Real Estate Credit Investments Limited

Annual Report and Accounts

2025

RECI
REAL ESTATE CREDIT INVESTMENTS

Annual Report and Accounts 2025

Consistent attractive dividends from credit exposure to UK and Western European real estate credit markets

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.

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Chairman's Statement

RECI continued to deliver a robust Net Asset Value ("NAV") and attractive quarterly 3.0 pence dividend per share

60

Financial Statements

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Front cover: Assisted living residence in the United Kingdom

Inside front cover images:
Top: Hotel in France
Middle: Co-living residence in France
Bottom: Hotel in Finland

OVERVIEW
AS AT 31 MARCH 2025

Overview and Highlights

What We Offer

Defensive credit exposure to UK and Western European real estate credit markets	• Stable and uninterrupted dividends delivered consistently since October 2013
Granular portfolio with detailed disclosure	• 21 positions • Diverse portfolio across sectors and geography
Attractive and stable income in a changing interest rate environment	• Consistent portfolio yield of 9%+ offering a 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

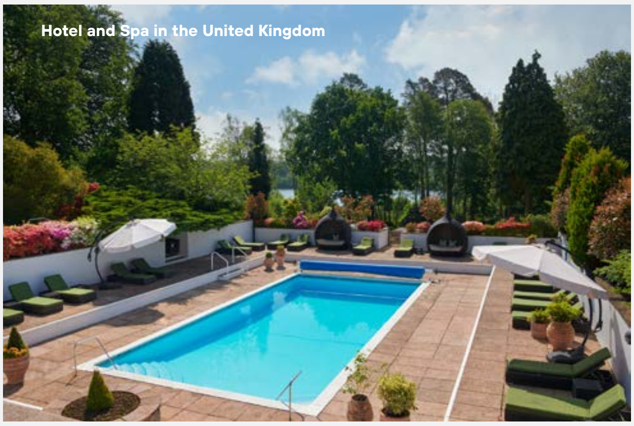
Access to Cheyne's established real estate investment team and substantial origination pipeline

Key Figures

Net Assets
£318.4m
(31 March 2024: £326.4m)

NAV per Share
£1.43
(31 March 2024: £1.45)

