valuations are appropriately stated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REAL ESTATE CREDIT INVESTMENTS LIMITED (CONTINUED)

5.2. Valuation of self-originated loan investments

Key audit matter description	Loan investments of £136.1 million (2020: £137.6 million) make up 32% (2020: 31%) of total assets and are a key value driver for the Company's Net Asset Value (NAV) and interest income. There is a risk of fraud and error associated with the incorrect recognition and measurement criteria applied to loan investments through potentially complex structures or agreements. Any material changes in the estimated performance of a loan (including return on collateral, timing of exit and related cash flows) or market movements could have a significant impact on the fair value. Judgements over the credit quality of the borrower and underlying collateral along with the valuation of equity participation positions in certain loans, which impact fair value estimates, could significantly affect key performance indicators and the fair value of loan investments where applicable. The investment manager prepares cash flow models and documents judgements in relation to estimated performance of the loans within 'Loan Surveillance Reports'. These are presented to the Board when determining fair value of the loan portfolio. In addition to this, Covid-19 further increased judgement in relation to assumptions adopted for certain asset valuations, notably those with a significant leisure or retail elements, and can be reflected through one or more of the following: • decreased return assumptions; • delayed exit assumptions; and • reduced cash flow assumptions. The accounting policies related to this key audit matter can be found in Note 2 to the financial statements, with the valuation described as one of the key sources of estimation uncertainty in Note 3 and 15 to the financial statements. This is further described in the Audit Committee Report on page 44.
How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we have performed the following audit procedures: • Obtained an understanding of relevant controls in relation to the valuation process; • Agreed, on a sample basis, inputs used in 31 March 2021 'Loan Surveillance Reports', including the accuracy of covenant calculations, loan-to-value ratios, valuation of the underlying collateral and other financial and non-financial information to supporting evidence; • Assessed the 31 March 2021 Loan Surveillance Reports to identify any evidence of fair value changes including whether the loans are not performing, any covenant breaches, delinquency in contractual payments or signs of financial distress by the borrower; • Attended valuation calls with the investment manager to discuss and challenge the performance of the loan portfolio, significant assumptions made and the valuation of the underlying collateral; • Where indicators or changes to fair value have been identified, including in relation to the impact of Covid-19, challenged the assumptions made by the Investment Manager in assessing whether the loans are properly valued at the statement of financial position date. For a sample of loans, this included: — benchmarking return assumptions for borrowers against of operations of businesses in similar industries; — benchmarking collateral values against latest market data; and — reconciling loan cash flow assumptions with the latest business plans of the borrower and any agreed forbearance. • Performed back testing by agreeing proceeds received from loans repayments, both during the year and subsequent to 31 March 2021, against their fair value prior to the repayment; • Challenged Company's assessment of any equity uplifts with reference to the valuation and performance of underlying collateral; and • Evaluated the developments in the lending and relevant real estate markets at a macro level to assess changes in lending rates and potential changes in collateral values.

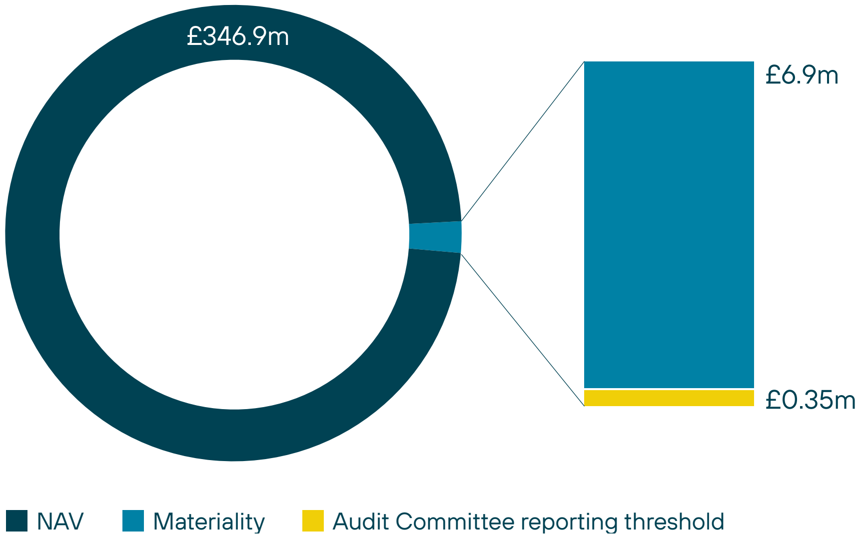
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£6.9 million (2020: £6.7 million)
Basis for determining materiality	2% (2020: 2%) of Net Asset Value
Rationale for the benchmark applied	We believe Net Asset Value is the most appropriate benchmark as it is considered one of the principal considerations for members of the Company in assessing financial performance and represents total Shareholders' interest.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment, including that of the administrator;
- the operational resilience of the investment manager and administrator during the year ended 31 March 2021 and the Covid-19 pandemic; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £346,000 (2020: £335,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REAL ESTATE CREDIT INVESTMENTS LIMITED (CONTINUED)

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The accounting function for the Company is provided by a third-party administrator. In performing our audit, we obtained an understanding of relevant controls at the administrator that are relevant to the business processes of the Company.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for the investment manager and Directors' remuneration, and performance targets;
- the Company's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board on 16th June 2021;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Key inputs to the valuation of self-originated bond investments;
- Valuation of self-originated loan investments; and
- Revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's regulatory licences under The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REAL ESTATE CREDIT INVESTMENTS LIMITED (CONTINUED)

11.2. Audit response to risks identified

As a result of performing the above, we identified key inputs to the valuation of self-originated bond investments and valuation of self-originated loan investments as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Guernsey Financial Services Commission;
- in addressing the risk of fraud in revenue recognition, challenged management's judgements in respect of the estimated contractual cash flows through back testing of expected future cash flows at loan initiation with subsequent actual cash flows and considering these in light of the valuation work performed; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 35-36;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 17;
- the Directors' statement on fair, balanced and understandable set out on page 46;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 42;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 40; and
- the section describing the work of the audit committee set out on pages 43-45.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, as a result of the most recent tender process, we were appointed by the Board of Directors on 13 June 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ending 31 March 2006 to 31 March 2021.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Clacy, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
23 June 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	31 Mar 2021 GBP	31 Mar 2020 GBP
Interest income	6	27,004,304	26,432,416
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	4	18,185,864	(35,925,496)
Other income		133,684	–
Operating income/(loss)		45,323,852	(9,493,080)
Operating expenses	5	(5,842,223)	(5,580,012)
Provision for expected credit losses		–	(860,151)
Profit/(loss) before finance costs		39,481,629	(15,933,243)
Finance costs	6	(2,237,927)	(1,488,720)
Net profit/(loss)		**37,243,702**	**(17,421,963)**
Other comprehensive income		–	–
Total comprehensive income/(loss)		**37,243,702**	**(17,421,963)**
Earnings/(loss) per share			
Basic and diluted	8	16.2p	(8.7)p
Weighted average shares outstanding		**Number**	**Number**
Basic and diluted	8	229,332,478	199,894,182

All items in the above statement are derived from continuing operations.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Note(s)	31 Mar 2021 GBP	31 Mar 2020 GBP
Non-current assets			
Financial assets at fair value through profit or loss	9	390,440,886	375,160,577
		390,440,886	375,160,577
Current assets			
Cash and cash equivalents	9	21,220,812	27,019,773
Cash collateral at broker	9,17	943,980	24,956,945
Derivative financial assets	9,10	2,260,399	–
Other assets	9,11	11,381,740	14,641,472
		35,806,931	66,618,190
Total assets		**426,247,817**	**441,778,767**
Equity and liabilities			
Equity			
Reserves		346,881,003	337,157,197
		346,881,003	**337,157,197**
Current liabilities			
Financing agreements	9,13	77,819,803	96,966,878
Derivative financial liabilities	9,10	–	6,176,905
Other liabilities	9,12	1,547,011	1,477,787
		79,366,814	104,621,570
Total liabilities		79,366,814	104,621,570
Total equity and liabilities		**426,247,817**	**441,778,767**
Shares outstanding	14	229,332,478	229,332,478
Net asset value per share		£1.51	£1.47

The accompanying notes form an integral part of the financial statements.

