RECI
REAL ESTATE CREDIT INVESTMENTS

Real Estate Credit Investments Limited

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2021

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

Overview

Strategic and Business Review

Governance

Financial Statements

This condensed unaudited interim financial statements does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report and audited financial statements for the year ended 31 March 2021 and any public announcements made by Real Estate Credit Investments Limited (the "Company") during the interim reporting period.

The condensed unaudited interim financial statements of the Company were approved by the Directors on 24 November 2021.

The condensed unaudited interim financial statements have been reviewed by Deloitte LLP but not audited.

Front cover image: Office in Paris

Attractive returns

from credit exposure to UK and Continental European real estate markets

UK Student Accommodation

OVERVIEW AND HIGHLIGHTS

As at 30 September 2021

What do we offer

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

- Granular portfolio with detailed disclosure
  - 61 positions

- Attractive and stable income in a low 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 30 September 2021

Total Assets

£449.8m

(31 March 2021: £426.2m)

Net Assets

£347.3m

(31 March 2021: £346.9m)

NAV per Share

£1.51

(31 March 2021: £1.51)

Net Profit

£14.2m

(Full year ended 31 March 2021: £37.2m profit)


London Office

RECI offers

- Focus on senior secured credit, with defensive LTVs
- Self origination gives greater 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, France and Italy.

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.

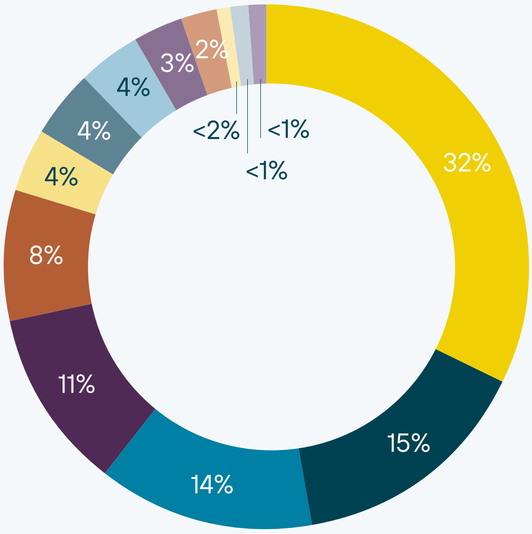
Investment Portfolio Composition
RECI's investment portfolio, a diversified book of 61 positions in real estate bonds and loans, was valued at £376 million as at 30 September 2021, down from £390 million as at 31 March 2021. The portfolio had a weighted average levered yield of 10.1% and an average loan-to-value ratio of 65.4% as at 30 September 2021.

Portfolio by Geography (Funded Fair Value)

	30 September 2021*
UK	**55.8%**
France	**29.4%**
Italy	**4.4%**
Germany	**2.8%**
Portugal	**2.5%**
Spain	**2.2%**
Finland	**1.3%**
Netherlands	**0.1%**

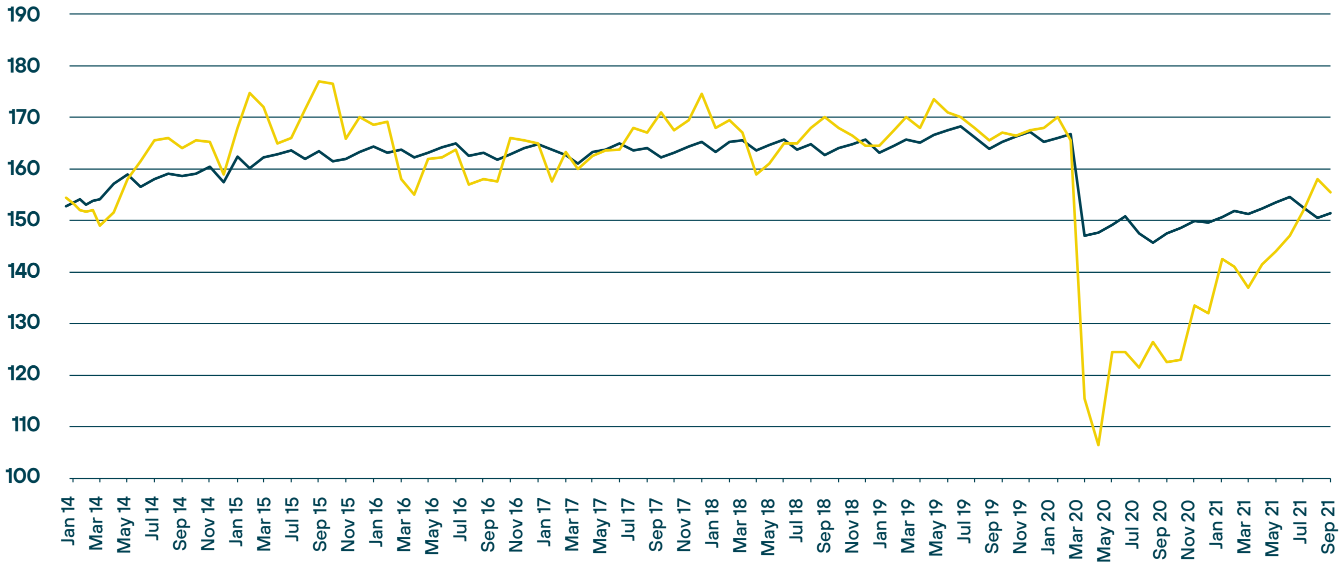
* Excludes 1.5% held in bonds backed by assets in multiple European countries.

Sector Breakdown (Funded Fair Value)



		£m
	Mixed Use	119.9
	Office	56.0
	Hotel	53.5
	Student Accommodation	41.1
	Housebuilder	30.4
	Healthcare	16.7
	Leisure	16.5
	Retail	13.4
	Co-Living	9.7
	Serviced Apartments	8.6
	Logistics	5.1
	Residential	3.2
	Industrial	1.6
	Total	**375.7**

Share Price vs NAV per share



NAV and Share Price

	As at 30 September 2021
Net Assets	**£347.3m**
Shares Outstanding	**229.3m**
NAV (per share)	**£1.51**
Share Price	**£1.56**
Premium	**2.7%**
Dividend Yield	**7.7%**
Market Capitalisation	**£356.6m**

NAV Total Return*

YTD / Jan to Sep	**7.4%**
1 Year	**-1.9%**
3 Years	**14.7%**
5 Years	**32.4%**

YTD = January to September 2021, being Calendar YTD, 1 yr = 2020, 3 yr = 2018-2020, 5 yr = 2016-2020

* The NAV total return measures the combined effect of any dividends paid, together with the rise or fall in the NAV per 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 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.