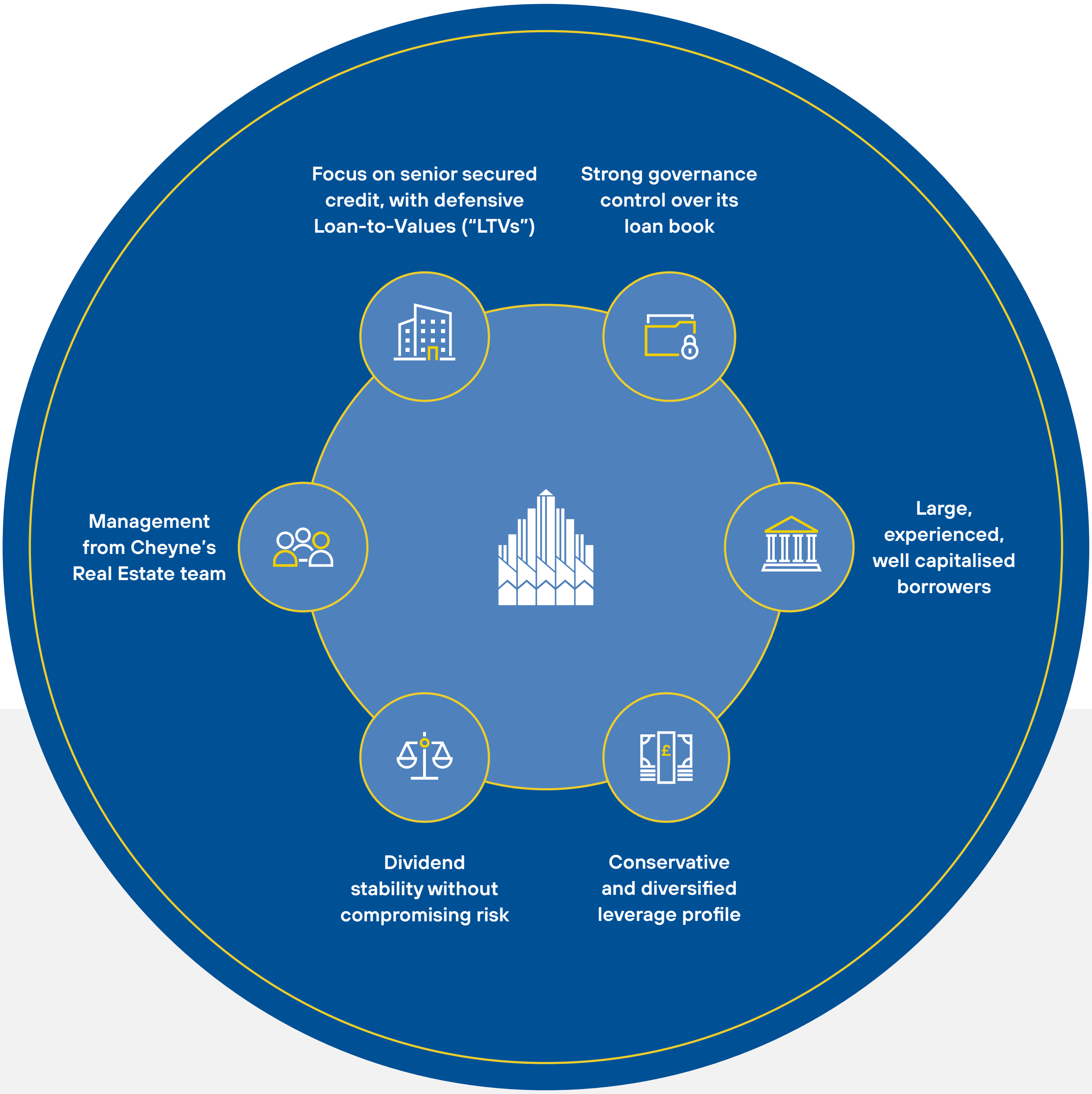

Hotel in Finland


Hotel and Spa in the United Kingdom

Total Assets
£391.7m
(31 March 2024: £352.3m)

Net Profit
£22.8m
(for the year ended 31 March 2024: £21.9m profit)

RECI Offers:



Total NAV Return
7.7%
(31 March 2024: 7.0%)

Dividend Yield
9.8%
(31 March 2024: 10.4%)

Share Price
£1.22
(31 March 2024: £1.15)

Dividends
12.0 pence
(31 March 2024: 12.0 pence)