Signed on behalf of the Board of Directors by:

Bob Cowdell
Director

Susie Farnon
Director

23 June 2021

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Note	31 Mar 2021 GBP
Balance as at 31 March 2020		**337,157,197**
Total comprehensive income		37,243,702
Dividends	7	(27,519,896)
Balance as at 31 March 2021		**346,881,003**
Balance as at 31 March 2019		**253,198,289**
Total comprehensive loss		(17,421,963)
Issue of shares of the Company	14	126,495,426
Dividends	7	(25,114,555)
Balance as at 31 March 2020		**337,157,197**

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Note	31 Mar 2021 GBP	31 Mar 2020 GBP
Profit/(loss) before finance costs		39,481,629	(15,933,243)
Net purchases of financial assets		(4,234,290)	(107,020,062)
Net (purchases)/sales of derivative financial assets and liabilities		(3,680,177)	2,986,108
Movement in realised and unrealised (gains)/losses of financial assets	4	(11,046,019)	34,309,998
Movement in derivative financial assets and liabilities		(4,757,127)	3,842,798
Operating cash flows before movement in working capital		**15,764,016**	**(81,814,401)**
Decrease/(increase) in other assets		3,259,732	(2,660,357)
Increase/(decrease) in other liabilities		69,224	(227,487)
Movement in cash collateral at/due to broker		24,012,965	(23,672,116)
Movement in working capital		**27,341,921**	**(26,559,960)**
Net cash flow from/(used in) operating activities		**43,105,937**	**(108,374,361)**
Financing activities			
Shares issued		–	126,495,426
Distributions paid to Shareholders		(27,519,896)	(25,114,555)
Net repayments under financing agreement and the related finance charges		(21,385,002)	(4,631,721)
Net cash (outflow)/inflow from financing activities		**(48,904,898)**	**96,749,150**
Net decrease in cash and cash equivalents		(5,798,961)	(11,625,211)
Cash and cash equivalents at the start of the year		27,019,773	38,644,984
Cash and cash equivalents at the end of the year		**21,220,812**	**27,019,773**

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

1. General Information
Real Estate Credit Investments Limited ("RECI" or the "Company") was incorporated in Guernsey, Channel Islands on 6 September 2005 with registered number 43634. The Company commenced its operations on 8 December 2005.

The Company invests in real estate debt secured by commercial or residential properties in the United Kingdom and Western Europe, focusing primarily on those countries where it sees the changing dynamics in the real estate debt market offering a sustainable deal flow for the foreseeable future. The Company has adopted a long-term strategic approach to investing and focuses on identifying value in real estate debt. In making these investments the Company uses the expertise and knowledge of its Alternative Investment Fund Manager ("AIFM"), Cheyne Capital Management (UK) LLP ("Cheyne" or the "Investment Manager").

The Company's shares are currently listed on the premium segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange. The shares offer investors a levered exposure to a portfolio of Real Estate Credit Investments and aim to pay a quarterly dividend.

The Company's investment management activities are managed by the Investment Manager, who is also the AIFM. The Company has entered into an Investment Management Agreement (the "Investment Management Agreement") under which the Investment Manager manages its day-to-day investment operations, subject to the supervision of the Company's Board of Directors. The Company is an Alternative Investment Fund ("AIF") within the meaning of the Alternative Investment Fund Manager Directive ("AIFMD") and accordingly the Investment Manager has been appointed as AIFM of the Company, which has no employees of its own. For its services, the Investment Manager receives a monthly Management Fee, expense reimbursements and accrues a Performance Fee (see Note 18). The Company has no ownership interest in the Investment Manager.

Citco Fund Services (Guernsey) Limited is the Administrator and provides all administration services to the Company in this capacity. The Bank of New York Mellon (International) Limited is the Depositary and undertakes the custody of assets. Aztec Financial Services (Guernsey) Limited is the Company Secretary.

2. Significant Accounting Policies
Statement of Compliance
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority. The same accounting policies, presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 March 2020.

New Standards, Amendments and Interpretations Issued and Effective for the Financial Year Beginning 1 April 2020
Amendments to IFRS 3 – Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020. Amendments to IFRS 3 have no material impact on the financial statements as the Company has not entered into business combinations.

Amendments to References to Conceptual Framework in IFRS Standard

Together with the revised *Conceptual Framework for Financial Reporting*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020. The amendments has no material impact on the financial statements of the Company.

New Standards, Amendments and Interpretations Issued but not Effective for the Financial Year Beginning 1 April 2020 and not Early Adopted

Title	Effective for periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Interest Rate Benchmark Reform Phase 2*	1 January 2021
Amendment to IAS 37 – *Onerous Contracts: Cost of fulfilling a Contract*	1 January 2022
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*	1 January 2023

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 provide temporary relief which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate. The Company expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 37 apply a 'direct related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. The Company expects that the amendments will have no material impact on the financial statements.

IFRS 17 *Insurance Contracts* has no material impact on the financial statements as the Company does not have insurance contracts.

Amendments to IAS 1 affect only the presentation of liabilities in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that the Company disclose about those items.

Basis of Preparation

The financial statements of the Company are prepared under IFRS on the historical cost or amortised cost basis except for financial assets and liabilities classified at fair value through profit or loss which have been measured at fair value.

The functional and presentation currency of the Company is GBP (£), which the Board considers best represents the economic environment in which the Company operates.

Going Concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, they consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing the audited financial statements.

The Investment Manager performed an evaluation of each of its positions in light of the likely long-term impact of the Covid-19 crisis on operating models and valuations, and performed a granular analysis of the future liquidity profile of the Company. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

Taking account of the updated forecasting, the Directors consider that the cash resources available as at 31 March 2021 of £21.2 million (31 March 2020: £27.0 million), together with the cash collateral at broker of £0.9 million (31 March 2020: £25.0 million), the liquidity of the market bond portfolio and the financing available through activities such as repurchase agreements as described in Note 13, are sufficient to cover normal operational costs and current liabilities, including the proposed dividend, and the expected funding of loan commitments as they fall due for a period of at least twelve months from the date of signing the audited financial statements. The Directors note that a key assumption adopted in the going concern analysis is that leverage through repurchase agreements is not withdrawn. Net debt (leverage minus cash) as at 31 May 2021 was 15.5%. The Directors consider this to have strengthened the resilience of the Company to future market uncertainty.

Since the onset of the Covid-19 crisis and the resultant market turbulence, the Company moved to take the following measures:

- An evaluation of each of its positions in light of the likely long-term impact of the crisis on operating models and valuations and hence recovery prospects for the individual positions. The output of this analysis was to write down the value of just two of its mezzanine positions. These impairments are not realised losses, but provisions for potential losses recognised today;
- Engaged positively with every one of its borrower counterparts to put in place mitigation and de-risking strategies for the long term;
- Improved the resilience and flexibility of the Company by increasing its cash balances and reducing its net leverage; and
- Performed a granular analysis of the future liquidity profile of the Company. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments (and additional cash needs).

As disclosed in Note 19, as at 31 March 2021, the Company had committed £117.2 million into loans of which £43.9 million had been funded. The Investment Manager models these expected commitments, and only funds if the borrowers meet specific business plan milestones, and remains comfortable that it has sufficient liquidity over the expected funding timeframes.

Notwithstanding the Directors belief that this assumption remains justifiable, the Directors have also determined a number of mitigations to address a scenario where all outstanding repurchase agreements are required to be settled as they fall due. Whilst there would be a number of competing strategic factors to consider before implementation of such options, the Directors believe that these are credible and can generate sufficient liquidity to enable the Company to meet its obligations as they fall due. Such strategies include further sales of assets within the bond portfolio, cessation or delay of any future dividends and obtaining longer-term, non-recourse financing.

In consideration of this additional stressed scenario and mitigations identified, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of signing the financial statements.

In line with its Articles of Incorporation, the Company will put forward a resolution for its continuation at the next annual general meeting (intended to be held at 10:30am on 16 September 2021). The Directors have no reason to believe that the continuation vote will not be passed by Shareholders. If any continuation resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval within six months of the date of the continuation resolution. The Directors are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Financial Assets at Fair Value Through Profit or Loss
The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities at fair value through other comprehensive income. The contractual cash flows of the Company's debt securities are not solely principal and interest, and these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The gain or loss on reassessment of fair value is recognised immediately in the Statement of Comprehensive Income.

Financial Liabilities at Fair Value Through Profit or Loss
Financing agreements entered into for the purpose of efficient portfolio management are measured at fair value through profit or loss. The gain or loss on reassessment of fair value is recognised immediately in the Statement of Comprehensive Income.

Financial Assets at Amortised Cost
A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This includes cash and cash equivalents, cash collateral at broker and other assets.