CHAIRMAN'S STATEMENT

RECI maintained its quarterly 3 pence dividend per share and saw its share price return to a premium to NAV

Bob Cowdell
Chairman

Your Company's half year commenced with the UK subject to the third national lockdown and then, aided by the successful vaccination programme, has witnessed a phased relaxation of restrictions as the Government seeks a return to a form of social and economic "normality", while living alongside the continuing threat and legacy implications of the Covid-19 pandemic.

Throughout this period, your Board and Investment Manager have continued their focus upon: providing detail and transparency regarding the Company's portfolio and investment strategy to all investors; disciplined cash and leverage management; and the selective deployment of cash into an attractive pipeline of new, enhanced-return, investment opportunities.

I am pleased to report that your Company achieved a total net profit for the half year ended 30 September 2021 of £14.2 million; maintained the regular payment of its quarterly 3 pence dividend per share; delivered an annualised NAV total return to our Shareholders of 8.2% for the half year; and saw the Company's shares return to trade at a premium to NAV.

The Company's latest four-yearly continuation vote was passed by Shareholders at our 16 September AGM with 99.97% of votes cast in favour. Your Board and Investment Manager are grateful for the support of our investors and remain committed to continue to deliver sustainable attractive returns for them going forward.

Financial Performance

RECI reported total net profit for the half year ended 30 September 2021 of £14.2 million on half year end total assets of £449.8 million; £15.5 million for the half year ended 30 September 2020 on half year end total assets of £411.8 million.

The NAV as at 30 September 2021 was £1.51 per share, compared with a NAV of £1.48 per share as at 30 September 2020.

The 30 September 2021 NAV reflects the payment of 6 pence per share during the half year in respect of the fourth interim dividend for the year ended 31 March 2021 and the first interim dividend of the current financial year, returning £13.8 million to Shareholders and providing an annualised NAV total return of 8.2% for the half year.

As at close of trading on 30 September 2021, the Company's shares stood at a premium of 2.7% to NAV (having traded at an average discount to NAV of 1.4% during the half year).

During the half year ended 30 September 2021, the Company funded £23.0 million in both the origination of loans and purchases of new bonds for the portfolio. RECI also received net cash inflow from its operating activities (including cash repayments and interest) of £47.1 million in this period.

A second interim dividend of 3 pence per share was declared on 24 November 2021.

Half Year review

The half year ended 30 September 2021 saw markets continuing to seek to recover from the initial global impacts of Covid-19 and its emerging economic consequences, while also facing a number of geopolitical and climate concerns.

The NAV remained broadly stable during the half year to 30 September 2021, notwithstanding the payment of two unchanged dividends, totalling 6 pence per share, to Shareholders during that period.

The first interim dividend of the current financial year was declared on 5 August 2021 and the second interim dividend was declared on 24 November 2021, both maintaining a payment of 3 pence per share.

When the financial year began on 1 April 2021, RECI had gross leverage of 1.22x and leverage net of cash of 1.16x. Throughout the half year, the Board and Cheyne continued to monitor RECI's cash resources and repayments and to consider the appropriate level of gearing for the Company given the prevailing market outlook and the emergence of new investment opportunities. At the half year end it held cash of £58.7 million and had gross leverage of 1.29x (1.12x 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.

CHAIRMAN'S STATEMENT (CONTINUED)

The Company's share price began the half year at £1.37 per share, a discount of 9.4%, and was £1.56 at 30 September 2021, a premium of 2.7%. The shares closed at £1.54 on 23 November 2021, a premium of 0.8%, which would provide a yield of 7.8% on the basis of continuing to pay a quarterly 3 pence dividend per share for the rest of the current financial year.

Continuing your Board's and Cheyne's commitment to providing detail and transparency regarding the Company's portfolio and investment strategy, further Shareholder Updates were held in April, July and October 2021 and we appreciate the interest and attendance of both existing and potential new investors.

Recognising the attractive pipeline of investment opportunities with enhanced return characteristics identified by Cheyne, RECI funded £23.0 million of investments during the half year ended 30 September 2021. The attractive terms of recent investments and the pipeline of further opportunities, will underpin RECI's stable quarterly dividend, enhance dividend cover and, over time, grow the NAV of the Company.

At an operational level, the Company's Board and advisers continued to operate effectively and cohesively, notwithstanding the challenges of "working from home", which remained the reality for most of the half year. I was delighted, however, that double vaccination and a relaxation of travel restrictions permitted me to attend our September Board and AGM in person.

As previously announced, following Colleen McHugh joining the Board on 1 March 2021, Graham Harrison retired as a Director on 16 September 2021 after many years of valuable service; with the Board now comprising of an equal representation of male and female Directors.

Outlook

The various news outlets have and will keep us all informed as to the numerous challenges which may face markets, the economy and society over the course of this winter. Nevertheless, encouraged by the pipeline of attractive investment opportunities available to RECI, your Board and Investment Manager will continue to be focused upon that which we can exercise 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.

Bob Cowdell
Chairman
24 November 2021

KPIs AND FINANCIAL HIGHLIGHTS

Key Performance Indicators

Balance Sheet	30 Sep 2021	31 Mar 2021
Net Asset Value ("NAV") per share	**£1.51**	£1.51
Share price	**£1.56**	£1.37
Premium/(discount)	**2.7%**	(9.4)%
Average discount in period/year*	**(1.4)%**	(14.1)%
Leverage (% of NAV)**	**28.6%**	22.4%

* Average discount in period/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 (6 months ended)	30 Sep 2021	30 Sep 2020
Earnings per share	**6.2p**	6.8p
Dividends per share declared for the period	**6.0p**	6.0p
NAV total return (including dividends) annualised	**8.2%**	9.5%

Financial Highlights

Balance Sheet	30 Sep 2021	31 Mar 2021
Fair value of bilateral loans and bonds	**£297.2m**	£310.1m
Fair value of market bonds	**£78.4m**	£80.4m
Short-term financing	**£(98.9)m**	£(77.8)m
Cash, cash equivalents, cash held by brokers and cash due to brokers	**£57.9m**	£22.2m
Other assets and liabilities	**£12.7m**	£12.1m
Net assets	**£347.3m**	£346.9m*

* Net assets may not sum due to rounding.

