REAL ESTATE CREDIT INVESTMENTS

Real Estate Credit Investments Limited

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2022

Real Estate Credit Investments is a specialist investor in the United Kingdom and Western 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 2022 and any public announcements made by Real Estate Credit Investments Limited (the "Company" or "RECI") during the interim reporting period.

The condensed unaudited interim financial statements of the Company were approved by the Directors on 23 November 2022.

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

Front cover image: PRS Development in London

Consistent Attractive Dividends

from credit exposure to UK and Western European real estate markets

Student Accommodation in London

OVERVIEW AND HIGHLIGHTS

As at 30 September 2022

What do we offer

- Defensive credit exposure to UK and Western European real estate markets
  - Consistent portfolio yield of 7%+
  - 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
  - 87% of portfolio in senior loans and bonds
  - 60.4% WA LTV of portfolio

- Granular portfolio with detailed disclosure
  - 62 positions

- Attractive and stable dividend
  - Stable dividend delivered consistently since October 2013
  - Dividend yield of 8.9% on share price, as at 21 November 2022

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

Highlights

As at 30 September 2022

Total Assets

£465.7m

(31 March 2022: £447.0m)

Net Assets

£340.5m

(31 March 2022: £343.9m)

NAV per Share

£1.48

(31 March 2022: £1.50)

Net Profit

£10.3m

(Full year ended 31 March 2022: £24.6m profit)

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 Spain.

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.

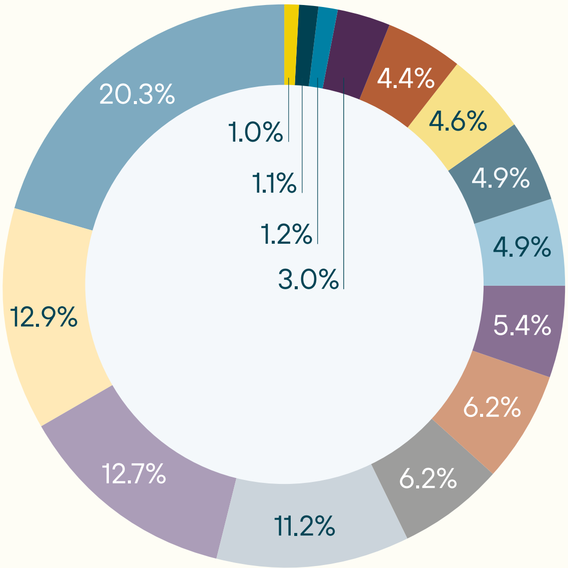
Market Bonds
Listed real estate debt securities such as Commercial Mortgage Backed Securities (CMBS) bonds.

Investment Portfolio Composition
RECI's investment portfolio, a diversified book of 62 positions in real estate bonds and loans, was valued at £426.5 million, excluding accrued interest, as at 30 September 2022, up from £382.2 million as at 31 March 2022. The portfolio had a weighted average levered yield of 10.9% and an average loan-to-value ratio of 60.4% as at 30 September 2022.

Portfolio by Geography (Funded Fair Value)

	30 September 2022
UK	**51.0%**
France	**36.7%**
Spain	**4.8%**
Italy	**3.2%**
Germany	**2.0%**
Portugal	**1.4%**
Finland	**0.6%**
Ireland	**0.3%**

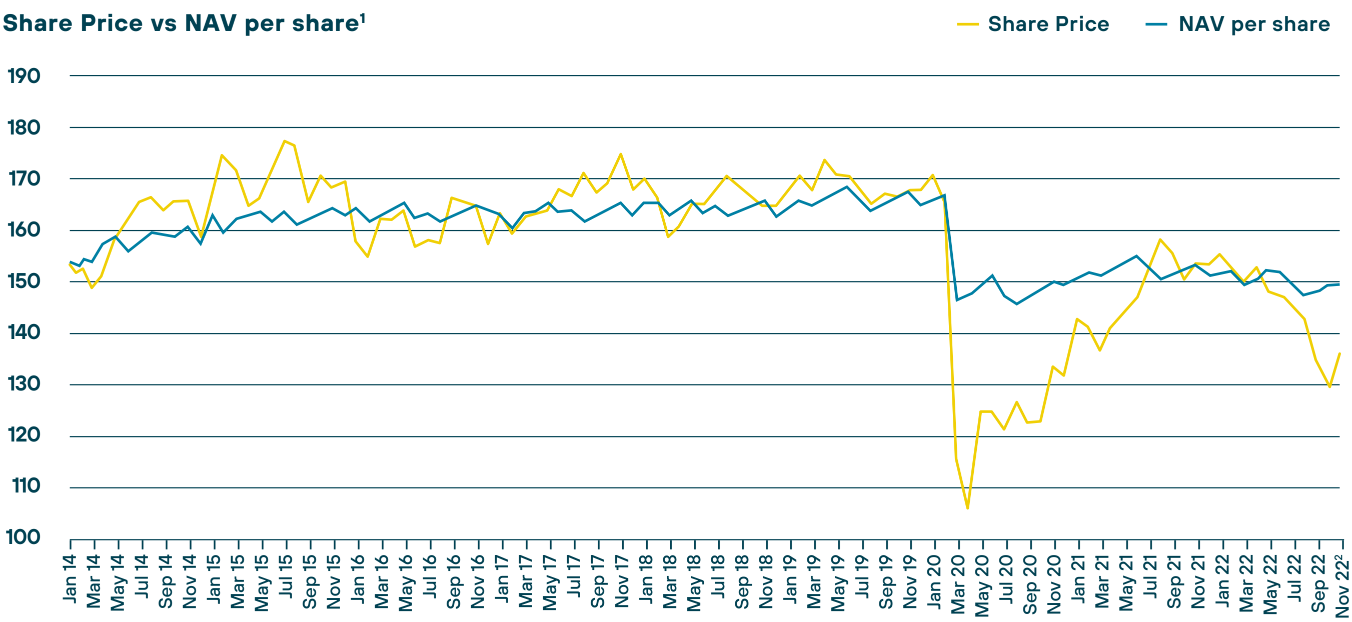
Sector Breakdown (Funded Fair Value)



	£
Hotel	86.7m
Retail	55.2m
Office	54.4m
Mixed-Use	47.8m
Student Accommodation	26.5m
Residential	26.4m
Healthcare	23.0m
Housebuilder	20.8m
Co-Living	20.8m
Leisure	19.5m
Logistics	18.6m
PRS/Multi-Family	13.0m
Later Living	5.0m
Industrial	4.6m
Assisted Living	4.2m
Total	**426.5m**

*excluding accrued interest of £11.8m.