OVERVIEW

At a Glance

Providing compelling risk-adjusted returns.

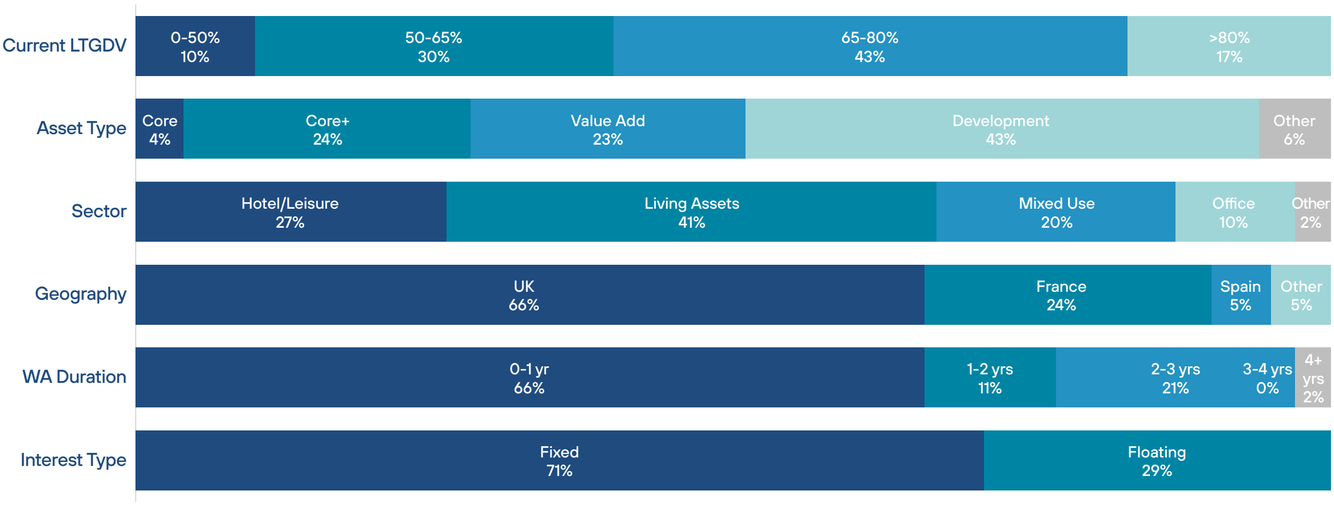
Real Estate Credit Investments Limited ("RECI" or the "Company") is a closed-ended investment company which originates and invests in real estate debt secured by commercial or residential properties in Western Europe, focusing primarily on the United Kingdom, France and Spain.