Profit and Loss (6 months ended)	30 Sep 2021	30 Sep 2020
Operating income	**£18.3m**	£19.7m
Finance costs	**£(1.0)m**	£(1.2)m
Operating expenses	**£(3.1)m**	£(3.0)m
Net profit	**£14.2m**	£15.5m
Weighted average yield of bilateral loan and bond portfolio (unlevered)*	**9.0%**	9.5%
Weighted average yield of market bond portfolio (unlevered)**	**4.3%**	6.7%

* 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

INVESTMENT MANAGER'S REPORT

Managing a resilient, well diversified European real estate debt portfolio, through changing market conditions

Ravi Stickney
Portfolio Manager

Market Commentary

In this half year period, the Covid-19 pandemic has, in the main across Europe, moved to be viewed as an endemic virus that is here to stay and to be addressed via vaccinations and treatments (in contrast to long-lasting severe lockdowns). The implication for real estate markets in Europe has been pronounced, in that the key affected sectors of leisure (primarily hotels) and city offices have seen a tangible improvement in investment sentiment and occupational demand.

Whilst this short-term retracement of the Covid-19 impact is important, what is more meaningful is the very long-term impact of the structural changes in the way communities live and work.

For example, in this half year we have seen that the occupational demand for city offices is not evenly bullish. In placing the needs of the employee front and centre, demand for new office space is strong for new build (or newly refurbished) space that caters for the wellbeing of the employee and which also clearly demonstrates a positive impact on its environment. Rent elasticity, in our view, no longer supports "grade B" stock that does not promote these factors. The implications of this are clear; investment demand is concentrated on "prime Grade A" stock and a lack of liquidity for anything else. This will, in our view, drive opportunities for sponsors who can transform obsolete office stock into assets that promote a kind approach to the environment and the employee and also drive sales from owners who cannot provide this transformation.

We see the same changes occurring across the asset spectrum.

We also see alternative lenders to real estate, like RECI, as being a primary driver for that change. RECI (alongside Cheyne Real Estate's market-leading lending business) is an important provider of capital to the real estate industry in Europe and hence determines which projects its capital supports. Asset transformations that bring about improvements across the environmental (via materials, methods of construction and technology) and social spaces should, and do, benefit from capital allocation with the reverse for assets that do not.

Looking back at the half year since the financial year ended 31 March 2021, I am pleased to note that RECI has progressed well on its stated interim and longer-term aims:

a) The overarching focus on credit quality and credit defence remains. The questions posed by the pandemic to both our borrowers and RECI have been addressed;

b) The structural strength of RECI remains robust with ample cash and limited leverage. The manager's forecasting tools, aided by a highly granular book of investments, provides for the identification of structural risks and the application of mitigants well into the future;

c) The selective deployment of cash (held back to address the uncertainty of Covid-19) has been strong and has aided the improvement in dividend cover;

d) The aim of moving towards a balanced liability profile between short-term repo and term matched funding has progressed well with the first term financing's initiated during the term;

e) We continue to improve on investor engagement; the quarterly manager video calls are something we have derived good investor feedback from and will continue alongside the frequent investor engagement outside these periodic reports.

The half year ahead will see us continue to focus on the above aims.

It is immensely helpful that the pipeline generation from Cheyne's Real Estate business is the largest it has ever been, with anticipated deal commitments across 12 deals for £820 million in this coming quarter alone. This origination pace is now spread across Europe and the UK, with a 40 person team in local offices in the UK, France, Germany and Spain. This provides RECI with an unmatched origination and risk management capacity in Europe.

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.

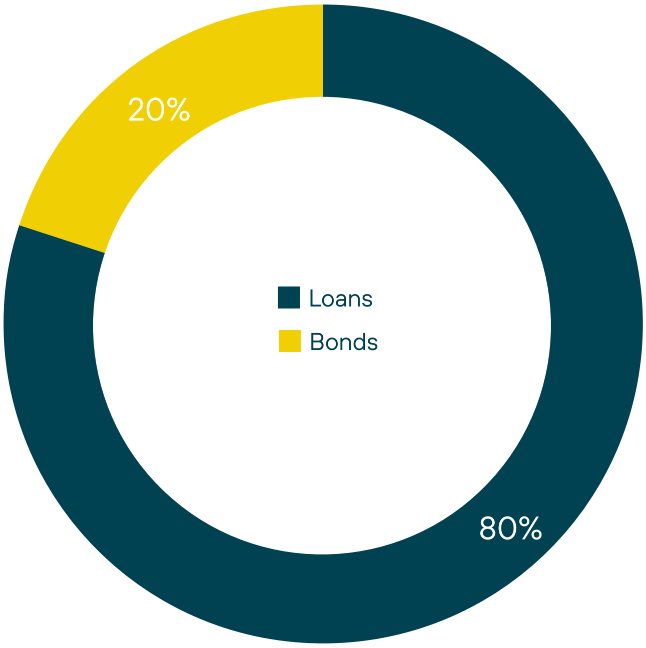
These pivots positioned the Company's investment book well coming into the present crisis.

RECI's balance sheet leverage and liquidity have been managed to position it well for periods of stress. As at 31 October 2021, the Company's leverage was just 28.1% of NAV or 1.28 (19.9% of NAV or 1.20x on a net look through basis).

Investment Portfolio Overview

Portfolio Composition
RECI's investment portfolio, a diversified book of 61 positions in real estate bonds and loans, was valued at £375.7 million as at 30 September 2021. The portfolio had a weighted average levered yield of 10.1% and an average loan to value of 65.4% as at 30 September 2021.