Share Price vs NAV per share[1]



(1) Figures for the Share Price vs NAV per share are compiled on a month end basis
(2) Figures for November 2022 are as at 21 November 2022

NAV and Share Price

	As at 30 September 2022
Net Assets	**£340.5m**
Shares Outstanding	**229.3m**
NAV (per share)	**1.48**
Share Price	**1.35**
Premium/(Discount)	**(9.3%)**
Dividend Yield	**8.9%**
Market Capitalisation	**£308.5m**

NAV Total Return*

Half Year Ended 30 September 22	**2.9%**
Prior Financial Year End 31 March 22	**6.9%**
Last Three Financial Years Ended 31 March 22	**12.5%**
Last Five Financial Years Ended 31 March 22	**28.6%**

* 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 disciplined approach to investing and delivering its quarterly 3 pence dividend per share

Bob Cowdell
Chairman

The half year ended 30 September 2022 saw Russia's illegal invasion and the war in Ukraine continue; increasing inflation throughout the World; and Central Banks in the UK and abroad responding by raising interest rates. The UK suffered political and market turmoil following the removal of Boris Johnson as Prime Minister, the ill-fated tenure of Liz Truss and the "Mini-Budget" presented by her Chancellor Kwasi Kwarteng, which destabilised credit markets. These events caused significant credit and currency market reaction and Rishi Sunak, the UK's third Prime Minister since the start of the Company's financial year, has the task of reassuring markets and negating the political risk premium embedded in credit and UK gilt markets.

Rising energy and commodity prices caused by the Ukraine conflict, have been a driver of steeply rising inflation and the expectation is for further increases in interest rates in response. These factors and the forecast of UK economic recession will exacerbate the "cost of living crisis" being felt by many.

These international and domestic economic challenges have caused many headlines and much market volatility. Against this macro backdrop, your Board and Investment Manager have continued to provide RECI Shareholders and potential new investors with regular and detailed information: focusing on the Company's portfolio and investment strategy (including its disciplined cash and leverage management); and the selective deployment of cash into an attractive pipeline of new senior debt investment opportunities offering increased returns for the portfolio.

Co-Living scheme in London

Financial Performance

RECI reported total net profit for the half year ended 30 September 2022 of £10.3 million on half year end total assets of £465.7 million; £14.2 million for the half year ended 30 September 2021 on half year end total assets of £449.8 million.

The NAV as at 30 September 2022 was £1.48 per share (£1.51 per share as at 30 September 2021).

The 30 September 2022 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 2022 and the first interim dividend of the current financial year, returning £13.8 million to Shareholders and providing an annualised NAV total return of 5.9% for the half year.

During the half year ended 30 September 2022, the Company funded £97.0 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 £36.9 million in this period.

Half Year review and update

The NAV remained broadly stable during the half year to close at £1.48 per share at 30 September 2022, notwithstanding the payment to Shareholders of two unchanged dividends, totalling 6 pence per share, during that period.

Reaction to the 23 September "Mini-Budget", saw yield widening in bond markets continue into October. As at 31 October 2022, however, RECI's NAV was £1.49 per share, impacted by just 0.2 pence per share of negative mark-to-market adjustments across the bond portfolio. The first interim dividend of the current financial year was declared on 4 August 2022 and the second interim dividend was declared on 23 November 2022, both maintaining a payment of 3 pence per share.

When the financial year began on 1 April 2022, RECI had gross leverage of 1.29x and leverage net of cash of 1.14x. Throughout the half year, the Board and Cheyne continued to monitor RECI's cash resources and repayments and to consider the appropriate level, type and blend of gearing for the Company. At the half year end it held cash of £27.4 million and had gross leverage of 1.35x (1.27x net of cash). The Board and Cheyne continue to consider an expanded range and blend of potential gearing options, including asset level leverage on a non-recourse or partial recourse basis, alongside flexible balance sheet leverage. As at 31 October 2022, the Company had gross leverage of 1.39x (1.33x net of cash) with £10.2 million of asset level leverage (being all non-recourse).

CHAIRMAN'S STATEMENT (CONTINUED)

The Company's shares traded at an average discount to NAV of 2.4% during the financial half year. The market volatility following the "Mini-Budget" provoked much investor uncertainty in credit markets, contributing to some reactive selling of RECI shares on macro concerns, causing the discount to widen in the aftermath. Following the October Quarterly Update and a series of meetings between Cheyne and investors to update on RECI and the portfolio, the discount has begun to narrow. The Company's shares closed at £1.35 on 21 November 2022 (a discount of 9.4%), which would provide a yield of 8.9% 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, Shareholder Quarterly Updates were also held in May and July 2022 and we appreciate the interest and attendance of both existing and potential new investors.

Outlook

It appears inevitable that RECI will be operating against a backdrop of high inflation and increasing interest rates, combined with a challenging geo-political outlook, for the rest of this financial year. Nevertheless, the Company's portfolio composition, structure and continued diversification into Western Europe, position it well to withstand these challenges and steer a course through difficult market conditions.

Our Investment Manager has worked hard to strengthen the robustness of the Company's portfolio, with the increased exposure to lower risk senior loans and bonds and the increased size and capital strength of our chosen counterparties. The loan portfolio now has a WAL of just 1.6 years and future loans are expected to be on a floating rate basis.

As was demonstrated in previous times of economic stress and market uncertainty, Cheyne's expert origination capability has identified a pipeline of attractive investment opportunities, targeting senior debt with enhanced yields, which will underpin the continued payment of an attractive and stable dividend and position the portfolio to enhance NAV.

Your Board remains committed to providing investors with a long-term opportunity to receive an attractive dividend stream from an expertly managed exposure to real estate credit assets.