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.

RECI's investments are predominantly in Self-Originated Loans and Bonds. The Company also holds a small portfolio of Market Bonds (listed real estate debt securities such as Commercial Mortgage Backed Securities ("CMBS")).

Investment Portfolio Composition

RECI's investment portfolio, a diversified book of 21 positions in real estate bonds and loans, was valued at £369.5 million including accrued interest, as at 31 March 2025, up from £329.4 million as at 31 March 2024. The portfolio had a weighted average levered yield of 11.4% and an average LTV ratio of 66.0% as at 31 March 2025.

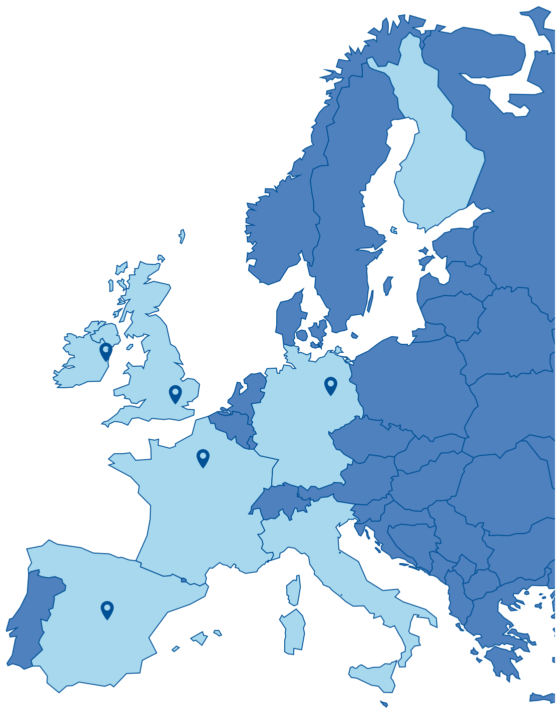


Portfolio by Geography

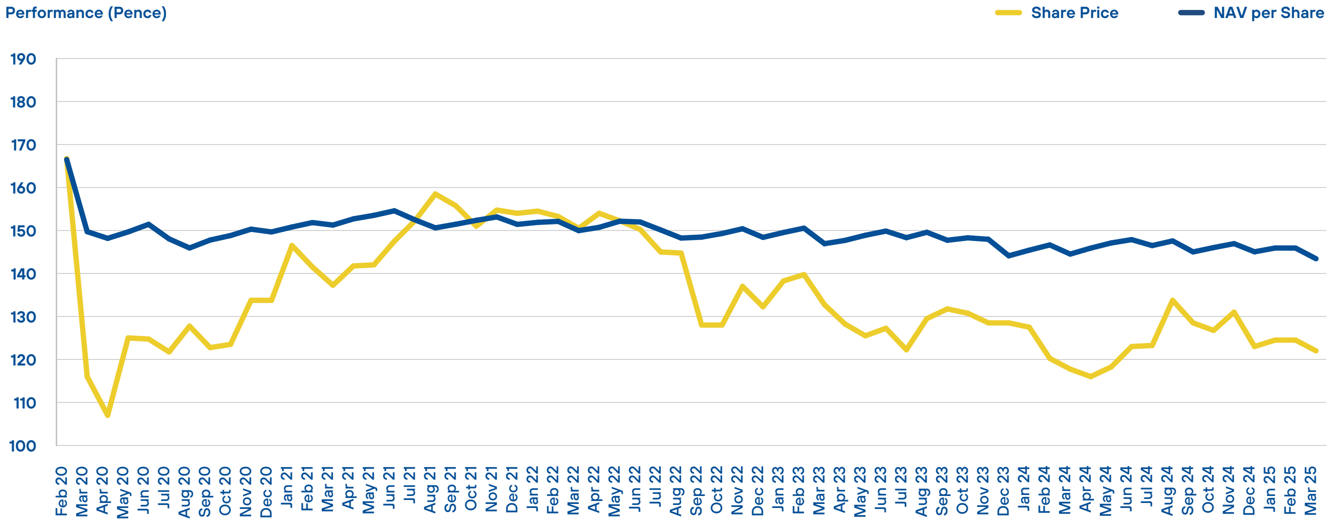
by % of Total Committed Capital including PIK

Country	Allocation March 2025 %	Change since March 2024 %
United Kingdom	65.5	7.7
France	24.5	(1.9)
Spain	4.6	(1.3)
Italy	2.5	(1.5)
Germany	2.9	0.0
Finland	0.0	(4.1)
Ireland	0.0	(1.9)

icons denote Cheyne Real Estate Offices in Berlin, Dublin, London, Madrid and Paris.



Share Price vs NAV per Share



NAV and Share Price

	As at 31 March 2025
Net Assets	**£318.4m**
Shares Outstanding (net of treasury shares)	**221.9m**
NAV (per share)	**£1.43**
Share Price (per share)	**£1.22**
Discount	**(14.9)%**
Dividend Yield	**9.8%**
Market Capitalisation	**£270.7m**

Total NAV Return[1]

Financial Year Ended 31 March 2025	**7.7%**
Prior Financial Year Ended 31 March 2024	**7.0%**
Last Three Financial Years Ended 31 March 2025	**22.0%**
Last Five Financial Years Ended 31 March 2025	**43.2%**

[1] The Total NAV Return measures the combined effect of any dividends paid, together with the rise or fall in the NAV per share. The Total NAV 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 Total NAV Return is considered an Alternative Performance Measure pursuant to ESMA Guidelines which is unaudited and outside of the scope of IFRS Accounting Standards ("IFRS").

OVERVIEW

About the Company

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

Real Estate Credit Investments Limited ("RECI" or the "Company") is incorporated in Guernsey, governed by the Companies (Guernsey) Law, 2008 (as amended) (the "Companies Law") and regulated as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission. The Company will be subject to a continuation resolution by the Shareholders at the next Annual General Meeting ("AGM") to be held in September 2025.

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

The shares are currently listed and traded on the Main Market of the London Stock Exchange. The shares offer investors a leveraged exposure to a portfolio of real estate credit investments and pay a quarterly dividend.

Website and Share Price Information

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

Investment Objective and Investment Policy

Investment Objective

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

Investment Policy

To achieve the Investment Objective, the Company invests and will continue to invest in real estate debt secured by commercial or residential properties in the United Kingdom and Western European countries.

Luxury residence in Spain

The real estate credit investments may take different forms but are likely to be:

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

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

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

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

OVERVIEW

Chairman's Statement

Andreas Tautscher
Chairman

I am pleased to report that for the year ended 31 March 2025, RECI delivered a total net profit of £22.8 million and maintained an unchanged dividend of 3.0 pence per quarter, despite challenging times for the listed investment company sector.