Investment Portfolio Composition (funded fair value)



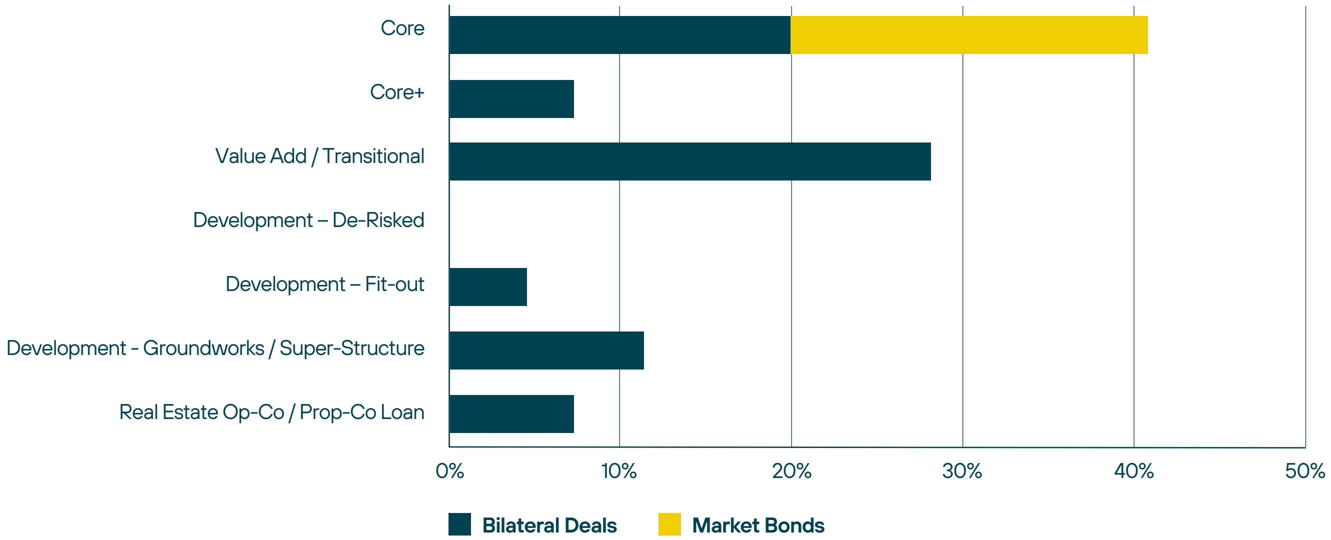
Portfolio by Geography (Funded Fair Value)

	30 Sep 2021*	31 Mar 2021*
UK	**55.8%**	60.3%
France	**29.4%**	26.2%
Italy	**4.4%**	4.3%
Germany	**2.8%**	2.5%
Portugal	**2.5%**	2.3%
Spain	**2.2%**	1.8%
Finland	**1.3%**	1.2%
Netherlands	**0.1%**	0.1%

* Excludes 1.5% (31 March 2021: 1.3%) 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[1] (by commitment)

	Description	Commitment	LTV	Investment Strategy	Asset Type	Manager Commentary
1	Paris prime residential/retail building	£48.9m	67%	Senior Loan	Value Add/ Transitional	Luxury retail and apartments in super-prime Paris location
2	UK mixed use portfolio, predominantly office/residential	£44.6m	52%	Senior Loan	Core+	Light industrial, office and mid market residential asset portfolio in the UK
3	Office development in Saint Ouen, Paris	£29.3m	58%	Senior Loan	Development	Refurbishment and extension of a freehold office building
4	London mixed use development, predominantly residential/office	£27.2m	63%	Senior Loan	Value Add/ Transitional	Practical completion achieved. Letting is on track
5	London Office	£23.7m	59%	Senior Loan	Core	Fully let 98,246 sq ft new grade A office block located in Hoxton
6	UK Care Homes	£23.2m	76%	Senior Loan	Core	Stable, income producing UK care homes
7	UK Student Housing	£22.4m	78%	Mezzanine Loan	Core	Stable income producing UK student accommodation assets
8	Finland Hotel	£20.4m	56%	Senior Loan	Development	Development in progress. Expected completion in June 2024
9	Hotel/Branded Residences Development in Algarve, Portugal	£18.5m	56%	Senior Loan	Development	Development in progress. Expected completion in June 2022
10	Paris boutique 5-star hotel	£17.6m	71%	Mezzanine Loan	Development	Development works progressing as planned. Expected completion in Q3 2023

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

Mitigation against inflation and potential interest rate increases

Market expectations on inflation are moving from a short-term transitionary phase to a longer-term, ingrained inflationary environment (driven by persistent supply chain disruptions and rising entrenched wage inflation expectations).

In classic real estate theory, the value of real estate should benefit from an inflationary environment. In our view, this only holds true where growth is, also, robust. The situation currently may see a more stagflationary environment, with high inflation not matched by growth. The implications for real estate (income and valuations) will not be homogenous across all asset classes.

For example, high inflation and low growth will see a sharp deterioration in the real incomes and spending power of the consumer. In the case of the UK, this is further exacerbated by the real implications of Brexit. This will lead to further pressure on the already beleaguered shopping centre asset class, both from a rental and valuations perspective.

On the other hand, assets with long-term rental income contractually tied to inflation indices are likely to weather this period better.

Assets that are viewed to be strong preserves of value are also likely to benefit. This may well include the rarer high-end residential, office and hotel stock.

RECI's loan book has negligible exposure to shopping centres.

In terms of market pricing on loans and bonds;

- RECI's bond book is predominantly floating rate in nature, which offers protection against rising base rates.
- RECI's loan book is a mix of fixed and floating rate instruments. However, the loans are of a short remaining duration (1.5 years currently), allowing RECI to capture material rises in base rates via the constant recycling of its loan repayments.

Responding to Covid-19

Since the onset of this crisis and the resultant market turbulence, we note:

- As a result of banks being reluctant to lend, 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 per share;
- We intend to maintain cash reserves at between 5% to 10% of the NAV;
- The shares closed at £1.54 on 23 November 2021, a premium of 0.8%, which would provide a yield of 7.8% on the basis of continuing to pay a quarterly 3 pence dividend per share for the rest of the current financial year; and
- The improved resilience and flexibility of the Company as a result of increasing its cash balances and reducing its net leverage to just 1.20x as at 31 October 2021. This was achieved by a combination of repayments of loans as well as sales of select liquid bonds.

Maintaining Dividend Stability

Since 2013, the Company has maintained a dividend on its NAV of 7% or better.

The second interim dividend was declared on 24 November 2021, maintaining a payment of 3 pence per share.