Bob Cowdell
Chairman
23 November 2022

KEY PERFORMANCE INDICATORS AND FINANCIAL HIGHLIGHTS

Key Performance Indicators

Balance Sheet	30 Sep 2022	31 Mar 2022
Net Asset Value ("NAV") per share	**£1.48**	£1.50
Share price	**£1.35**	£1.51
(Discount)/premium	**(9.3)%**	0.4%
Average (discount)/premium in period/year*	**(2.4)%**	0.7%
Leverage (% of NAV)**	**35.0%**	29.4%

* Average (discount)/premium 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, Dividends (6 months ended)	30 Sep 2022	30 Sep 2021
Earnings per share	**4.5p**	6.2p
Dividends per share declared for the period	**6.0p**	6.0p
NAV total return (including dividends) annualised	**5.9%**	8.2%

Financial Highlights

Balance Sheet	30 Sep 2022	31 Mar 2022
Cash, cash equivalents and cash held by brokers	**£27.4m**	£52.6m
Net assets	**£340.5m**	£343.9m

Profit and Loss (6 months ended)	30 Sep 2022	30 Sep 2021
Operating income	**£14.7m**	£18.3m
Net profit	**£10.3m**	£14.2m

The complete set of the Balance Sheet and Profit and Loss items are presented in the Company's condensed unaudited interim financial statements.

Further Information

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

INVESTMENT MANAGER'S REPORT

An ongoing pivot to a predominantly senior loan strategy that provides stability and income through volatile periods

Ravi Stickney
Managing Partner and CIO, Cheyne Real Estate

Market Commentary

At this time last year, we wrote at length on the entrenching inflationary pressures and their potential impact on real estate. We argued that inflation was here to stay for quite some time, due mainly to supply chain disruptions. What was not foreseen was the additional impact on energy and food inflation from Russia's ongoing war in Ukraine. Also of note, is the now clear idea that central banks (and, in particular, the US central bank) are prioritising reducing "hot inflation" and consequently bringing forward recessionary pressure on the World. This is occurring against a backdrop of no meaningful fiscal or monetary stimulus being available to cushion markets or consumers.

The recession that has already begun in Western economies is likely to last well into 2023; with inflation only set to fall with a meaningful decline in consumer purchasing power and money supply. However, and very pertinently to real estate, we do not expect core inflation to revert to the current long-term targets of most Western governments at circa 2%. Indeed, we expect the targeting of term inflation to adjust, and reflect core inflation moving closer to 4%.

It is expected that interest rates will retrench somewhat from the present elevated levels as the recession bites. We do not, however, see them falling back to the levels evident for much of the last decade. We expect long-term rates to stabilise at 200 – 300 basis points above zero.

Transitioning to this new interest rate environment will have a material impact upon valuations and operational performance of the global real estate asset class. The downward revisions to valuations, whilst applicable to all real estate assets, are likely to fall harder on those assets which are not supported by long-term fundamentals and the changes in the way we live and work, such as shopping centres and secondary quality offices. It will also materially impact those asset classes that have historically benefited from assumptions of significant rental acceleration and permanently low yields, such as logistics.

In addition to changes in valuations and income, real estate will also need to contend with the growing financing gap presented by a lack of debt and equity funding availability. This is especially acute in Europe and Australasia, where the banking markets are much more constrained and alternative lending markets are not as established, as they are in North America.

At the time of writing, we are already seeing a substantial demand for debt and equity capital to plug that financing gap in the UK and Western Europe. The growing demand is unlikely to be met by the banks and it will fall to alternative lenders, such as RECI, to aid in plugging that gap.

The decline in valuations, alongside the lack of available funding, is likely to trigger a period of painful adjustment for the global real estate industry. Unlike the post pandemic period, banks are unlikely to stall on defaults or enforcements as they seek a quick recovery on their loans.

All of this leaves investors in the most exposed asset classes (shopping centres, secondary offices, logistics) and in the most exposed part of the capital structure (equity, preferred equity and mezzanine) in a position of needing to raise substantial capital to recapitalise their assets, or face steep loss realisations on their assets. It should be noted that RECI is neither meaningfully exposed to these asset classes, nor to the junior elements of the capital structure (with over 90% of the portfolio invested in senior loans).

Whilst public market REITS have been quick to adjust to the new reality, private markets have yet to acknowledge this gap. It is very likely that the pressures will come to bear on private markets in the second half of 2023 as valuations are drawn, further validating RECI's pivot to a predominantly senior loan defensive strategy.

Beyond the purely financial criteria, RECI carefully considers other qualitative factors in evaluating potential investments. Selecting the opportunities that include "best in class" ESG credentials, should help to insulate much of the volatility that higher interest rates and yields will cause in the short/medium term. It has become increasingly apparent that the assets which look to deliver the highest standards in regards to ESG should perform better in regards to occupational demand, as well as value retention.

Take, for example, the office asset class. We are pleased to note that RECI (and Cheyne Real Estate) are significant supporters of City offices that are being refurbished to a BREEAM Outstanding and Excellent grading with observable energy efficiency measures and sustainable methods of build. BREEAM ("Building Research Establishment Environmental Assessment Method"), is an assessment undertaken to categorise buildings using a range of environmental issues: i.e. energy use, pollution, management processes. Cheyne and the wider investment community, do recognise that such an office asset does attract the strongest occupational demand, is severely undersupplied and will attract the most efficient cost of capital. A similar picture is true also for residential assets that cater for an inclusive community.

In a world where funding is scarce, we do expect that the available capital will pursue assets that display the very best ESG credentials, and that the current conditions will accelerate that move.

Resilience and opportunity from the changes since BREXIT present RECI with a sound platform to capitalise on the current environment

Since 2016, RECI has benefited from pivoting its investment strategy away from mezzanine (and subordinate) loans towards lower risk senior loans and bonds. Senior loans and bonds accounted for 46% of its investment portfolio by value in March 2016, whilst today, it represents 91%.

With a further mezzanine loan expected to repay in Q4 2022, RECI's book will see the remaining mezzanine book fall to under 8% of its GAV. Its top 10 positions are all senior loans as is its pipeline of new investments.

This gradual repositioning recognised and reflected the fact that global volatility and uncertainty were likely to persist and economic cycles were likely to be increasingly short.

Another benefit as the Company has developed, is that it has moved its origination away from the small/mid market borrowers and towards the larger, well capitalised and experienced borrower counterparties.

These strategic initiatives have positioned the Company's investment portfolio well, to face the challenges of the present period of volatility and transition.

Leverage Update

RECI maintains its conservative approach to financial leverage, with its long standing cap on gross balance sheet leverage ratio of 1.40x.

Since 2016, RECI has moved to improve its financial flexibility and also the optimisation of its returns on the senior loan book by the prudent use of a mixture of types of lending between:

- Flexible long-term and short-term repo financing on its liquid bond book; and more recently
- Long-term structured financing on some of its senior loan positions

Such improvements have resulted in RECI maintaining a defensive credit book, furthering its structural strength, whilst having the firepower to participate and benefit from the funding gap in the market.