Financial Liabilities at Amortised Cost
Other liabilities include all other liabilities.

Initial Measurement
Financial assets and liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs for such financial assets and liabilities being recognised directly in the Statement of Comprehensive Income.

Financial assets and liabilities at amortised cost are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Purchases and sales of financial assets and liabilities at fair value through profit or loss are accounted for at trade date. Realised gain/(loss) on disposals of financial assets and liabilities is calculated using the first-in, first-out ("FIFO") method.

Subsequent measurement
After initial measurement, the Company measures financial assets and liabilities which are classified as at fair value through profit or loss, at fair value.

After initial measurement, the Company measures financial assets and liabilities which are classified as at amortised cost, at amortised cost using effective interest method.

Recognition
All regular way purchases and sales of financial assets or liabilities are recognised on the trade date, which is the date on which the Company commits to purchase or sell the financial assets or liabilities. Regular way purchases or sales are purchases or sales of financial assets or liabilities that require delivery of assets within the period generally established by regulation or convention in the market place.

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or has expired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

Cash and Cash Equivalents
Cash and cash equivalents includes amounts held in interest bearing accounts and overdraft facilities with original maturities of less than three months.

Derivative Financial Instruments
Derivative financial instruments used by the Company to manage its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities that do not qualify for hedge accounting are accounted for as financial assets or liabilities at fair value through profit or loss.

Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on reassessment of fair value is recognised immediately in the Statement of Comprehensive Income.

The fair value of an open forward foreign currency exchange contract is calculated as the difference between the contracted rate and the current forward rate that would close out the contract on the reporting date. The change in value is recorded in net gains on financial assets and liabilities through profit or loss in the Statement of Comprehensive Income. Realised gains and losses are recognised on the maturity of a contract, or when the contract is closed out and they are transferred to realised gains or losses in the Statement of Comprehensive Income.

Fair Value
All financial assets carried at fair value are initially recognised at cost and subsequently re-measured at fair value. If independent prices are unavailable, the fair value of the financial asset is estimated by reference to market information which includes, but is not limited to, broker marks, prices of comparable assets and using pricing models incorporating discounted cash flow techniques and valuation techniques such as modelling.

These pricing models apply assumptions regarding asset specific factors and economic conditions generally, including delinquency rates, severity rates, prepayment rates, default rates, maturity profiles, interest rates and other factors that may be relevant to each financial asset.

The objective of a fair value measurement is to determine the price at which an orderly transaction would take place between market participants on the measurement date, rather than the price arrived at in a forced liquidation or distressed sale. Where the Company has considered all available information and there is evidence that the transaction was forced, it will not use such a transaction price as being determinative of fair value.

Note 3 provides specific information regarding the determination of fair value for the Company's bonds and loans.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported within assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Expenses Attributable to Any Issue of Shares
The expenses of the Company attributable to any issue of shares are those which are necessary to implement such an issue including registration, listing and admission fees, corporate finance fees, printing, advertising and distribution costs, legal fees and other applicable expenses. They are recognised as incurred and are included as a reduction to Reserves in the Statement of Changes in Equity.

Foreign Currency Transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to GBP at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in gains and losses on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income. Foreign currency denominated non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to GBP at foreign exchange rates ruling at the reporting date. Differences arising on translation of these non-monetary assets and liabilities between valuation points are recognised in the Statement of Comprehensive Income.

Interest Income

Interest income is accrued based on the expected realisation date of the investments using the effective interest method as defined under IFRS 9. Where the Company adjusts its expected cash flow projections to take account of any change in underlying assumptions, such adjustments are recognised in interest income in the Statement of Comprehensive Income by reflecting changes in the fair value of the investment calculated using the original effective interest rate and applying the original effective interest rate to this revised value for the purposes of calculating future income.

Expenses

All expenses are included in the Statement of Comprehensive Income on an accrual basis.

Taxation

The Company is a tax-exempt Guernsey limited company and accordingly, no provision for tax is made.

Other Receivables

Other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the underlying contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial liabilities and equity are initially recorded at the proceeds received, net of issue costs and subsequently at amortised cost. The shares have been classified as equity.

Other Liabilities

Other liabilities are not interest-bearing and are stated at their accrued value.

Segment Information

The Company has two reportable segments, being the Bilateral Loan and Bond Portfolio and the Market Bond Portfolio. The real estate debt investment strategy of the Company focuses on secured commercial and residential debt in the UK and Western Europe. Each segment engages in separate business activities and the results of each segment are regularly reviewed by the Board of Directors which fulfils the role of Chief Operating Decision Maker for performance assessment purposes.

Financing Agreements

The Company enters into repurchase agreements for the purpose of efficient portfolio management. There are no material revenues arising from the use of repurchase agreements and transaction costs are embedded in the price of the investments and are not separately identifiable. Securities purchased under agreements to resell are valued at fair value and adjusted for any movements in foreign exchange rates. Interest rates vary for each repurchase agreement and are set at the initiation of each agreement. It is the lender's policy to take custody of securities purchased under repurchase agreements and to value the securities on a daily basis to protect the lender's in the event the securities are not repurchased by the Company. The Company will generally post additional collateral if the market value of the underlying securities decline and are less than the face value of the repurchase agreements plus any accrued interest. In the event of default on the obligation to repurchase, the lender has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realisation and/or retention of the collateral or proceeds may be subject to legal proceedings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty
In the process of applying the Company's accounting policies (described in Note 2), the Company has determined that the following judgements and estimates have the most significant effect on the amounts recognised in the financial statements:

Critical Accounting Judgements
Classification of Financial Assets at Fair Value Through Profit or Loss
As described on page 67, classification and measurement of financial assets under IFRS 9 are driven by the entity's business model for managing financial assets and the contractual cash flow characteristics of those financial assets.

As further described on page 67, the contractual cash flow characteristics for loan investments are not solely payments of principal and interest. For the loans held via Stornoway Finance S.à r.l., the Company receives the return for each underlying loan net of expenses and so it not considered to be a basic lending arrangement under the standard. As such, these loan investments are required to be measured at fair value through profit or loss. The loans held via ENIV S.à r.l. are listed and considered bonds.

In making the judgement regarding Stornoway Finance S.à r.l., the Directors have considered the power the Company has to influence the investment decisions of the Special Purpose Vehicle housing the underlying loans and where the Company holds the majority interest it has been determined that the contractual cash flow characteristics for a basic lending arrangement would be met. However, IFRS 9 also requires an assessment of the business model within which assets are held. In the case of the Company's loan investments the Directors have determined that they monitor and evaluate business performance, manage risk and compensate the investment manager based on fair value measures. The business model is therefore not solely for holding and collecting contractual cash flows to maturity and requires all loan investments to be measured at fair value through profit or loss.

The Company's bond investments are classified and measured at fair value through profit or loss in accordance with the above fact pattern.

Were it to be determined that the business model for managing financial assets and the contractual cash flow characteristics of those financial assets were not described above, these assets would be classified and measured at amortised cost with provisions made for expected credits losses and changes to expected credit losses at each reporting date.

Level Classification of Financial Assets at Fair Value Through Profit or Loss
The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at 31 March 2020, in respect of the Company's self-originated bond portfolio, the Investment Manager calibrated the fair value to counterparty quotes on repurchase agreements as an additional data point in order to estimate the fair value of these investments. This approach for estimating fair value was adopted as a result of the reduction in depth of quotes for comparable bonds caused by the Covid-19 outbreak. Counterparty quotes for individual investments were based on readily available, non-proprietary, independent sources; and the fair value measurement therefore was classified as Level 2 in the fair value hierarchy.

As at 31 March 2021, the Company has determined the fair value of self-originated bonds as described in the Key Sources of Estimation Uncertainty section below, which represents a change in accounting estimate. The Directors have considered the significance of proprietary data used to determine the fair value of the self-originated bond portfolio and have determined that the fair value measurement should be classified as Level 3 in the fair value hierarchy. If observable prices from comparable bonds were used as the sole data point to estimate fair value, this would have produced a fair value for the self-originated bond investments of £82.7 million as at 31 March 2021.

Key Sources of Estimation Uncertainty

Valuation of Financial Assets at Fair Value Through Profit or Loss

In accordance with the Company's accounting policies, the fair value of financial assets is based on quoted prices where such prices are available from a third party in a liquid market.

Bonds held in the Company are valued either, using independent market prices (supplied by IHS Markit's ABS Bond and Bloomberg's BVAL pricing services) or the Company obtains pricing reports from independent vendors for bonds where prices are not directly observable in the market.