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

Bilateral Loan and Bond Portfolio

The drawn fair value of the bilateral loan and bond portfolio, excluding accrued interest, had decreased from £310.1 million as at 31 March 2021 to £297.2 million as at 30 September 2021.

The average loan portfolio LTV exposure as at 30 September 2021 was 69.0%. The portfolio continues to provide attractive risk-adjusted returns with a weighted average unlevered yield of 9.0% 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 30 September 2021

Number of loans	30
Drawn Value (£ millions)	297.2
Undrawn Loan Commitments (£ millions)	127.6
Weighted average yield of portfolio	9.0%
Weighted average yield of portfolio (levered)	10.1%
Weighted average LTV of portfolio	69.0%
Weighted average life of portfolio (years)	1.5

Market Bond Portfolio

As at 30 September 2021, the market bond portfolio of 31 bonds (excluding the self-originated bonds) was valued at £78.4 million, compared to £80.4 million as at 31 March 2021.

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 rise and provides resilience in turbulent markets; and
- The weighted average unlevered yield of the market bond portfolio as at 30 September 2021 was 4.3%, and the weighted average levered yield of the bond portfolio as at 30 September 2021 was 9.9%.

Market Bond Portfolio Summary as at 30 September 2021

Number of bonds	31
Fair Value (£ millions)	78.4
Weighted average yield of portfolio	4.3%
Weighted average yield of portfolio (levered)	9.9%
Weighted average LTV of portfolio	51.8%
Weighted average life of portfolio (years)	3.5

Outlook

RECI's portfolio and strategy position it well to continue to perform, despite the ongoing effects of the pandemic and the potential rate rising environment.

RECI will continue to deploy, as cash and liquidity allows, into Cheyne's pipeline of new deals. This will enhance RECI's ability to continue to meet its stated aims of a large and diverse book of strong credits delivering dividend stability.

Cheyne Capital Management (UK) LLP

24 November 2021

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the condensed unaudited interim financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the interim management report (contained in the Chairman's Statement and Investment Manager's Report) includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report (contained in the Chairman's Statement and Investment Manager's Report) includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Principal Risks and Uncertainties
The principal risks and uncertainties faced at the time of the last annual report remain valid for the purposes of the interim management report. The detailed explanation of the principal risks and uncertainties can be found in the Strategic Report section under the Risk Management section of the 31 March 2021 annual report, which is available on the Company's website.

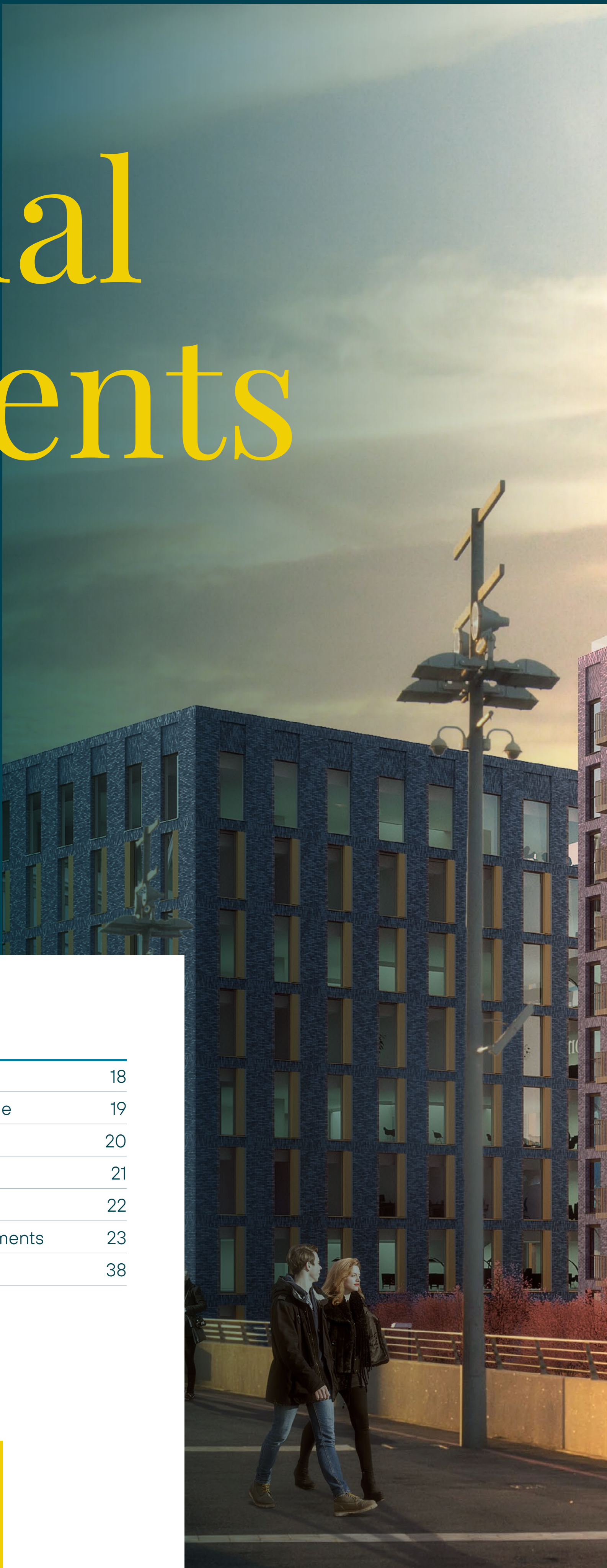
By order of the Board

Bob Cowdell	**Susie Farnon**
Director	Director

24 November 2021

London Mixed Use

Financial Statements



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INDEPENDENT REVIEW REPORT

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the Condensed Unaudited Statement of Comprehensive Income, the Condensed Unaudited Statement of Financial Position, the Condensed Unaudited Statement of Changes in Equity and Condensed Unaudited Statement of Cash Flows and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands

24 November 2021

CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Note	30 Sep 2021 GBP	30 Sep 2020 GBP
Interest income	5	13,868,816	13,502,199
Net gains on financial assets and liabilities at fair value through profit or loss	3	4,400,966	6,090,446
Other income		13,026	134,025
Operating income		18,282,808	19,726,670
Operating expenses	4	(3,052,432)	(3,039,897)
Profit before finance costs		15,230,376	16,686,773
Finance costs	5	(1,025,444)	(1,186,773)
Net profit		**14,204,932**	**15,500,000**
Other comprehensive income		–	–
Total comprehensive income		**14,204,932**	**15,500,000**
Earnings per share			
Basic and diluted	10	6.2p	6.8p
Weighted average shares outstanding		**Number**	**Number**
Basic and diluted	10	229,332,478	229,332,478

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

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

CONDENSED UNAUDITED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Note	30 Sep 2021 GBP	31 Mar 2021 GBP
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	12,14	375,655,373	390,440,886
		375,655,373	390,440,886
Current assets			
Cash and cash equivalents		54,547,989	21,220,812
Cash collateral at broker	15	4,107,433	943,980
Derivative financial assets	13	–	2,260,399
Other assets	6	15,538,894	11,381,740
		74,194,316	35,806,931
Total assets		**449,849,689**	**426,247,817**
Equity and liabilities			
Equity			
Reserves		347,325,987	346,881,003
		347,325,987	346,881,003
Current liabilities			
Cash due to brokers	15	723,606	–
Financing agreements	8	98,935,678	77,819,803
Derivative financial liabilities	13	989,344	–
Other liabilities	7	1,875,074	1,547,011
Total liabilities		102,523,702	79,366,814
Total equity and liabilities		**449,849,689**	**426,247,817**
Shares outstanding	11	229,332,478	229,332,478
NAV per share		£1.51	£1.51

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

Signed on behalf of the Board of Directors by:

Bob Cowdell
Director

Susie Farnon
Director

24 November 2021

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Note	GBP
Balance as at 31 March 2021		**346,881,003**
Total comprehensive income		14,204,932
Dividends	9	(13,759,948)
Balance as at 30 September 2021		**347,325,987**

For the six months ended 30 September 2020		
Balance as at 31 March 2020		**337,157,197**
Total comprehensive income		15,500,000
Dividends	9	(13,759,948)
Balance as at 30 September 2020		**338,897,249**

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

CONDENSED UNAUDITED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	30 Sep 2021 GBP	30 Sep 2020 GBP
Profit before finance costs	15,230,376	16,686,773
Net sales of financial assets	20,330,362	36,670,863
Net sales/(purchases) of derivative financial assets and liabilities	2,403,212	(8,033,683)
Movement in realised and unrealised gains on financial assets	(5,544,848)	(8,793,207)
Movement in derivative financial assets and liabilities	846,530	2,286,996
Operating cash flows before movement in working capital	**33,265,632**	**38,817,742**
Increase in other assets	(4,157,154)	(1,499,380)
Increase/(decrease) in other liabilities	328,063	(129,922)
(Increase)/decrease in cash collateral at broker	(3,163,453)	22,677,569
Increase in cash due to brokers	723,606	–
Movement in working capital	**(6,268,938)**	**21,048,267**
Net cash flow from operating activities	**26,996,694**	**59,866,009**
Financing activities		
Dividends paid to Shareholders	(13,759,948)	(13,759,948)
Net proceeds/(repayments) under financing agreements and the related finance charges	20,090,431	(27,047,501)
Net cash inflow/(outflow) from financing activities	**6,330,483**	**(40,807,449)**
Net increase in cash and cash equivalents	33,327,177	19,058,560
Cash and cash equivalents at the start of the period	21,220,812	27,019,773
Cash and cash equivalents at the end of the period	**54,547,989**	**46,078,333**

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

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 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 16). 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 condensed unaudited interim financial statements for the period ended 30 September 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). With the exception of those described below, the same accounting policies, presentation and methods of computation have been followed in these condensed unaudited interim financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 March 2021.

The condensed unaudited interim financial statements do not contain all the information and disclosures required in a full set of annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 March 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The comparative information for the year ended 31 March 2021 does not constitute Statutory Accounts as defined by Guernsey law. A copy of the Statutory Accounts for that year has been delivered to the Shareholders and is available on the Company's website: www.recreditinvest.com

The operations of the Company are not subject to seasonal fluctuations.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

New Standards, Amendments and Interpretations Issued and Effective for the Financial Year Beginning 1 April 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2

On 27 August 2020, the IASB published Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2. With publication of the phase 2 amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary relief which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate. The amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16 are effective for annual periods beginning on or after 1 January 2021. The amendments are mandatory, with earlier application permitted. The amendments have 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 2021 and not Early Adopted

Title	Effective for periods beginning on or after
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 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 condensed unaudited interim 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 condensed unaudited interim 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 condensed unaudited interim 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).

Taking account of the updated forecasting, the Directors consider that the cash resources available as at 30 September 2021 of £54.5 million (31 March 2021: £21.2 million), together with the cash collateral at the broker of £4.1 million (31 March 2021: £0.9 million), the liquidity of the market bond portfolio and the financing available through activities such as repurchase agreements as described in Note 8, 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 condensed unaudited interim 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 October 2021 was 11.8%. The Directors consider this to have strengthened the resilience of the Company to future market uncertainty.

Since the onset of the Covid-19 crisis, the Company continues to take the following measures:

- An initial and continuing detailed evaluation of each of its positions in light of the various impacts of the crisis on operating models and valuations;
- Positive engagement with all borrowers and counterparties; and
- Continued granular analysis of the future liquidity profile of the Company.

As disclosed in Note 17, as at 30 September 2021, the Company had committed £52.2 million into loans of which £5.6 million had been funded (31 March 2021: £117.2 million commitment of which £43.9 million was 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 condensed unaudited interim financial statements.

In line with its Articles of Incorporation, the Company passed a resolution for its continuation during the annual general meeting (AGM) held on 16 September 2021. The Directors are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing these interim financial statements.