The last financial year has been marked by continued geopolitical instability. The war in Ukraine remains unresolved, while the conflict in Gaza has significantly heightened tensions across the Middle East, most recently marked by Israeli and US strikes against Iran, targeting nuclear facilities/infrastructure sites. On the economic front, although inflation has moderated from previous highs, it remains persistent, prompting central banks to adopt a more gradual approach to interest rate cuts.

There is also growing evidence that markets are pricing Government Debt at significantly higher risk premium, take the UK where there have been three interest rate cuts but ten-year gilts have risen from 4.2% to 4.6% since July 2024. The consensus remains that interest rates will reduce, for most economies, over the rest of 2025.

Furthermore, we need to consider the impact of President Trump's 'liberation day' and the shock introduction of significant tariffs on every trading partner of the US. I will not get into a full résumé of the twists and turns but suffice to say we have seen an almost unprecedented level of volatility in equity markets which has also been mirrored in the debt markets, particularly for US government debt. This level of volatility in both government policy and market impact makes it very difficult to give many forward predictions.

The challenges we had seen in the investment company segment of the last year, allied to discount, liquidity and some governance issues, have not abated. The impact of the Trump announcements has not helped although at the time of writing the overall impact in terms of valuations has been netted out, but we are clearly only part way through this process and we might expect further periods of volatility in the markets.

Against this challenging backdrop, the Board and Cheyne have continued to focus on RECI's core strengths and seek to deliver for our Shareholders. The Company's shares traded at an average discount to NAV of 15.4% during the financial year ended 31 March 2025. Reflecting market sentiment, the Real Estate Debt Sector traded at an average discount of 20.4% (excluding RECI) over the same 12 months (*source: Liberum, company data*).

During the financial year, interest and repayments received on the Company's portfolio has funded new and existing commitments. The Board continues its practice of considering all options when assessing the levels of excess cash to be retained or deployed by the Company from time to time and how any such cash available for deployment should be allocated. Excess cash is regarded as the cash available following recognition of the obligation to ensure sufficient cash resources to pay, inter alia, the Company's expenses, borrowings, dividends and fund its ongoing contractual loan commitments, from time to time ("Available Cash").

Mindful of the Company's prevailing discount and Available Cash, the Board launched a second buyback programme in September 2024 and a successor buyback programme in March 2025.

The Directors and Cheyne remain committed to providing detail and transparency regarding the Company's portfolio and investment strategy, allowing all investors to focus upon RECI and its merits and opportunities, notwithstanding the challenging broader market environment.

I am pleased to report that RECI won the Best Performance Award as the top performer over three years in the Specialist Debt Category at Citywire's annual awards ceremony in November 2024.

Reflecting your Board's and our Investment Manager's confidence in RECI and its future, the Directors and employees of Cheyne have purchased an aggregate of 213,000 shares in the Company since the start of the financial year on 1 April 2024.

Financial Performance

RECI reported a total net profit for the financial year ended 31 March 2025 of £22.8 million on year end total assets of £391.7 million, compared with a £21.9 million net profit in the year ended 31 March 2024, on year end total assets of £352.3 million.

The NAV as at 31 March 2025 was £1.43 per share (£1.45 per share as at 31 March 2024) which, combined with the 12.0 pence per share of dividends payable in respect of the year ended 31 March 2025, represents an annualised total NAV return for Shareholders of 7.7%.

During the financial year ended 31 March 2025, the Company's shares traded at an average discount to NAV of 15.4%, (14.7% discount for the year ended 31 March 2024).

Total quarterly dividends declared in respect of the financial year ended 31 March 2025 were an unchanged 12.0 pence per share, returning £26.7 million to our Shareholders.

During the year, RECI had average asset level structured leverage of approximately £34.4 million, at an average borrowing cost of circa 7.9%.

During the financial year to 31 March 2025, the Company funded £139.8 million into existing investments, compared with £95.2 million in the previous financial year. RECI also received cash repayments and interest of £113.6 million in this year, compared with £134.2 million in the year ended 31 March 2024.

Financial Year Review

Despite the challenging real estate and credit markets, the Company's robust portfolio ensured the NAV remained stable at an average of £1.46 per share during the financial year, notwithstanding the payment to Shareholders of four unchanged dividends, totalling 12.0 pence per share, during the year.