The vendors (IHS Markit Private Debt Team and JPM Pricing Direct) may use publicly available prices for comparable securities as the key input to the evaluated price of these bonds which are reviewed and corroborated by the Investment Manager. In addition, for the self-originated bonds, IHS Markit includes an additional valuation result based on internal proprietary sector curves. The midpoint of the sector curve price and the comparable bonds price is used to value the Company's self-originated bonds. As such, the sector curve input used to determine the discount yield and the weighting of the two techniques represent key sources of estimation uncertainty.

The Company has made loans into structures to gain exposure to real estate secured debt in the United Kingdom, France, Italy, Germany, Portugal and Spain. These loans are not traded in an active market and there are no independent quotes available for these loans. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques such as modelling. The fair value of these loans is linked directly to the value of the real estate loans in the underlying structure the Company invests in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 5.1% to 15.0% (31 March 2020: 4.9% to 15.2%).

As highlighted in the long-term viability section of the Strategic Report, the Investment Manager performed an evaluation of each of its positions in light of the likely long-term impact of the Covid-19 crisis on operating models and valuations. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs), these were taken into account in the modelled expected cash flows for 31 March 2021. Adjustments in the fair value of the real estate loans are considered in light of changes in the credit quality of the borrower and underlying property collateral. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess loan-to-value of the investment). In most instances, the terms of the loan require periodic re-valuation of the underlying property to check against loan-to-value covenants.

The valuation policy for contingent fees and potential profit participations provided for in contractual arrangements is to mark them at fair value, which in most instances have been obtained for a zero or de-minimis cost, and they are held at this value until there is sufficient evidence that the position should be revalued.

The Company has been closely monitoring this and indeed all other material macro sources of uncertainty-related developments, such as Covid-19 and the potential of a global recession, to ensure that these updated assumptions and any potential impact have been reflected in the valuation of financial assets at fair value through profit or loss as at 31 March 2021. Future valuation might change significantly in the future. Future valuation might change significantly in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

4. Net Gains/(Losses) on Financial Assets and Liabilities at Fair Value Through Profit or Loss

	31 Mar 2021 GBP	31 Mar 2020 GBP
Net gains/(losses)		
Net gains/(losses) on market bonds	3,264,950	(11,680,161)
Net gains/(losses) on self-originated bonds	7,338,230	(8,540,288)
Net gains/(losses) on self-originated loans	442,839	(14,089,549)
Net gains/(losses) on foreign exchange instruments and other foreign currency transactions	7,139,845	(1,615,498)
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	**18,185,864**	**(35,925,496)**

5. Operating Expenses	Note	31 Mar 2021 GBP	31 Mar 2020 GBP
Investment management, performance, administration and depositary fees			
Investment management fee	18	(4,280,498)	(4,135,296)
Administration fee	18	(245,781)	(244,305)
Depositary fee	18	(64,656)	(68,842)
Performance fee	18	–	951,125
		(4,590,935)	**(3,497,318)**
Other operating expenses			
Legal fees		(317,011)	(844,256)[1]
Directors' fees		(195,687)	(215,000)[2]
Audit fees		(103,000)	(83,000)
Corporate secretary fees		(80,596)	(87,567)
Regulatory body expenses		(38,407)	–
Fees to auditor for non-audit services		(34,000)	(91,840)
Research fees		(12,371)	(40,068)
Placing Programme launch costs		–	(383,666)
Other expenses		(470,216)	(337,297)
		(1,251,288)	**(2,082,694)**
Total operating expenses		**(5,842,223)**	**(5,580,012)**

[1] Legal fees for 31 March 2020 includes one-off payment totalling £571,269 for legal work relating to two assets.
[2] Includes fees in relation to the Placing Programme launched in February 2020.

The ongoing costs of the Company are shown in the Key Information Document (KID) published on the Company's website. The total figure of 2.36% is made up of the Investment Manager's fee of 1.25%, other ongoing costs of 0.46%, and finance costs (which are disclosed separately in the financial statements) of 0.65%. The finance costs may vary and are only incurred to increase the overall returns to investors.

6. Interest Income and Finance Costs

The following table details interest income and finance costs from financial assets and liabilities for the year:

	31 Mar 2021 GBP	31 Mar 2020 GBP
Interest income		
Real Estate Credit Investments – market bonds	2,923,845	4,179,196
Real Estate Credit Investments – self-originated bonds	10,022,570	7,302,205
Real Estate Credit Investments – self-originated loans	14,051,266	14,878,095
Cash and cash equivalents and other receivables	6,623	72,920
Total interest income	**27,004,304**	**26,432,416**
Finance costs		
Net cost of financing agreements	(2,237,927)	(1,488,720)
Total finance costs	**(2,237,927)**	**(1,488,720)**

7. Dividends

	31 Mar 2021 GBP	31 Mar 2020 GBP
Share Dividends		
Fourth dividend for the year ended 31 March 2020/31 March 2019	6,879,974	5,976,109
First dividend for the year ended 31 March 2021/31 March 2020	6,879,974	5,976,109
Second dividend for the year ended 31 March 2021/31 March 2020	6,879,974	6,282,363
Third dividend for the year ended 31 March 2021/31 March 2020	6,879,974	6,879,974
Dividends paid to Shareholders in the year	**27,519,896**	**25,114,555**

The total dividends paid during the financial year ended 31 March 2021 amounted to 12 pence per share (31 March 2020: 12 pence per share).

Under Guernsey law, companies can pay dividends provided they satisfy the solvency test prescribed under The Companies (Guernsey) Law, 2008 which considers whether a company is able to pay its debts when they become due and whether the value of a company's assets is greater than its liabilities.

The Directors considered that the Company satisfied the solvency test for each dividend payment during the years ended 31 March 2021 and 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

8. Earnings/(Loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	31 Mar 2021 GBP	31 Mar 2020 GBP
Net earnings/(loss) attributable to shares (GBP)	37,243,702	(17,421,963)
Weighted average number of shares for the purposes of basic and diluted earnings/(loss) per share	**229,332,478**	**199,894,182**
Earnings/(Loss) per share		
Basic and diluted (pence)	16.2	(8.7)

The weighted average number of shares increased due to the issue of shares during the year (for more details refer to Note 14).

9. Categories of Financial Instruments

The following table details the categories of financial assets and liabilities held by the Company at the year end date.

	31 Mar 2021 GBP	31 Mar 2020 GBP
Assets		
Financial assets at fair value through profit or loss:		
Real Estate Credit Investments – market bonds	80,359,507	87,905,159
Real Estate Credit Investments – self-originated bonds	173,931,664	149,653,980
Real Estate Credit Investments – self-originated loans	136,149,715	137,601,438
Investments at fair value through profit or loss	**390,440,886**	**375,160,577**
Derivative financial assets:		
Forward foreign exchange contracts	2,260,399	–
Financial assets at amortised cost:		
Cash and cash equivalents	21,220,812	27,019,773
Cash collateral at broker	943,980	24,956,945
Other assets	11,381,740	14,641,472
Total assets	**426,247,817**	**441,778,767**
Liabilities		
Financial liabilities at fair value through profit or loss:		
Financing agreements	77,819,803	96,966,878
Derivative financial liabilities:		
Forward foreign exchange contracts	–	6,176,905
Financial liabilities at amortised cost:		
Other liabilities	1,547,011	1,477,787
Total liabilities	**79,366,814**	**104,621,570**

The value of the bond portfolio assets was £254.3 million as at 31 March 2021 (31 March 2020: £237.6 million), the financing against these is shown as £77.8 million as at 31 March 2021 (31 March 2020: £97.0 million).

See Note 16 for a summary of the movement in fair value in the Company's investments for the year.