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

	30 Sep 2021 GBP	30 Sep 2020 GBP
Net gains/(losses)		
Net gains on market bonds	1,913,243	3,232,705
Net gains on self-originated bonds	2,032,444	4,588,115
Net gains on self-originated loans	1,599,162	972,387
Net losses on foreign exchange instruments and other foreign currency transactions	(1,143,883)	(2,702,761)
Net gains on financial assets and liabilities at fair value through profit or loss	**4,400,966**	**6,090,446**

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

4. Operating Expenses

	Note	30 Sep 2021 GBP	30 Sep 2020 GBP
Investment management, administration and depositary fees			
Investment management fee	16	2,195,084	2,131,045
Administration fee	16	125,634	122,560
Depositary fee	16	32,914	42,111
		2,353,632	**2,295,716**
Other operating expenses			
Legal fees		167,088	307,143*
Directors' fees		117,664	95,000
Corporate secretary fees		44,299	40,648
Fees to auditor for non-audit services		37,500	34,000
Audit fees		34,000	34,000
Research fees		24,746	24,746
Other expenses		273,503	208,644
		698,800	**744,181**
Total operating expenses		**3,052,432**	**3,039,897**

* Includes portfolio transaction related costs.

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.

5. Interest Income and Finance Costs

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

	30 Sep 2021 GBP	30 Sep 2020 GBP
Interest income		
Real Estate Credit Investments – market bonds	1,711,241	1,376,742
Real Estate Credit Investments – self-originated bonds	5,346,760	3,415,464
Real Estate Credit Investments – self-originated loans	6,808,030	8,706,257
Cash and cash equivalents and other receivables	2,785	3,736
Total interest income	**13,868,816**	**13,502,199**
Finance costs		
Net cost of financing agreements	(1,025,444)	(1,186,773)
Total finance costs	**(1,025,444)**	**(1,186,773)**

6. Other Assets

	30 Sep 2021 GBP	31 Mar 2021 GBP
Market bond interest receivable	336,389	354,894
Self-originated bond interest receivable	1,434,887	1,923,886
Self-originated loan income receivable	13,732,991	9,082,040
Other receivables and prepaid expenses	34,627	20,920
Total other assets	**15,538,894**	**11,381,740**

As at 30 September 2021, the dirty fair value (financial assets at fair value through profit or loss, plus interest receivable) of the market bond portfolio is £78,763,293 (31 March 2021: £80,714,401), the dirty fair value of the self-originated bond portfolio is £149,487,311 (31 March 2021: £175,855,550) and the dirty fair value of the self-originated loan portfolio is £162,275,794 (31 March 2021: £145,231,755).

7. Other Liabilities

	30 Sep 2021 GBP	31 Mar 2021 GBP
Investment management fee payable	357,209	368,655
Interest payable	300,583	100,707
Depositary fee payable	24,140	21,000
Administration fee payable	20,358	20,865
Other expense accruals	1,172,784	1,035,784
Total other liabilities	**1,875,074**	**1,547,011**

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

8. 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 £197.3 million (31 March 2021: £186.1 million) and a weighted average cost of 1.72% (31 March 2021: 2.30%) per annum. The typical period to maturity of the repurchase arrangements is 3 to 6 months (31 March 2021: 3 to 6 months).

This short-term financing is shown as a current liability in the Condensed Unaudited 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 £20.1 million (31 March 2021: £(21.4) million) is shown as a financing activity in the Condensed Unaudited Statement of Cash Flows.

9. Dividends

	30 Sep 2021 GBP	30 Sep 2020 GBP
Share Dividends		
Fourth interim dividend for the year ending 31 March 2021/31 March 2020	6,879,974	6,879,974
First interim dividend for the year ending 31 March 2022/31 March 2021	6,879,974	6,879,974
Dividends paid to Shareholders in the period	**13,759,948**	**13,759,948**

The total dividends paid during the financial period ended 30 September 2021 amounted to 6 pence per share (30 September 2020: 6 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 periods ended 30 September 2021 and 30 September 2020.

10. Earnings per share

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

	30 Sep 2021 GBP	30 Sep 2020 GBP
Net earnings attributable to shares (GBP)	14,204,932	15,500,000
Weighted average number of shares for the purposes of basic and diluted earnings per share	**229,332,478**	**229,332,478**
Earnings per share		
Basic and diluted (pence)	6.2	6.8

11. Share Capital

The issued share capital of the Company consists of shares and its capital as at the period 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 30 September 2021, the Company had capital of £347.3 million (31 March 2021: £346.9 million).

Authorised Share Capital	30 Sep 2021 Number of Shares	31 Mar 2021 Number of Shares
Shares of no par value each	Unlimited	Unlimited

Shares issued and fully paid	30 Sep 2021 Number of Shares	31 Mar 2021 Number of Shares
Balance at the start of the period/year	229,332,478	229,332,478
Balance at the end of the period/year	**229,332,478**	**229,332,478**

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 is published on the Company's website: www.recreditinvest.com/about-us/company-structure. The capital structure of the Company consists of the equity of the Company as disclosed in the Condensed Unaudited Statement of Changes in Equity.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

12. 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 Condensed Unaudited 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. 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 period/year end date:

As at 30 September 2021	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Non-current assets				
Real Estate Credit Investments – market bonds	–	78,322,846	115,092	78,437,938
Real Estate Credit Investments – self-originated bonds	–	–	148,704,839	148,704,839
Real Estate Credit Investments – self-originated loans	–	–	148,512,596	148,512,596
	–	78,322,846	297,332,527	375,655,373
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(98,935,678)*	–	(98,935,678)
Forward foreign exchange contracts	–	(989,344)	–	(989,344)
	–	**(21,602,176)**	**297,332,527**	**275,730,351**

* Includes repurchase agreements related to Level 3 investments.

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
	–	80,247,010	310,193,876	390,440,886
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(77,819,803)	–	(77,819,803)
	–	**4,687,606**	**310,193,876**	**314,881,482**

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 Investments"), 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. The weighting of the valuation between observable prices from comparable bonds and the valuation result based on proprietary sector curve discount yields is a key unobservable input in deriving fair value of the investments. A 50% weighting to each data point has been applied and the fair value range generated by the two approaches is £0.09 million (31 March 2021: £1.4 million). The sector curve discount yields used range from 3.4% to 10.2%. Applying a discount yield +/-2% to the valuation would reduce/increase the fair value at 30 September 2021 by £3.1 million and £3.3 million (31 March 2021: £1.1 million and £2.0 million), 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 invest in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 4.8% to 15.0% (31 March 2021: 5.1% to 15.0%) (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 where changes are material. 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 30 September 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 £6.3 million or £12.5 million (31 March 2021: £7.5 million or £15.0 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 CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 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 period/year:

	Level 3 30 Sep 2021 GBP	Level 3 31 Mar 2021 GBP
Financial assets at fair value through profit or loss		
Opening balance	310,193,876	137,815,691
Total gains recognised in the Condensed Unaudited Statement of Comprehensive Income for the period/year	3,634,188	7,702,126
Purchases	18,952,018	85,193,214
Sales	(35,447,555)	(70,148,329)
Transfer into Level 3	–	149,631,174*
Closing balance	297,332,527	310,193,876
Unrealised gain/(loss) on investments classified as Level 3 at period/year end	**893,220**	**(847,497)**

* During the year ended 31 March 2021, following a change in accounting estimate for the bilateral bond portfolio, they were moved from Level 2 to Level 3.