RECI's current pipeline of senior loan opportunities (across the core+, value-add, transitional and development asset classes) now offers total returns (and low risk profiles) that are unprecedented. This is reflective of the significant need for funding and the dearth of established alternative lenders of scale in the UK and Western Europe.

The sum of these developments, and RECI's strategic focus presents the Company with the following resilient profile and opportunities:

- A defensive book ready to weather the present conditions:
  - Senior loans with strong governance and low risk basis
  - A focus on the relatively resilient asset classes (predominantly the "living" asset class)
  - A strong borrower base with relatively deep experience and financial resources

INVESTMENT MANAGER'S REPORT (CONTINUED)

- RECI is ready to capitalise on the fast-emerging opportunity set:
  - Significantly higher margins for senior loans
  - Floating rate loans (including those for development)
  - An unprecedented pipeline of opportunities spanning both new acquisitions and much needed recapitalisations
  - An improvement in the availability of structured financing for its senior loan book, improving the yield profile of select senior loans

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 23 November 2022, 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.

The increase in yields available from its senior loan origination, alongside the growth in the Company's ability to utilise efficient structured financing of its senior loan book, combine to support the aim: firstly, of ensuring that the dividend is entirely covered from income alone; and secondly, to present a pathway towards potential dividend increases in the future.

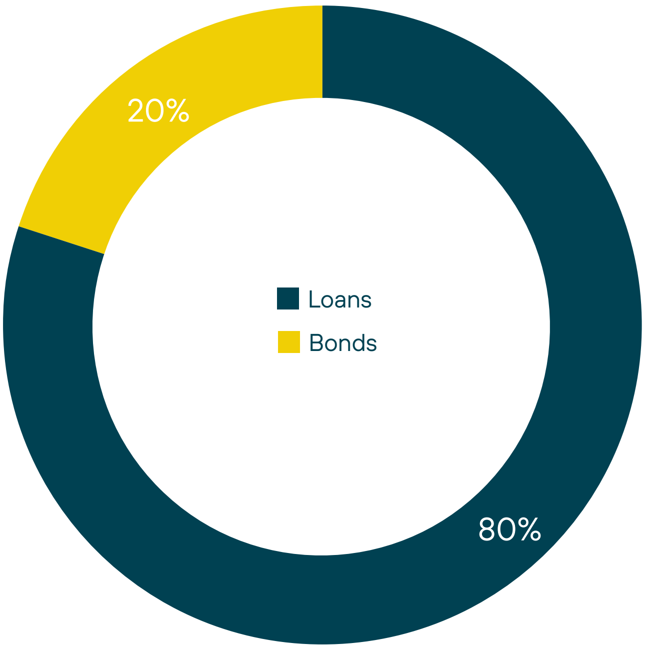
Bilateral Loan and Bond Portfolio
The drawn fair value of the bilateral loan and bond portfolio, excluding accrued interest, had increased from £284.4 million as at 31 March 2022 to £337.2 million as at 30 September 2022.

The average loan portfolio LTV exposure as at 30 September 2022 was 62.3%. 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.

Investment Portfolio Overview

Portfolio Composition
RECI's investment portfolio, a diversified book of 62 positions in real estate bonds and loans, was valued at £426.5 million, excluding accrued interest of £11.8 million, as at 30 September 2022. The portfolio had a weighted average levered yield of 10.9% and an average loan to value of 60.4% as at 30 September 2022.

Investment Portfolio Composition (funded fair value)

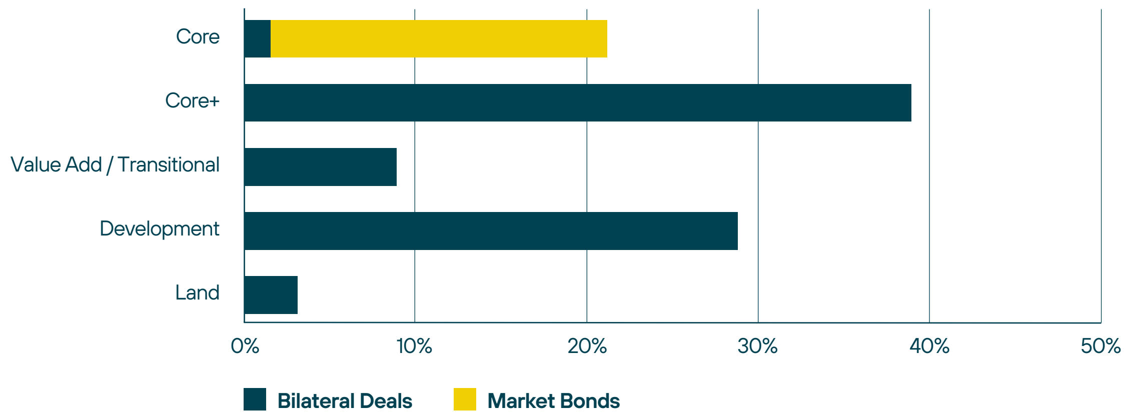


Portfolio by Geography (Funded Fair Value)

	30 Sep 2022	31 Mar 2022*
UK	**51.0%**	51.4%
France	**36.7%**	34.2%
Spain	**4.8%**	4.7%
Italy	**3.2%**	4.1%
Germany	**2.0%**	2.6%
Portugal	**1.4%**	0.9%
Finland	**0.6%**	0.7%
Ireland	**0.3%**	-%
Netherlands	**-%**	0.1%

* Excludes 1.3% held in bonds backed by assets in multiple European countries.

Portfolio by Investment Strategy (Funded Fair Value)



Top 10 Positions[1] (by commitment)

	Description	Commitment	LTV	Investment Strategy	Sector	Country	Asset Type
1	UK mixed use portfolio, predominantly office/residential	£82.5m	58%	Senior Loan	Mixed-Use	United Kingdom	Core+
2	Paris prime resi/retail building	£49.4m	67%	Senior Loan	Retail	France	Value Add / Transitional
3	London Residential Led Mixed Use Scheme	£32.7m	67%	Senior Loan	Residential	United Kingdom	Development
4	Office development in Saint Ouen, Paris	£30.8m	58%	Senior Loan	Office	France	Development
5	UK Health Care Centre	£23.2m	73%	Market Bond	Healthcare	United Kingdom	Core
6	London Office	£22.8m	59%	Senior Loan	Office	United Kingdom	Core
7	Spanish Villas	£22.5m	49%	Senior Loan	Residential	Spain	Development
8	France Housebuilder Portfolio	£20.7m	36%	Senior Loan	Housebuilder	France	Development
9	Finland Hotel	£20.3m	65%	Senior Loan	Hotel	Finland	Development
10	French Hotels in Nice and Paris	£19.9m	80%	Senior Loan	Hotel	France	Development

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

Bilateral Loan and Bond Portfolio Summary as at 30 September 2022

Number of loans	36
Drawn Value (£ millions)	337.2
Undrawn Loan Commitments (£ millions)	242.8
Weighted average yield of portfolio	8.8%
Weighted average yield of portfolio (levered)	10.4%
Weighted average LTV of portfolio	62.3%
Weighted average life of portfolio (years)	1.6

Market Bond Portfolio

As at 30 September 2022, the market bond portfolio of 26 bonds (excluding the self-originated bonds) was valued at £89.8 million, compared to £98.5 million as at 31 March 2022.