10. Derivative Contracts

Forward Foreign Exchange Contracts:

The following forward foreign exchange contracts were open as at 31 March 2021:

Counterparty	Settlement date	Buy currency	Buy amount	Sell currency	Sell amount	Unrealised Gain GBP
The Bank of New York Mellon	20 May 2021	GBP	114,299,465	EUR	(131,400,000)	2,260,399
Unrealised gain on forward foreign exchange contracts						2,260,399

The following forward foreign exchange contracts were open as at 31 March 2020:

Counterparty	Settlement date	Buy currency	Buy amount	Sell currency	Sell amount	Unrealised Loss GBP
The Bank of New York Mellon	19 May 2020	GBP	101,991,786	EUR	(122,200,000)	(6,176,905)
Unrealised loss on forward foreign exchange contracts						(6,176,905)

11. Other Assets

	31 Mar 2021 GBP	31 Mar 2020 GBP
Market bond interest receivable	354,894	495,409
Self-originated bond interest receivable	1,923,886	2,010,495
Self-originated loan income receivable	9,082,040	12,112,059
Other receivables and prepaid expenses	20,920	23,509
	11,381,740	**14,641,472**

As at 31 March 2021, the dirty fair value (financial assets at fair value through profit or loss, plus interest receivable) of the market bond portfolio is £80,714,401 (31 March 2020: £88,400,568), the dirty fair value of the self-originated bond portfolio is £175,855,550 (31 March 2020: £151,664,475) and the dirty fair value of the self-originated loan portfolio is £145,231,755 (31 March 2020: £149,713,497).

12. Other Liabilities

	31 Mar 2021 GBP	31 Mar 2020 GBP
Investment management fee payable	368,655	363,935
Interest payable	100,707	241,432
Depositary fee payable	21,000	15,628
Administration fee payable	20,865	22,272
Other expense accruals	1,035,784	834,520
Total liabilities	**1,547,011**	**1,477,787**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

13. Financing Agreements
The Company enters into repurchase agreements with several banks to provide leverage. This financing is collateralised against certain of the Company's bond portfolio assets with a fair value totalling £186.1 million (31 March 2020: £108.1 million) and a weighted average cost of 2.30% (31 March 2020: 1.80%) per annum. The average period to maturity of the repurchase arrangements is 3 to 6 months (31 March 2020: 2 months).

This short-term financing is shown as a current liability in the Statement of Financial Position whereas the collateralised assets are shown as non-current. The movement in financing agreement and the related finance charges amounting to £21.4 million (31 March 2020: £4.6 million) is shown as financing activity in the Statement of Cash Flows.

14. Share Capital
The issued share capital of the Company consists of shares and its capital as at the year end is represented by the net proceeds from the issuance of shares and profits retained up to that date. The Company does not have any externally imposed capital requirements. As at 31 March 2021, the Company had capital of £346.9 million (31 March 2020: £337.2 million).

	31 Mar 2021 Number of Shares	31 Mar 2020 Number of Shares
Authorised Share Capital		
Shares of no par value each	Unlimited	Unlimited
Shares issued and fully paid		
Balance at the start of the year	229,332,478	153,321,282
Shares issued during the year	–	76,011,196
Balance at the end of the year	**229,332,478**	**229,332,478**

On 21 February 2020, the Company launched a third placing programme for the issue of up to 150 million new shares, which was approved by Shareholders at an extraordinary general meeting held on 10 March 2020. No shares were issued under this programme.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders. The Company's overall strategy was outlined in the Prospectus which was published on 21 February 2020 to launch the third placing programme. The capital structure of the Company consists of the equity of the Company as disclosed in the Statement of Changes in Equity.

15. Financial Instruments and Associated Risks
The Company's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The Company's risk management policies seek to minimise the potential adverse effects of these risks on the Company's financial performance.

The financial risks to which the Company is exposed include market price risk, interest rate risk, liquidity risk, currency risk, credit risk, prepayment and re-investment risk. In certain instances as described more fully below, the Company enters into derivative transactions in order to help mitigate particular types of risk.

(a) Market Risk
Market risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises of interest rate risk, currency risk and other price risk.

The Company's strategy on the management of market risk is driven by the Company's investment objectives detailed in Note 1 which in respect of the Company is to invest primarily in debt secured by commercial or residential properties in the United Kingdom and Western Europe.

The Company's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed below.

The sensitivity analysis below is based on a change in one variable while holding all other variables constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in foreign currency rate and change in market values. In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature.

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk to the extent that foreign exchange rates fluctuate as it has financial instruments that are denominated in currencies other than GBP.

The Company manages its foreign exchange exposure forward foreign currency exchange contracts. These instruments are detailed in Note 10.

The currency profile of the Company, including derivatives at fair value, at the year end date was as follows:

As at 31 March 2021:	Net currency exposure GBP	Monetary Assets GBP	Monetary Liabilities GBP	Forward Foreign Currency Exchange Contracts GBP
Currency				
GBP	350,670,329	269,174,884	(32,804,020)	114,299,465
EUR	(3,799,685)	154,802,177	(46,562,795)	(112,039,067)
USD	10,359	10,359	–	–
	346,881,003	**423,987,420**	**(79,366,815)**	**2,260,398**

As at 31 March 2020:	Net currency exposure GBP	Monetary Assets GBP	Monetary Liabilities GBP	Forward Foreign Currency Exchange Contracts GBP
Currency				
GBP	349,525,913	324,836,040	(77,301,913)	101,991,786
EUR	(12,380,310)	116,931,133	(21,142,752)	(108,168,691)
USD	11,594	11,594	–	–
	337,157,197	**441,778,767**	**(98,444,665)**	**(6,176,905)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

As at 31 March 2021, had the GBP strengthened by 5% or 10% in relation to all currency exposure of the Company with all other variables held constant, the equity of the Company and the net profit/(loss) per the Statement of Comprehensive Income would have changed by the amounts shown below. The analysis is performed on the same basis for 2020.

By 5%	31 Mar 2021 GBP	31 Mar 2020 GBP
EUR	(189,984)	(619,016)
USD	518	580
Total	**(189,466)**	**(618,436)**

By 10%	31 Mar 2021 GBP	31 Mar 2020 GBP
EUR	(379,969)	(1,238,031)
USD	1,036	1,159
Total	**(378,933)**	**(1,236,872)**

A 5% or 10% weakening of the GBP against the above currencies would have resulted in an equal but opposite effect on the equity of the Company and net profit/(loss) per the Statement of Comprehensive Income to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis reflects how equity of the Company would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Management has determined that a fluctuation of 5% in foreign exchange rates is reasonably possible, considering the environment in which the Company operates.

(ii) Interest Rate Risk
Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is managed by the Investment Manager in accordance with policies and procedures detailed below.

The Company invests in fixed and floating rate real estate related debt assets (which includes loans and bonds). Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

Should interest rates rise by 1.00% (100 basis points) or 2.00% (200 basis points) in relation to the fixed-rate assets held by the Company, the estimated impact on the net asset value ("NAV") of the Company is a decrease of £7.5 million or £15.0 million (31 March 2020: £6.9 million or £13.8 million), respectively. A decrease in interest rates by 100 basis points or 200 basis points is estimated to result in an increase in the NAV of the Company by a similar amount. These estimates are calculated based on the fair value of the fixed-rate securities including accrued interest held by the Company as at 31 March 2021 and 31 March 2020, and their weighted average lives. A fundamental principle of bond investing is that market interest rates and bond prices generally move in opposite directions. When market interest rates rise, prices of fixed-rate bonds fall.

The interest rate profile of the Company as at 31 March 2021 was as follows:

	Fixed GBP	Floating GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss	220,927,550	169,513,336	–	390,440,886
Other assets	–	–	11,381,740	11,381,740
Cash and cash equivalents	–	21,220,812	–	21,220,812
Cash collateral at broker	–	943,980	–	943,980
Derivative financial assets				
– forward foreign exchange contracts	–	–	2,260,399	2,260,399
Financing agreements	–	(77,819,803)	–	(77,819,803)
Other liabilities	–	–	(1,547,011)	(1,547,011)
Total	**220,927,550**	**113,858,325**	**12,095,128**	**346,881,003**

The maturity profile of the Company as at 31 March 2021 was as follows:

	Net Assets GBP	Within one year GBP	One to five years GBP	Over five years GBP
Financial assets at fair value through profit or loss	390,440,886	86,958,465	137,376,487	166,105,934
Other assets	11,381,740	11,381,740	–	–
Cash and cash equivalents	21,220,812	21,220,812	–	–
Cash collateral at broker	943,980	943,980	–	–
Derivative financial assets				
– forward foreign exchange contracts	2,260,399	2,260,399	–	–
Financing agreements	(77,819,803)	(77,819,803)	–	–
Other liabilities	(1,547,011)	(1,547,011)	–	–
Net Assets	**346,881,003**	**43,398,582**	**137,376,487**	**166,105,934**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

The interest rate profile of the Company as at 31 March 2020 was as follows:

	Fixed GBP	Floating GBP	Non-interest bearing GBP	Total GBP
Financial assets at fair value through profit or loss	206,017,967	169,142,610	–	375,160,577
Other assets	–	–	14,641,472	14,641,472
Cash and cash equivalents	–	27,019,773	–	27,019,773
Cash collateral at broker	–	24,956,945	–	24,956,945
Derivative financial assets	–	(96,966,878)	–	(96,966,878)
– forward foreign exchange contracts				
Financing agreements	–	–	(6,176,905)	(6,176,905)
Other liabilities	–	–	(1,477,787)	(1,477,787)
Total	**206,017,967**	**124,152,450**	**6,986,780**	**337,157,197**

The maturity profile of the Company as at 31 March 2020 was as follows:

	Net Assets GBP	Within one year GBP	One to five years GBP	Over five years GBP
Financial assets at fair value through profit or loss	375,160,577	21,680,862	107,876,508	245,603,207
Other assets	14,641,472	14,641,472	–	–
Cash and cash equivalents	27,019,773	27,019,773	–	–
Cash collateral at broker	24,956,945	24,956,945	–	–
Derivative financial assets	(96,966,878)	(96,966,878)	–	–
– forward foreign exchange contracts				
Financing agreements	(6,176,905)	(6,176,905)	–	–
Other liabilities	(1,477,787)	(1,477,787)	–	–
Net Assets	**337,157,197**	**(16,322,518)**	**107,876,508**	**245,603,207**

The value of the asset-backed securities will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The loans in the Company are recorded at fair value on initial recognition and subsequent measurement.

(b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is generally higher for a non-exchange traded financial instrument because the counterparty for non-exchange traded financial instruments is not backed by an exchange-clearing house.

The Company's financial assets, other than the investment portfolio discussed below, exposed to credit risk, at the year end date were as follows:

	31 Mar 2021 GBP	31 Mar 2020 GBP
Cash and cash equivalents	21,220,812	27,019,773
Cash collateral at broker	943,980	24,956,945
Total	**22,164,792**	**51,976,718**

Credit rating for the custodian of the cash balance is on page 83.

Market Bonds

The Company is subject to the risk that issuers of asset backed securities in which it invests may default on their obligations and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of an instrument in which the Company invests will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Company will not sustain a loss on the transaction as a result. The Company seeks to mitigate this risk by monitoring its portfolio of investments, reviewing the underlying credit quality of its counterparties, on a monthly basis.

Self Originated Assets

The Company is subject to the risk that the underlying borrowers to the loans in which it invests, may default on their obligations and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. Any loan may become a defaulted obligation for a variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents. In the event of any default on the Company's investment in a loan by the borrower, the Company will bear a risk of loss of principal and accrued interest on the loan, which could have a material adverse effect on the Company's investment.

There can be no assurance that a borrower will not default, that there will not be an issue with the underlying real estate security or that an event which has an immediate and significant adverse effect on the value of these loans will not occur, and that the Company will not sustain a loss on the transaction as a result. The Company seeks to mitigate this risk by performing due diligence and monitoring its portfolio of investments, reviewing the underlying credit quality of its borrowers, performance of the underlying asset, and loan covenants compliance against financial information received and the performance of the security, on a quarterly basis.

The Company's total investment in loans as at 31 March 2021, amounted to £136.1 million (31 March 2020: £137.6 million) which excludes any interest accrued on loans at this date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

Derivative Contracts

The Company has credit exposure in relation to its derivative contracts. The Company was invested in derivative contracts with The Bank of New York Mellon as at 31 March 2021 and 31 March 2020, respectively, with the following credit rating and credit quality according to Standard and Poor's:

	31 Mar 2021 Rating	31 Mar 2020 Rating	31 Mar 2021 GBP	31 Mar 2020 GBP
The Bank of New York Mellon	AA-	AA-	2,260,399	(6,176,905)

Transactions involving derivative instruments are usually with counterparties with whom the Company has signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk from the amounts shown as derivative financial assets on the Statement of Financial Position. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

The exposure to credit risk reduced by master netting arrangements may change significantly within a short period of time as a result of transactions subject to the arrangement. The corresponding assets and liabilities have not been offset on the Statement of Financial Position.

Below are the derivative assets and liabilities by counterparty and details of the collateral received and pledged by Company as at 31 March 2021:

Derivative Type	Counterparty	Value of derivative assets GBP	Collateral received GBP	Collateral pledged GBP	Net (if greater than zero) GBP
Forward foreign exchange contracts	The Bank of New York Mellon	2,260,399	–	–	2,260,399

Below are the derivative assets and liabilities by counterparty and details of the collateral received and pledged by Company as at 31 March 2020:

Derivative Type	Counterparty	Value of derivative liabilities GBP	Collateral received GBP	Collateral pledged GBP	Net (if greater than zero) GBP
Forward foreign exchange contracts	The Bank of New York Mellon	(6,176,905)	–	6,176,905	–

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit rating and financial positions of the brokers used to further mitigate this risk.

Custody

The Company monitors its credit risk by monitoring the credit quality of The Bank of New York Mellon (International) Limited, as reported by Standard and Poor's or Moody's.

If the credit quality or the financial position of The Bank of New York Mellon (International) Limited were to deteriorate significantly, the Investment Manager will seek to move the Company's assets to another bank. The Bank of New York Mellon (International) Limited is a Trust Company with a credit rating of Aa2 at the reporting date (31 March 2020: Aa2) according to Moody's.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed below. Where needed, the Investment Manager will liquidate positions to increase cash or reduce leverage.

The following table details the current and long-term financial liabilities of the Company at the year end date:

As at 31 March 2021:	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	Greater than 1 year GBP
Financial liabilities excluding derivatives				
– Financing agreements	–	65,367,390	12,452,413	–
– Other liabilities	–	1,547,011	–	–
	–	**66,914,401**	**12,452,413**	**–**

As at 31 March 2020:	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	Greater than 1 year GBP
Financial liabilities excluding derivatives				
– Financing agreements	37,096,030	59,870,848	–	–
– Other liabilities	–	1,477,787	–	–
	37,096,030	**61,348,635**	**–**	**–**

The market for subordinated asset-backed securities including real estate loans into which the Company is invested, is illiquid. In addition, investments that the Company purchases in privately negotiated (also called "over-the-counter" or "OTC") transactions may not be registered under relevant securities laws or otherwise may not be freely tradable, resulting in restrictions on their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result of this illiquidity, the Company's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited.

Furthermore, where the Company acquires investments for which there is not a readily available market, the Company's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such investment is exposed may be limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

(d) Valuation of Financial Instruments

IFRS 13 Fair Value Measurement requires disclosures surrounding the level in the fair value hierarchy in which fair value measurement inputs are categorised for assets and liabilities measured in the Statement of Financial Position. The determination of the fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2, Significant accounting policies and in Note 3, Critical accounting judgements and key sources of estimation uncertainty. For financial instruments that trade infrequently and have little price transparency, fair value is less objective.

The Company categorises investments using the following hierarchy as defined by IFRS 13:

- Level 1 – Quoted market prices in an active market for an identical instrument;
- Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following tables analyse within the fair value hierarchy of the Company's financial assets and liabilities measured at fair value at the year end date:

As at 31 March 2021:	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Current assets				
Forward foreign exchange contracts	–	2,260,399	–	2,260,399
Non-current assets				
Real Estate Credit Investments – market bonds	–	80,247,010	112,497	80,359,507
Real Estate Credit Investments – self-originated bonds	–	–	173,931,664	173,931,664
Real Estate Credit Investments – self-originated loans	–	–	136,149,715	136,149,715
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(77,819,803)	–	(77,819,803)
	–	**4,687,606**	**310,193,876**	**314,881,482**

As at 31 March 2020:	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Non-current assets				
Real Estate Credit Investments – market bonds	–	87,690,906	214,253	87,905,159
Real Estate Credit Investments – self-originated bonds	–	149,653,980	–	149,653,980
Real Estate Credit Investments – self-originated loans	–	–	137,601,438	137,601,438
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(96,966,878)	–	(96,966,878)
Forward foreign exchange contracts	–	(6,176,905)	–	(6,176,905)
	–	**134,201,103**	**137,815,691**	**272,016,794**

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of forward contracts is the difference between the contracts price and reported market prices of the underlying contract variables. These are included in Level 2 of the fair value hierarchy.

The fair values of investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds ("Real Estate Credit Instruments"), repurchase agreements and over-the-counter derivatives.

As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. In cases where material discounts are applied, the positions will be valued as Level 3.