Cheyne maintained the strategy of focusing portfolio exposure upon lower risk senior loans, with 90% of the Company's positions comprised of senior assets by the financial year end. RECI's holding of market bonds had reduced to comprising just 1.8% of the portfolio by 31 March 2025. The weighted average life of the whole portfolio was one year for the financial year ended 31 March 2025; and the weighted average LTV of the Company's portfolio was 66.0% (64.9% at 31 March 2024).

The Board and Cheyne have continued to monitor RECI's cash resources and repayments and to consider the appropriate level and blend of gearing for the Company. As at 31 March 2025, the Company's gross balance sheet leverage was £70.9 million (22.3% of NAV); its net effective leverage, including contingent liabilities of £9.3 million (being the partial recourse commitment, representing 25% of asset level borrowings provided to certain asset level structured finance counterparties), was 18.2% of NAV.

The negative market sentiment during our last financial year inevitably impacted RECI's share price and saw material discount widening across the investment funds sector generally and the credit and real estate sectors, in particular.

The Company's initial buyback programme was announced on 31 August 2023, with an aggregate purchase price of all shares purchased of no more than £5.0 million. Pursuant to that programme, a total of 4,095,000 ordinary shares of no par value each ("Ordinary Shares") were purchased for treasury for an aggregate amount of £5.0 million. The Company announced a successor buyback programme on 28 March 2024, with an aggregate purchase price of all shares purchased of no more than £10.0 million, pursuant to which a total of 3,343,474 Ordinary Shares were purchased for treasury for an aggregate amount of £4.2 million. A further buyback programme was then announced on 27 September 2024 for £10.0 million, which was not utilised.

On 31 March 2025, the Company announced that, having reviewed the current circumstances and assessed the Company's level and allocation of cash available for deployment, it intends to undertake a further buyback programme which will run to 30 September 2025. The aggregate purchase price of all shares acquired under the programme will be no greater than £10.0 million and 200,000 Ordinary Shares have been repurchased to date.

The Company's shares closed at 127.5 pence on 20 June 2025 (a discount of approximately 12.4%), which would provide a yield of 7.1% on the basis of continuing to pay a quarterly 3.0 pence dividend per share for the rest of the current financial year.

The merits of RECI's offering and, in particular, the yield at current share price levels, appear to have been overlooked amid the broader volatile market and negative sector background. Your Board continues to believe that RECI provides investors with a highly attractive and sustainable long-term income stream.

Chairman's Statement (continued)

RECI is well positioned to deliver this attractive dividend stream alongside a resilient NAV and provide investors with a substantial and liquid company (with total assets of £391.7 million and market capitalisation of £270.7 million as at 31 March 2025) with the potential for the shares to re-rate and the Company to grow over time.

Board Update

In line with the Board's succession planning and following the appointment of an independent recruitment firm and a comprehensive search process, the Company announced on 8 May 2024 that I had been appointed as an independent non-executive director of the Company. Following Bob Cowdell's decision to step down in November 2024, I was appointed as Chairman. As noted in my interim statement, I thank Bob for leaving behind a stable 'ship' that has weathered the storms in the last few weeks.

I would also like to introduce Mark Thompson who joined us in November 2024 as our latest member of the Board. Mark brings a wealth of knowledge and experience from both his auditing years at KPMG as well as his more recent experience on a number of private and listed investment vehicles.

Environmental, Social and Governance Matters ("ESG")

Your Board continues to recognise and support the growing focus on ESG considerations and the importance of ethical factors, including climate change, when pursuing the Company's investment objective and in the selection of service providers and advisers to the Company.

In her role as "ESG Lead", Colleen McHugh is working closely with Cheyne in developing and implementing RECI's ESG approach.

Page 28 of the Stakeholder Engagement section and pages 30 to 35 of the Sustainability Report provide further information about the Company's and the Manager's approach to ESG matters.