The bond portfolio has the potential for strong defensive returns:

- The portfolio is characterised by a short duration (3.1 years) and high coupon, which is defensive to interest rate rises and provides resilience in turbulent markets; and
- The weighted average unlevered yield of the market bond portfolio as at 30 September 2022 was 8.0%; with the weighted average levered yield of the bond portfolio as at 30 September 2022 being 17.4%.

Market Bond Portfolio Summary as at 30 September 2022

Number of bonds	26
Fair Value (£ millions)	89.8
Weighted average yield of portfolio	8.0%
Weighted average yield of portfolio (levered)	17.4%
Weighted average LTV of portfolio	51.0%
Weighted average life of portfolio (years)	3.1

Outlook

RECI's strategic pivot to predominantly senior loans and its move to flexible term financing, positions it well as the markets transition to the "new normal". It has a defensive credit portfolio and it has financial flexibility to continue to take advantage of the emerging opportunities.

RECI's ambition is to continue to pay its stable dividend and to have the potential to increase the dividend over time, without incremental risk to its underlying credit portfolio. The strategic path of the Company and the emerging opportunity to earn a much higher return from senior loans, fully support that aim.

Cheyne Capital Management (UK) LLP
23 November 2022


Office in London

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the condensed unaudited interim financial statements have 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 2022 annual report, which is available on the Company's website.

Since that report, the Company has identified one new risk related to higher than recent levels of inflation, geopolitical uncertainty and the potential impact of real interest rate movements on economic growth and valuations. There have been no other changes to the principal risks.

By order of the Board

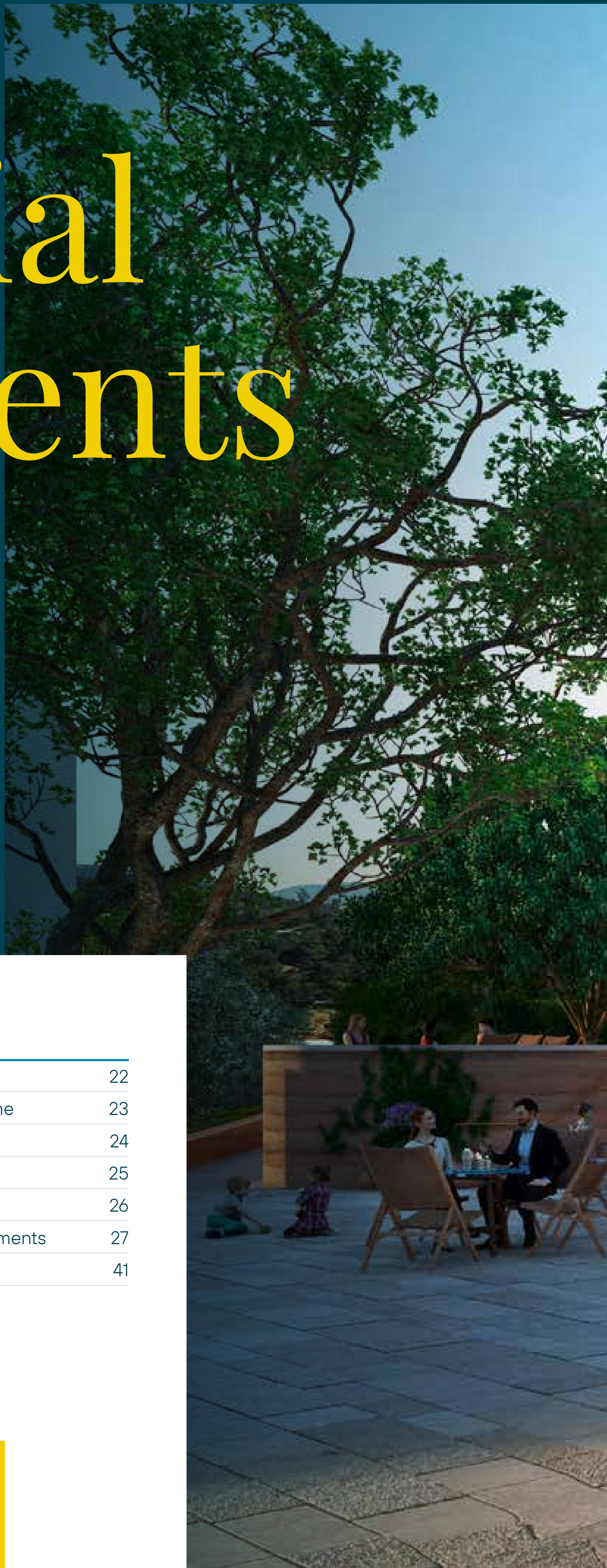
Bob Cowdell
Director

Susie Farnon
Director

23 November 2022

Office in Paris

Financial Statements



In this section

Hotel in Portugal

INDEPENDENT REVIEW REPORT TO REAL ESTATE CREDIT INVESTMENTS LIMITED

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 2022 which comprises the condensed unaudited statement of comprehensive income, the condensed unaudited statement of financial position, the condensed unaudited statement of changes in equity, the condensed unaudited statement of cash flows and related notes 1 to 19.

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 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 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 (ISRE (UK) 2410). 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.