The Company obtains pricing reports from independent vendors for bonds where prices are not directly observable in the market. These bonds are classified as Level 3 in the fair value hierarchy. Please refer to Valuation of Financial Assets at Fair Value Through Profit or Loss in Note 3 for further details which describes the weighting of the valuation between observable prices from comparable bonds and the valuation result based on proprietary sector curve discount yields as a key unobservable input in deriving fair value of these investments. A 50% weighting to each data point has been applied and the fair value range generated by the two approaches is £1.4 million. The sector curve discount yields used range from 5.8% to 10.0%. Applying a discount yield +/-2% to the valuation would reduce/increase the fair value at 31 March 2021 by £1.1 million and £2.0m respectively.

The Company makes loans into structures to gain exposure to real estate Secured Debt in the UK and Western Europe. These loans are not traded in an active market and there are no independent quotes available for these loans. Such holdings are classified as Level 3 investments. The fair value of these loans is linked directly to the value of the real estate loans that the underlying structures invests in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 5.1% to 15.0% (31 March 2020: 4.9% to 24.0%) (the unobservable input).

Fair value of the real estate loans is adjusted for changes in the credit quality of both the borrower and the underlying property collateral, and changes in the market rate on similar instruments. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess loan-to-value of the investment). In most instances, the terms of the loan require periodic revaluation of the underlying property to check against loan-to-value covenants. All the fees associated with the investments (arrangement fees, exit fees, etc.) are paid directly to the Company and not paid to the Investment Manager.

Previously, many of the Company's investments in loans were made through a Luxembourg based entity, Stornoway Finance S.à r.l. via loan note instruments. The majority of the Company's investments are now made through another Luxembourg based entity, ENIV S.à r.l. via separate note instruments. As and when market information, such as market prices from recognised financial data providers becomes available, the Company will assess the impact on its portfolio of loans and whether there should be any transfers between levels in the fair value hierarchy.

As at 31 March 2021, the Investment Manager was not aware of any significant movement in the market rates, any indications of impairment, significant credit events or significant negative performance of the underlying property structures, which might affect the fair value of the loans and bonds. Whilst no defaults in the underlying investment are expected, a 1% or 2% decrease in the discount rate would decrease the fair value by £7.5 million or £15.0 million (31 March 2020: £6.9 million or £13.8 million), respectively and increase net profit by an equal amount; an equal change in the opposite direction would decrease the equity of the loan and bond portfolio within the Company and decrease net profit by an equal amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

Level 3 Reconciliation
The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the financial year:

As at 31 March 2021:	**Level 3 31 Mar 2021 GBP**	**Level 3 31 Mar 2020 GBP**
Financial assets at fair value through profit or loss		
Opening balance	137,815,691	139,383,640
Total gains/(losses) recognised in the Statement of Comprehensive Income for the year	7,702,126	(14,147,498)
Purchases	85,193,214	72,177,884
Sales	(70,148,329)	(59,870,537)
Transfer in to Level 3*	149,631,174	272,202
Closing balance	310,193,876	137,815,691
Unrealised loss on investments classified as Level 3 at year end	**(847,497)**	**(15,421,280)**

* During the year ended 31 March 2021 and 31 March 2020, following a change in accounting estimate for the bilateral bond portfolio, they have been moved from Level 2 to Level 3. For further details please see page 71 and 85.

(e) Prepayment and Re-Investment Risk
The Company's real estate loans have the facility for prepayment. The Company's exposure to real estate debt securities also has exposure to potential prepayment risk which may have an impact on the value of the Company's portfolio. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Company's control and consequently cannot be predicted with certainty.

The level and timing of prepayments made by borrowers in respect of the mortgage loans that collateralise certain of the Company's investments may have an adverse impact on the income earned by the Company from those investments.

Early prepayments also give rise to increased re-investment risk. If the Company is unable to reinvest such cash in a new investment with an expected rate of return at least equal to that of the loan repaid, the Company's net income will be lower and, consequently, could have an adverse impact on the Company's ability to pay dividends.

The Investment Manager reviews the prepayment assumptions each quarter and will update as required. These assumptions are considered through a review of the underlying loan performance information of the securitisations.

16. Segmental Reporting
The Company has adopted IFRS 8 Operating Segments. The standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.

Whilst the Investment Manager may make the investment decisions on a day-to-day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board retains full responsibility as to the major allocation decisions made on an ongoing basis and is therefore considered the "Chief Operating Decision Maker" under IFRS 8.

The Company invests in Real Estate Credit Investments. The Real Estate Credit Investments may take different forms but will be likely to be: (i) secured real estate loans; and (ii) debentures or any other form of debt instrument, securitised tranches of secured real estate related debt securities, for example, RMBS and CMBS (together "MBS"). The real estate debt strategy focuses on secured residential and commercial debt in the UK and Western Europe, seeking to exploit opportunities in publicly traded securities and real estate loans.

The Company has two reportable segments, being the Market Bond Portfolio and Bilateral Loan and Bond Portfolio.

For each of the segments, the Board of Directors reviews internal management reports prepared by the Investment Manager on a quarterly basis. The Investment Manager has managed each of the Market Bond Portfolio and the Bilateral Loan and Bond Portfolio separately; thus two reportable segments are displayed in the financial statements.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss), as included in the internal management reports that are reviewed by the Board of Directors. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results.

Year ended 31 March 2021:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Reportable segment profit	6,188,794	31,861,530	38,050,324
Year ended 31 March 2020:			
Reportable segment loss	(7,500,964)	(376,618)	(7,877,582)

Year ended 31 March 2021:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Total assets	–	–	426,247,817
Non-segmental assets	–	–	24,446,111
Reportable segment assets	80,714,401	321,087,305	401,801,706
Year ended 31 March 2020:			
Total assets	–	–	441,778,767
Non-segmental assets	–	–	52,000,227
Reportable segment assets	88,400,568	301,377,972	389,778,540

Information regarding the basis of geographical segments is presented in the Investment Manager’s Reports and is based on the countries of the underlying collateral.

All segment revenues are from external sources. There are no inter-segment transactions between the reportable segments during the year. Certain income and expenditure is not considered part of the performance of either segment. This includes gains/(losses) on net foreign exchange and derivative instruments, expenses and interest on borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

The following table provides a reconciliation between net reportable income and operating profits.

	31 Mar 2021 GBP	31 Mar 2020 GBP
Reportable segment profit/(loss)	38,050,324	(7,877,582)
Net gains/(losses) on foreign exchange instruments and other foreign currency transactions	7,139,844	(1,615,498)
Other income	133,684	–
	45,323,852	(9,493,080)
Operating expenses	(5,842,223)	(5,580,012)
Provision for expected credit loss	–	(860,151)
Finance costs	(2,237,927)	(1,488,720)
Net profit/(loss)	**37,243,702**	**(17,421,963)**

Certain assets and liabilities are not considered to be attributable to either segment, these include, other receivables and prepayments, cash and cash equivalents and derivative financial assets.

The following table provides a reconciliation between net total segment assets and total assets.

	31 Mar 2021 GBP	31 Mar 2020 GBP
Reportable segment assets	401,801,706	389,778,540
Cash and cash equivalents	21,220,812	27,019,773
Cash collateral at broker	943,980	24,956,945
Derivative financial assets	2,260,399	–
Other assets	20,920	23,509
Closing fair value	**426,247,817**	**441,778,767**

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios for the year ended 31 March 2021:

Year ended 31 March 2021:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Financial assets at fair value through profit or loss			
Opening fair value	87,905,159	287,255,418	375,160,577
Purchases	23,213,994	85,193,214	108,407,208
Repayments/sales proceeds	(34,024,589)	(70,148,329)	(104,172,918)
Realised (loss)/gain on sales	(4,170,757)	2,826,294	(1,344,463)
Net movement in unrealised gain on investments at fair value through the profit or loss	7,435,700	4,954,782	12,390,482
	80,359,507	**310,081,379**	**390,440,886**

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios for the year ended 31 March 2020:

Year ended 31 March 2020:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Financial assets at fair value through profit or loss			
Opening fair value	92,473,719	209,976,793	302,450,512
Purchases	51,485,476	232,287,095	283,772,571
Repayments/sales proceeds	(44,373,875)	(132,378,633)	(176,752,508)
Realised (loss)/gain on sales	(1,889,465)	902,341	(987,124)
Net movement in unrealised gain on investments at fair value through the profit or loss	(9,790,696)	(23,532,178)	(33,322,874)
Closing fair value	**87,905,159**	**287,255,418**	**375,160,577**

17. Cash Collateral

The Company manages some of its financial risks through the use of financial derivative instruments which are subject to collateral requirements. As at 31 March 2021, a total of £0.9 million (31 March 2020: £25.0 million) was due from various financial institutions under the terms of the relevant arrangements. The cash held by brokers is restricted and is shown as Cash collateral at broker on the Statement of Financial Position.