Outlook

While easing inflation will allow central banks to continue reducing interest rates over time, this process is likely to be slower than previously predicted – particularly in the UK, where inflation is still persistent, complicating the Bank of England's policy decisions. Nonetheless, a gradual shift towards a lower interest rate environment, even if it does not reach the ultra-low levels of recent years, should prove supportive for RECI as it continues to provide investors with a highly attractive and sustainable yield. We will need to continue to factor in the potential for further impacts from the US Administration's policies.

In considering all options when deciding on the appropriate allocation of the Company's Available Cash resources, the Board is mindful of when opportunities present themselves to achieve attractive repeatable returns from new investments and thereby enhance the "investment case" for RECI. Encouragingly, Cheyne and its new deal pipeline have ensured that RECI already has and will continue to benefit from the opportunities to lend at attractive returns of over 10% to enhance portfolio returns and dividend cover. Scheduled portfolio repayments over the rest of the year will boost available cash to be deployed into new higher yielding opportunities alongside funding the current and potential future buyback programmes.

The Directors believe that RECI remains soundly positioned to continue to deliver an attractive and stable dividend to investors seeking a reliable long-term income stream from a listed and liquid investment company, with a highly regarded specialist Investment Manager.

Andreas Tautscher
Chairman
24 June 2025

KPIs and Financial Highlights[1]

Key Performance Indicators

	31 Mar 2025	31 Mar 2024
Balance Sheet		
NAV per share	£1.43	£1.45
Share price	£1.22	£1.15
Discount	(14.9)%	(20.7)%
Average discount in year[1]	(15.4)%	(14.7)%
Leverage (% of NAV)[2]	22.3%	7.3%

1 Average discount in year is the average of the difference between the share price and the NAV per share divided by NAV per share.
2 Leverage is the recourse financing divided by the net assets.

	31 Mar 2025	31 Mar 2024
Profit, Loss and Dividends		
Earnings per share	10.2p	9.6p
Dividends per share declared for the year	12.0p	12.0p
Total NAV Return (including dividends) annualised[1]	7.7%	7.0%

1 Assumes re-investment of dividends.

Financial Highlights

	31 Mar 2025 £m	31 Mar 2024 £m
Balance Sheet		
Cash, cash equivalents and cash collateral held at/due to brokers	22.2	22.8
Net assets	318.4	326.4

	31 Mar 2025 £m	31 Mar 2024 £m
Profit and Loss		
Operating income	34.2	31.4
Net profit	22.8	21.9

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

Further Information

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

1 Alternative Performance Measures are described in Glossary on page 101.

Annual Report and Accounts 2025

Business and Strategy Review

In this section

Hotel and Spa in the United Kingdom

BUSINESS AND STRATEGY REVIEW

Strategic Framework and Performance Highlights

Senior real estate lending remains a high conviction theme

Objectives

1 Provide investors with a diversified portfolio of real estate credit investments

2 Deliver a stable quarterly dividend with minimal volatility

3 Exploit opportunities in the real estate credit market

4 Position the Company to grow through opportunities the Investment Manager is delivering

Performance Highlights

Deal Repayments and Interest in Year
£113.6m
(for the year ended 31 March 2025)

Dividends Paid
£26.7m
(for the year ended 31 March 2025)

Investment Portfolio
£369.5m
(as at 31 March 2025)

Residencial development in the United Kingdom

Performance Highlights

Progress in Year Ended 31 March 2025

1

- RECI's investment portfolio is a diversified book of 21 positions in real estate loans and bonds.
- Over the course of the last financial year, RECI funded £139.8 million into existing deals during the year with two new commitment to deals.

2

- Paid out dividends of 3.0 pence per share each quarter, 12.0 pence over the year.
- A total of £26.7 million in dividends returned to our Shareholders.

3

- The investment portfolio stands at £369.5 million as at 31 March 2025 which is spread across 21 positions with a weighted average levered gross yield of 11.4% and an average LTV of 66.0%.
- RECI also received cash repayments and interest of £113.6 million in this year.

4

- RECI continues to migrate towards an all-senior loan book.
- Measures to position the Company to achieve its longer-term aim of growing the Company.
- Protection and maintenance of dividends by improved returns on the loans and re-investment.
- Continue to optimise funding lines.