As disclosed in note 2, the annual financial statements of the company are 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 International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, 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.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. 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
Registered Auditor
Guernsey, Channel Islands

23 November 2022

CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Note	30 Sep 2022 GBP	30 Sep 2021 GBP
Interest income	5	16,577,696	13,868,816
Net (losses)/gains on financial assets and financial liabilities at fair value through profit or loss	3	(1,844,587)	4,400,966
Other income		5,483	13,026
Operating income		14,738,592	18,282,808
Operating expenses	4	(3,161,657)	(3,052,432)
Profit before finance costs		11,576,935	15,230,376
Finance costs	5	(1,279,770)	(1,025,444)
Net profit		**10,297,165**	**14,204,932**
Other comprehensive income		–	–
Total comprehensive income		**10,297,165**	**14,204,932**
Earnings per share			
Basic and diluted	9	4.5p	6.2p
Weighted average shares outstanding		**Number**	**Number**
Basic and diluted	9	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 2022

	Note(s)	30 Sep 2022 GBP	31 Mar 2022 GBP
Non-current assets			
Financial assets at fair value through profit or loss	11,13	438,335,993	394,341,104
		438,335,993	394,341,104
Current assets			
Cash and cash equivalents		12,951,555	47,385,138
Cash collateral at broker	14	14,398,961	5,204,692
Other assets		39,322	22,708
		27,389,838	52,612,538
Total assets		**465,725,831**	**446,953,642**
Equity and liabilities			
Equity			
Reserves		340,472,701	343,935,484
		340,472,701	343,935,484
Current liabilities			
Financing agreements	7	117,885,374	100,368,732
Derivative financial liabilities	12	5,603,924	1,072,792
Other liabilities	6	1,763,832	1,576,634
		125,253,130	103,018,158
Total liabilities		125,253,130	103,018,158
Total equity and liabilities		**465,725,831**	**446,953,642**
Shares outstanding	10	229,332,478	229,332,478
Net asset value per share		£1.48	£1.50

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

23 November 2022

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Note	GBP
Balance as at 31 March 2022		**343,935,484**
Total comprehensive income		10,297,165
Dividends	8	(13,759,948)
Balance as at 30 September 2022		**340,472,701**

For the six months ended 30 September 2021		
Balance as at 31 March 2021		**346,881,003**
Total comprehensive income		14,204,932
Dividends	8	(13,759,948)
Balance as at 30 September 2021		**347,325,987**

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 2022

	30 Sep 2022 GBP	30 Sep 2021 GBP
Net profit	10,297,165	14,204,932
Net (purchases)/sales of financial assets	(39,767,069)	20,330,362
Net sales of derivative financial assets and liabilities	249,036	2,403,212
Movement in realised and unrealised gains on financial assets	(4,561,286)	(5,544,848)
Movement in realised and unrealised losses on derivative financial assets and liabilities	4,282,096	846,530
Interest income	(16,577,696)	(13,868,816)
Interest expense	1,279,770	1,025,444
Operating cash flows before movement in working capital	**(44,797,984)**	**19,396,816**
Increase in other assets	(16,614)	(13,707)
Increase in other liabilities	187,198	328,063
Increase in cash collateral at broker	(9,194,269)	(3,163,453)
Increase in cash due to brokers	–	723,606
Movement in working capital	**(9,023,685)**	**(2,125,491)**
Interest received	16,911,162	9,725,369
Net cash flow (used in)/from operating activities	**(36,910,507)***	**26,996,694**
Financing activities		
Dividends paid to Shareholders	(13,759,948)	(13,759,948)
Net proceeds under financing agreements	17,516,642	21,115,875
Finance costs	(1,279,770)	(1,025,444)
Net cash inflow from financing activities	**2,476,924**	**6,330,483**
Net (decrease)/increase in cash and cash equivalents	(34,433,583)	33,327,177
Cash and cash equivalents at the start of the period	47,385,138	21,220,812
Cash and cash equivalents at the end of the period	**12,951,555**	**54,547,989**

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

* Due to an increase in investments made during the period ended September 2022.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 Managers 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 15). 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 2022 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"). 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 2022.

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 2022, 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 2022 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.realestatecreditinvestments.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 2022

New Standards, Amendments and Interpretations Issued and Effective for the Financial Year Beginning 1 April 2022

Amendments to IAS 37 – Onerous contracts: Cost of fulfilling a Contract

The amendments 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. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted and must be disclosed. The amendment is intended to provide clarity and help ensure consistent application of the standard. Entities that have previously applied the incremental cost approach will see increased provisions to reflect the intrusion of costs related directly to contract activities. Judgement will be required in determining which costs are 'directly related to contract activities', but the guidance in IFRS 15 *Revenue from Contracts with Customers* will be relevant. The amendments to IAS 37 are effective for annual periods beginning on or after 1 January 2022. 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 2022 and not Early Adopted

Title	Effective for periods beginning on or after
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 8 – *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

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 Condensed Unaudited 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.

Amendments to IAS 8 are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Earlier application is permitted. The Company did not early adopt these amendments and expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. Determining whether accounting policies are material or not requires use of judgement. Earlier application is permitted. The Company did not early adopt these amendments and expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 12 clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). Earlier application is permitted. The Company did not early adopt these amendments and expects that the amendments will have no material impact on the financial statements.

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.

For the period ended 30 September 2022 and year ended 31 March 2022, the financial assets at fair value through profit or loss include the related interest receivable to reflect the measurement of the Company's investments as a single unit of account, which includes all cash flows associated with the asset.

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 all macroeconomic factors 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 2022 of £13.0 million (31 March 2022: £47.4 million), the liquidity of the market bond portfolio and the financing available through activities such as repurchase agreements as described in Note 7, 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 30 September 2022 was 26.9% (31 March 2022: 14.0%).

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 carrying out the Company's strategy, the Investment Manager undertakes the following measures:

- An initial and continuing detailed evaluation of each of its portfolio positions in light of the various impacts of changing economic circumstances 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 16, as at 30 September 2022, the Company had committed £602.1 million into loans of which £358.7 million had been funded (31 March 2022: £522.9 million commitment of which £284.4 million had been funded). The Investment Manager models these expected commitments and only funds if the borrowers meet specific business plan milestones.