18. Material Agreements and Related Party Transactions

Loan Investments

Previously, many of the Company's investments in loans were made through a Luxembourg based entity, Stornoway Finance S.à r.l. via loan note instruments. The loan investments are now made though another Luxembourg based entity, ENIV S.à r.l., via separate note instruments. This entity has separate compartments for each loan deal which effectively ringfences each loan deal. Other funds managed by the Investment Manager may invest pari passu in these compartments.

Investment Manager

The Company is party to an Investment Management Agreement with the Investment Manager, dated 22 February 2017, pursuant to which the Company has appointed the Investment Manager to manage its assets on a day-to-day basis in accordance with its investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

The Company pays the Investment Manager a Management Fee and a Performance Fee.

Management Fee

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive from the Company an annual Management Fee of 1.25% on an adjusted NAV, being the NAV of the shares.

During the year ended 31 March 2021, the management fee totalled £4.3 million (31 March 2020: £4.1 million), of which £0.4 million (31 March 2020: £0.4 million) was outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

Performance Fee

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive from the Company a performance fee calculated as ((A-B) x 20% x C) where:

A = the Adjusted Performance NAV per share, as defined in the Prospectus.

B = the NAV per share as at the first business day of the Performance Period increased by a simple annual rate of return of 7% over the Performance Period or, if no Performance Fee was payable in the previous Performance Period, the NAV per share on the first business day of the Performance Period immediately following the last Performance Period in which a Performance Fee was paid (the "Starting Date") increased by a simple annual rate of return of 7% over the period since the Starting Date ("Hurdle Assets").

C = the time weighted average number of shares in issue in the period since the Starting Date.

On 1 October 2017, the Company entered a new Performance Period which is expected to run until the end date of the quarter in which the second continuation resolution, to be proposed at the AGM to be held on 16 September 2021, is passed. With the commencement of a new Performance Period, the NAV on which the Hurdle Assets will be determined in accordance with the above formula was reset to the NAV per share on 2 October 2017 (being the Starting Date of the new Performance Period).

During the year ended 31 March 2021, the Performance Fee totalled £Nil (31 March 2020: £(1.0) million) and the related aggregate Performance Fee payable at the year end date amounted to £Nil (31 March 2020: £Nil).

Administration Fee

Under the terms of the Administration Agreement, the Administrator is entitled to receive from the Company a monthly administration fee based on the prior month gross assets of the Company adjusted for current month subscriptions and redemptions of the Company at the relevant basis points per annum rate, subject always to a minimum monthly fee £10,000.

During the year ended 31 March 2021, the administration fee totalled £245,781 (31 March 2020: £244,305), of which £20,865 (31 March 2020: £22,272) was outstanding at the year end.

Depositary Fee

Under the terms of the Depositary Agreement, the Depositary is entitled to receive from the Company an annual Depositary fee of 0.02% (31 March 2020: 0.02%) of the NAV of the Company. During the year ended 31 March 2021, the Depositary fee totalled £64,656 (31 March 2020: £68,842). The Company owed £21,000 to the Depositary at the year end date (31 March 2020: £15,628).

19. Contingencies and Commitments
As at 31 March 2021, the Company had committed £117.2 million into loans of which £43.9 million had been funded (31 March 2020: £222.6 million into loans of which £161.2 million had been funded).

20. Subsequent Events
The Directors declared a dividend of 3 pence per share on 23 June 2021.

There have been no other significant events affecting the Company since the year end date that require amendment to or disclosure in the financial statements.

21. Foreign Exchange Rates Applied to Combined Totals Used in the Preparation of the Financial Statements
The following foreign exchange rates relative to the GBP were used as at the year end date:

Currency	31 Mar 2021 GBP	31 Mar 2020 GBP
EUR	1.17	1.13
USD	1.38	1.24

22. Approval of the Financial Statements
The Annual Report and audited financial statements of the Company were approved by the Directors on 23 June 2021.

APPENDIX I – AIFM REMUNERATION POLICY (UNAUDITED)

Annual Remuneration Disclosure for the Year to 31 March 2021

Cheyne Capital Management (UK) LLP ("Cheyne"), the Alternative Investment Fund Manager ("AIFM"), has implemented a Remuneration Policy ("the Policy") that is applicable to all remuneration matters within the firm, with a particular focus on those persons who have been identified as having a material impact on the risk profile of the AIF ("Code Staff"). This includes senior management, risk takers and control functions.

The Policy is in line with Cheyne's business strategy, objectives, values and long-term interests. As an AIFM, Cheyne's overall objective is to achieve attractive and controlled performance and capital growth for all funds under management, including the AIF and to develop strong long-term relationships with investors. Cheyne's income is dependent upon the funds for which it serves as manager or AIFM, and therefore the profit available for distribution under the Policy is dependent upon the performance of such funds including the AIF. As such, the fulfilment of Cheyne's objectives is interlinked with the best interests of Cheyne's clients, which in turn is in line with the Policy. The Policy promotes effective risk management and does not tolerate breaches of internal risk guidelines.

Cheyne has a Remuneration Committee (currently the COO and CFO) who report into the Incentivisation Committee (currently the CEO and President) that oversees the remuneration of individuals, including Code Staff, and approval of the allocation of profits available for discretionary division among members.

Cheyne was authorised as an AIFM on 22 July 2014. The quantitative disclosures required under Article 22 of AIFMD in accordance with the European Securities and Markets Authority ("ESMA") guidance for the year ended 31 March 2021, in respect of remuneration derived from the AIF are as follows:

Business Area	Number of Code Staff	AIFM Total Remuneration (all variable)	Code Staff relevant to the AIF	Remuneration derived from the AIF (all variable)	Deferred Remuneration derived from the AIF
Portfolio Management	28	£24,859,711	5	£641,305	£224,048
Senior Management	6	£3,687,760	6	£232,376	£4,689
Total	**34**	**£28,547,471**	**11**	**£873,681**	**£228,737**

Remuneration Code information is provided as required under the FCA Rules (BIPRU 11.5.18).

APPENDIX II – AIFM LEVERAGE (UNAUDITED)

For the purposes of this disclosure, leverage is any method by which a fund's exposure is increased. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through positions within repurchase or reverse repurchase agreements, through securities lending or securities borrowing arrangements, or by any other means (such increase referred to herein as the "Incremental Exposure"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as a fund's own physical holdings; and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a Company. This calculation of exposure includes all Incremental Exposure as well as the Company's own physical holdings, Cash is excluded.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including any Incremental Exposure) and its NAV. Using the methodologies prescribed under the AIFMD and implementing legislation, the Company has set a maximum level of leverage, taking into account atypical and volatile market conditions. Leverage will not exceed the ratio of 5:1 using the commitment methodology and 5:1 using the gross methodology.

The use of leverage, including borrowings, may increase the volatility of the Company's NAV per share and also amplify any loss in the value of the Company's assets.

While the use of borrowing should enhance the total return on the shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is falling or rising at a lower rate than the cost of borrowing, reducing the total return on the shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to adversely affect the price of a share). Any reduction in the number of shares in issue (for example, as a result of buy-backs or tender offers) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowing.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates. The Company may employ hedging techniques designed to reduce the risk of adverse movements in interest rates. However, such strategies may also result in losses and overall poorer performance than if the Company had not entered into such hedging transactions.

The risks associated with the derivatives used by the Company and that may contribute to the leverage of the Company are set out earlier.

Leverage is limited to 500% of NAV of the Company under both the Gross and Commitment approaches. Up to 31 March 2021, the maximum leverage calculated has been 148.12% for the Gross Approach and 122.22% for the Commitment Approach. In the year ended 31 March 2020, the maximum leverage calculated has been 146.715% for the Gross Approach and 130.33% for the Commitment Approach.

DIRECTORS AND ADVISERS

Directors
Bob Cowdell (Chairman)
Susie Farnon
John Hallam
Graham Harrison
Colleen McHugh (appointed on 1 March 2021)

Secretary of the Company
Aztec Financial Services (Guernsey) Limited
PO Box 656
East Wing
Trafalgar Court
Les Banques, St. Peter Port
Guernsey, GY1 3PP

Corporate Broker
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
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