13. Derivative Contracts

The Company has credit exposure in relation to its derivative contracts. The Company invested in derivative contracts with the Bank of New York Mellon with the following credit quality according to Standard and Poor's:

Rating	30 Sep 2021 GBP	31 Mar 2021 GBP
The Bank of New York Mellon – AA- (Derivatives)	(989,344)	2,260,399

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 Condensed Unaudited 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 Condensed Unaudited Statement of Financial Position.

Below are the derivative assets and liabilities by counterparty as at 30 September 2021 and 31 March 2021.

Forward Foreign Exchange Contracts

The following forward foreign exchange contracts were open as at 30 September 2021:

Counterparty	Settlement Date	Buy Currency	Buy Amount	Sell Currency	Sell Amount	Unrealised Loss GBP
The Bank of New York Mellon	19 November 2021	GBP	120,233,278	EUR	(140,900,000)	(989,344)
Unrealised loss on forward foreign exchange contracts						(989,344)

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

14. 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 condensed unaudited interim financial statements.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

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.

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
For the six months ended 30 September 2021:			
Reportable segment profit	3,624,484	15,789,179	19,413,663
For the six months ended 30 September 2020:			
Reportable segment profit	4,609,447	17,685,959	22,295,406
As at 30 September 2021:			
Total assets	–	–	449,849,689
Non-segmental assets	–	–	58,690,049
Reportable segment assets	78,774,327	312,385,313	391,159,640
As at 31 March 2021:			
Total assets	–	–	426,247,817
Non-segmental assets	–	–	24,446,111
Reportable segment assets	80,714,401	321,087,305	401,801,706

Information regarding the basis of geographical segments is presented in the Investment Manager's Report 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 period. 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.

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

	30 Sep 2021 GBP	30 Sep 2020 GBP
Reportable segment profit	19,413,663	22,295,406
Net losses on foreign exchange instruments and other foreign currency transactions	(1,143,881)	(2,702,761)
Other income	13,026	134,025
	18,282,808	19,726,670
Operating expenses	(3,052,432)	(3,039,897)
Finance costs	(1,025,444)	(1,186,773)
Net profit	**14,204,932**	**15,500,000**

Certain assets 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.

	30 Sep 2021 GBP	31 Mar 2021 GBP
Reportable segment assets	391,159,640	401,801,706
Cash and cash equivalents	54,547,989	21,220,812
Cash collateral at broker	4,107,433	943,980
Derivative financial assets	–	2,260,399
Other assets	34,627	20,920
	449,849,689	**426,247,817**

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios for the period ended 30 September 2021:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
As at 30 September 2021:			
Financial assets at fair value through profit or loss			
Opening fair value	80,359,507	310,081,379	390,440,886
Purchases	4,000,000	18,952,018	22,952,018
Repayments/sales proceeds	(7,834,825)	(35,447,555)	(43,282,380)
Realised (loss)/gain on sales	(4,811)	120,581	115,770
Net movement in unrealised gain on investments at fair value through profit or loss	1,918,067	3,511,012	5,429,079
Closing fair value	**78,437,938**	**297,217,435**	**375,655,373**

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:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
As at 31 March 2021:			
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 profit or loss	7,435,700	4,954,782	12,390,482
Closing fair value	**80,359,507**	**310,081,379**	**390,440,886**

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2021

15. 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 30 September 2021, a total of £4.1 million (31 March 2021: £0.9 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 Condensed Unaudited Statement of Financial Position. Cash due to brokers relates to an unsettled trade of £723,606 related to a purchase within the Bilateral Loan and Bond Portfolio. This was settled in full on 1 October 2021.

16. 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 period ended 30 September 2021, the Management Fee totalled £2.2 million (30 September 2020: £2.1 million), of which £0.4 million (31 March 2021: £0.4 million) was outstanding at the period end.

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.

Upon passing of the second continuation resolution at the AGM held on 16 September 2021, the Company entered a new Performance Period commencing on 1 October 2021 which is expected to run until the end date of the quarter in which the next continuation resolution 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 of £1.51 as at 30 September 2021 (being the Starting Date of the new Performance Period).

During the period ended 30 September 2021, the Performance Fee totalled £Nil (30 September 2020: £Nil) and the related aggregate Performance Fee payable at the period end date amounted to £Nil (31 March 2021: £Nil). The Performance Fee for the current period was determined at 30 September 2021 being the quarter end following the second continuation resolution in September 2021.

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 period ended 30 September 2021, the administration fee totalled £125,634 (30 September 2020: £122,560), of which £20,358 (31 March 2021: £20,865) was outstanding at the period 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 2021: 0.02%) of the NAV of the Company. During the period ended 30 September 2021, the Depositary fee totalled £32,914 (30 September 2020: £42,111). The Company owed £24,140 (31 March 2021: £21,000) to the Depositary at the period end date.

17. Contingencies and Commitments
As at 30 September 2021, the Company had committed £52.2 million into loans of which £5.6 million had been funded (31 March 2021: £117.2 million commitment of which £43.9 million was funded).

18. Subsequent Events
The Directors declared a second interim dividend of 3 pence per share on 24 November 2021.

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

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

Currency	30 Sep 2021 GBP	31 Mar 2021 GBP
EUR	1.16	1.17
USD	1.35	1.38

20. Approval of the Condensed Unaudited Interim Financial Statements
The condensed unaudited interim financial statements of the Company were approved by the Directors on 24 November 2021.

DIRECTORS AND ADVISERS

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Bob Cowdell (Chairman)
Susie Farnon
John Hallam
Colleen McHugh
Graham Harrison (resigned 16 September 2021)

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