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.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2022

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

	30 Sep 2022 GBP	30 Sep 2021 GBP
Net gains/(losses)		
Net (losses)/gains on market bonds	(4,407,934)	1,913,243
Net gains on self-originated bonds	3,349,522	2,032,444
Net gains on self-originated loans	5,619,698	1,599,162
Net losses on foreign exchange instruments and other foreign currency transactions	(6,405,873)	(1,143,883)
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	**(1,844,587)**	**4,400,966**

4. Operating Expenses

	Note	30 Sep 2022 GBP	30 Sep 2021 GBP
Investment management, administration and depositary fees			
Investment management fee	15	2,162,157	2,195,084
Administration fee	15	124,555	125,634
Depositary fee	15	32,209	32,914
		2,318,921	**2,353,632**
Other operating expenses			
Legal fees		296,167	167,088
Directors' fees		107,500	117,664
Audit fees		59,444	34,000
Corporate secretary fees		44,539	44,299
Fees to auditor for non-audit services		37,500	37,500
Regulatory body expenses		15,283	–
Research fees		950	24,746
Other expenses		281,353	273,503
		842,736	**698,800**
Total operating expenses		**3,161,657**	**3,052,432**

The ongoing costs of the Company are shown in the Key Information Document (KID) published on the Company's website. The total figure of 2.23% (30 September 2021: 2.36%) is made up of the Investment Manager's fee of 1.25% (30 September 2021: 1.25%), other ongoing costs of 0.42% (30 September 2021: 0.46%), and finance costs (which are disclosed separately in the financial statements) of 0.56% (30 September 2021: 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 2022 GBP	30 Sep 2021 GBP
Interest income		
Real Estate Credit Investments – market bonds	2,285,806	1,711,241
Real Estate Credit Investments – self-originated bonds	8,375,764	5,346,760
Real Estate Credit Investments – self-originated loans	5,865,739	6,808,030
Cash and cash equivalents and other receivables	50,387	2,785
Total interest income	**16,577,696**	**13,868,816**
Finance costs		
Net cost of financing agreements	(1,279,770)	(1,025,444)
Total finance costs	**(1,279,770)**	**(1,025,444)**

6. Other Liabilities

	30 Sep 2022 GBP	31 Mar 2022 GBP
Investment management, depositary and administration fees payable		
Investment management fees payable	350,160	365,525
Depositary fees payable	44,809	27,086
Administration fees payable	20,135	20,892
	415,104	**413,503**
Other operating payables		
Interest payable	253,367	193,902
Audit fees payable	76,375	85,250
Directors' fees payable	53,750	48,812
Corporate secretary fees payable	37,500	18,750
Legal fees payable	34,485	27,199
Other expense accruals	893,251	789,218
	1,348,728	**1,163,131**
Total liabilities	**1,763,832**	**1,576,634**

7. 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 £232.3 million (31 March 2022: £212.7 million) and a weighted average cost of 3.6% (31 March 2022: 1.2%) per annum. The contractual maturity period of the repurchase arrangements is 3 to 12 months (31 March 2022: 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 amounting to £17.5 million (30 September 2021: £21.1 million) and finance costs amounting to £1.3 million (30 September 2021: £1.0 million) are shown as financing activities in the Condensed Unaudited Statement of Cash Flows.

The Company had entered into some off-balance sheet financing agreements. These facilities do not have recourse to the Company, and the lending is structured using off-balance entities, and secured against the specific loans involved. The aggregate amount of these off-balance sheet loans as at 30 September 2022 was £11.7 million (31 March 2022: £2.8 million).

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2022

8. Quarterly Dividends

	30 Sep 2022 GBP	30 Sep 2021 GBP
Share dividends		
Fourth interim dividend for the year ending 31 March 2022/31 March 2021	6,879,974	6,879,974
First interim dividend for the year ending 31 March 2023/31 March 2022	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 2022 amounted to 6 pence per share (30 September 2021: 6 pence per share).

Under Guernsey law, companies can pay dividends provided they satisfy the solvency test prescribed under The Companies (Guernsey) Law, 2008, as amended, 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 all dividend payments during the period from 1 April 2021 to 30 September 2022.

9. Earnings per share

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

	30 Sep 2022	30 Sep 2021
Net earnings attributable to shares (GBP)	10,297,165	14,204,932
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)	4.5	6.2

10. 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 2022, the Company had capital of £340.5 million (31 March 2022: £343.9 million).

Authorised Share Capital	30 Sep 2022 Number of Shares	31 Mar 2022 Number of Shares
Shares of no par value each	Unlimited	Unlimited

Shares issued and fully paid	30 Sep 2022 Number of Shares	31 Mar 2022 Number of Shares
Shares at the start of the period/year	229,332,478	229,332,478
Shares 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. The capital structure of the Company consists of the equity of the Company as disclosed in the Condensed Unaudited Statement of Changes in Equity.

11. 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 2022	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Non-current assets				
Real Estate Credit Investments – market bonds	–	89,767,759	–	89,767,759
Real Estate Credit Investments – self-originated bonds	–	–	216,825,397	216,825,397
Real Estate Credit Investments – self-originated loans	–	–	131,742,837	131,742,837
Total non-current assets	–	89,767,759	348,568,234	438,335,993
Current Liabilities				
Forward foreign exchange contracts	–	(5,603,924)	–	(5,603,924)
Real Estate Credit Investments – repurchase agreements	–	(117,885,374)*	–	(117,885,374)
	–	**(33,721,539)**	**348,568,234**	**314,846,695**

* Includes repurchase agreements related to Level 3 investments.

As at 31 March 2022	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Non-current assets				
Real Estate Credit Investments – market bonds	–	98,450,555	–	98,450,555
Real Estate Credit Investments – self-originated bonds	–	–	186,047,325	186,047,325
Real Estate Credit Investments – self-originated loans	–	–	109,843,224	109,843,224
Total non-current assets	–	98,450,555	295,890,549	394,341,104
Current liabilities				
Forward foreign exchange contracts	–	(1,072,792)	–	(1,072,792)
Real Estate Credit Investments – repurchase agreements		(100,368,732)*	–	(100,368,732)
	–	**(2,990,969)**	**295,890,549**	**292,899,580**

* Includes repurchase agreements related to Level 3 investments.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2022

11. Valuation of Financial Instruments (continued)

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") and repurchase agreements.

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 £0.7 million (31 March 2022: £2.5 million). The sector curve discount yields used range from 4.4% to 16.0% (31 March 2022: 4.0% to 14.0%). Applying a discount yield +/-2% to the valuation would reduce/increase the fair value at 30 September 2022 by £(0.4) million and £1.0 million (31 March 2022: £(2.5) million and £2.6 million), respectively.

The Company makes loans into structures to gain exposure to real estate secured debt in the United Kingdom 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 4.9% to 13.2% (31 March 2022: 5.1% to 13.3%) (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. No material movements on the fair value of the real estate loans have been identified and the par value of the loans was used. 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 at 30 September 2022, the Investment Manager has taken into account movements in 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 5% (31 March 2022: 1% or 2%) decrease in the discount rate would decrease the fair value by £5.6 million or £28.2 million (31 March 2022: £3.7 million or £7.3 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.

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 2022 GBP	Level 3 31 Mar 2022 GBP
Financial assets at fair value through profit or loss		
Opening balance	284,418,569	310,193,876
Total gains recognised in the Condensed Unaudited Statement of Comprehensive Income for the period/year	8,969,220	2,260,608
Purchases	97,012,654	81,589,656
Sales	(53,175,033)	(109,625,571)
Closing balance*	337,225,410	284,418,569
Unrealised gain/(loss) on investments classified as Level 3 at period/year end	**4,924,107**	**(688,552)**

* The closing balance does not include interest receivable of £11,342,824 (31 March 2022: £11,471,980) included in the fair value of Level 3 financial assets at fair value through profit or loss.

12. 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 2022 GBP	31 Mar 2022 GBP
The Bank of New York Mellon – AA- (Derivatives)	(5,603,924)	(1,072,792)

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.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2022

12. Derivative Contracts (continued)

Below are the derivative liabilities by counterparty as at 30 September 2022 and 31 March 2022.

Forward Foreign Exchange Contracts

The following forward foreign exchange contracts were open as at 30 September 2022:

Counterparty	Settlement Date	Buy Currency	Buy Amount	Sell Currency	Sell Amount	Unrealised Loss GBP
The Bank of New York Mellon	18 November 2022	GBP	156,442,691	EUR	(184,370,000)	(5,603,924)
Unrealised loss on forward foreign exchange contracts						(5,603,924)

The following forward foreign exchange contracts were open as at 31 March 2022:

Counterparty	Settlement Date	Buy Currency	Buy Amount	Sell Currency	Sell Amount	Unrealised Loss GBP
The Bank of New York Mellon	20 May 2022	GBP	161,432,186	EUR	(192,000,000)	(1,072,792)
Unrealised loss on forward foreign exchange contracts						(1,072,792)

13. 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 United Kingdom 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.

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 2022:			
Reportable segment profit/(loss)	(2,122,129)	23,261,111	21,138,982
For the six months ended 30 September 2021:			
Reportable segment profit	3,624,484	15,789,179	19,413,663

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
As at 30 September 2022:			
Reportable segment assets	89,767,759	348,568,234	438,335,993
Non-segmental assets			27,389,838
Total assets			465,725,831
As at 31 March 2022:			
Reportable segment assets	98,450,555	295,890,549	394,341,104
Non-segmental assets			52,612,538
Total assets			446,953,642

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 2022 GBP	30 Sep 2021 GBP
Reportable segment profit	21,138,982	19,413,663
Net losses on foreign exchange instruments and other foreign currency transactions*	(6,405,873)	(1,143,881)
Other income	5,483	13,026
	14,738,592	18,282,808
Operating expenses	(3,161,657)	(3,052,432)
Finance costs	(1,279,770)	(1,025,444)
Net profit	**10,297,165**	**14,204,932**

* The Company enters into foreign exchange contracts to hedge it's exposure to non-GBP investments, movements in the value of its foreign exchange contracts are offset by the corresponding opposite move in its non-GBP investments.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2022

13. Segmental Reporting (continued)

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 2022 GBP	31 Mar 2022 GBP
Reportable segment assets	438,335,993	394,341,104
Cash and cash equivalents	12,951,555	47,385,138
Cash collateral at broker	14,398,961	5,204,692
Other assets	39,322	22,708
	465,725,831	**446,953,642**

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 2022:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
As at 30 September 2022:			
Financial assets at fair value through profit or loss			
Opening fair value	97,781,000	284,418,569	382,199,569
Purchases	–	97,012,654	97,012,654
Repayments/sales proceeds	(4,070,552)	(53,175,033)	(57,245,585)
Realised loss on sales	(136,871)	(7,485,098)	(7,621,969)
Net movement in unrealised (loss)/gain on investments at fair value through profit or loss	(4,271,063)	16,454,318	12,183,255
Closing fair value*	**89,302,514**	**337,225,410**	**426,527,924**

* The 30 September 2022 closing fair value does not include interest receivable of £465,245 and £11,342,824 included in the fair value of Market Bond Portfolio and Bilateral Loan and Bond Portfolio, respectively.

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 2022:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
As at 31 March 2022:			
Financial assets at fair value through profit or loss			
Opening fair value	80,359,507	310,081,379	390,440,886
Purchases	31,500,000	81,589,656	113,089,656
Repayments/sales proceeds	(14,447,591)	(109,625,571)	(124,073,162)
Realised loss on sales	(390,363)	(99,945)	(490,308)
Net movement in unrealised gain on investments at fair value through profit or loss	759,447	2,473,050	3,232,497
Closing fair value*	**97,781,000**	**284,418,569**	**382,199,569**

* The 31 March 2022 closing fair value does not include interest receivable of £669,555 and £11,471,980 included in the fair value of Market Bond Portfolio and Bilateral Loan and Bond Portfolio, respectively.

14. 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 2022, a total of £14.4 million (31 March 2022: £5.2 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.

15. 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 through 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 2022, the Management Fee totalled £2.2 million (30 September 2021: £2.2 million), of which £0.4 million (31 March 2022: £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.

On 1 October 2021, the Company entered a new Performance Period 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 12 months period ended 30 September 2022, there were no performance fees accrued.

NOTES TO THE CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2022

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 2022, the administration fee totalled £124,555 (30 September 2021: £125,634), of which £20,135 (31 March 2022: £20,892) 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 2022: 0.02%) of the NAV of the Company. During the period ended 30 September 2022, the Depositary fee totalled £32,209 (30 September 2021: £32,914). The Company owed £44,809 (31 March 2022: £27,086) to the Depositary at the period end date.

16. Contingencies and Commitments

As at 30 September 2022, the Company had committed £602.1 million into bilateral loans and bonds of which £358.7 million had been funded (31 March 2022: £522.9 million commitment of which £284.4 million had been funded).

17. Subsequent Events

The Directors declared a second interim dividend of 3 pence per share on 23 November 2022.

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.

18. 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 2022 GBP	31 Mar 2022 GBP
EUR	1.14	1.18
USD	1.12	1.32

19. Approval of the Condensed Unaudited Interim Financial Statements

The condensed unaudited interim financial statements of the Company were approved by the Directors on 23 November 2022.

DIRECTORS AND ADVISERS

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Susie Farnon
John Hallam
Colleen McHugh

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