BUSINESS AND STRATEGY REVIEW

Strategic Report

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

Investment Objective and Investment Policy

The Investment Objective and Investment Policy are set out on page 6, along with a further paragraph "About the Company" explaining in more detail the corporate structure and listing of the Company's shares.

RECI is externally managed by Cheyne, a UK investment manager authorised and regulated by the Financial Conduct Authority ("FCA"). Cheyne is a limited liability partnership registered in England and Wales on 8 August 2006 and is authorised and regulated in the conduct of investment business in the United Kingdom by the FCA. Cheyne is also the AIFM of the Company. Cheyne has offices in London, Berlin, Bermuda, Dubai, Dublin, Madrid, Monaco, Munich, New York, Paris, Sydney and Zurich.

Current and Future Development

A review of the year and outlook is contained in the Investment Manager's Report and also in the Chairman's Statement.

Performance

A review of performance is contained in the Key Performance Indicators ("KPIs") and Financial Highlights section and the Investment Manager's Report.

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

Duties and Responsibilities

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

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

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

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

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

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

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibility Statement. The Board is also responsible for issuing appropriate semi-annual financial reports and other price-sensitive public reports.

Long-term Viability

The Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has chosen a period of three years which reflects the Company's three-year planning horizon. In doing so it notes that the average life of assets in its portfolio is approximately one year and there will be a substantial turnover of its investments in the three-year period.

The Board conducts an annual review, stress testing the Company's cash flows arising from the loan and bond portfolio over a three-year period, including interest received and proceeds from realisations, short-term finance obligations of the Company and dividend cover. Further considerations are the inherent sensitivities within the loan and bond portfolios and their impact on the cash flows.

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

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

In the current environment the Company has also considered the future of its Investment Manager when looking at its own viability, and given the size of the Investment Manager's platform away from the Company and the private capital it manages in numerous other real estate debt funds, of which the combined total is approximately £5 billion Assets Under Management ("AUM"), the Investment Manager is expected to be able to continue to manage the Company for the foreseeable future.

Further consideration has been given with respect to the current market environment, including the ongoing economic impacts of relevant geopolitical and macroeconomic risks: including increased interest rates, tariffs, heightened inflation, supply chain disruption, the continuing impact of conflicts and the effects of climate change and cyber security. The Investment Manager has prepared sensitivity analyses including various stress scenarios. An evaluation continues to be performed for each of the positions in light of these potential impacts on operating models and valuations and hence recovery prospects for certain individual positions.

The output of this analysis was used to (i) report fair value movements, and (ii) update all the cash and income forecasting for the portfolio. The Investment Manager continues to perform a granular analysis of the future liquidity profile of the Company. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs).

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

A continuation vote is due in September 2025 and although the three-year plan takes the Company past this date the Directors have no reason to believe that the continuation vote will not be passed by Shareholders. If any continuation resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval within six months of the date of the vote.

Risk Management

It is the role of the Board of Directors to review and manage all risks associated with the Company, mitigating these either directly or through the delegation of certain responsibilities to the Audit and Risk Committee and Investment Manager. Additionally, the Board seeks to identify emerging risks and responds to them as they evolve.

The Board considers that the following are the principal risks and uncertainties faced and has identified the mitigating actions in place to manage them. There are no additional emerging risks that have been identified.

Long-term Strategic Risk

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

The Board monitors investment strategy and performance on an ongoing basis and regularly reviews the Investment Objective and Investment Policy in light of prevailing investor sentiment to ensure the Company remains attractive to its Shareholders. The Board is committed in promoting the Company with the long-term aim of its share price trading at or around NAV and considers all options to achieve this.

Strategic Report (continued)

This includes consideration, as part of the ongoing cash allocation policy, of implementing share buybacks to enhance NAV per share and potentially reduce any discount to NAV. This may be done when cash resources permit and in the context of prevailing market conditions and the one-time potential NAV uplift of a buyback compared with the potential repeatable long-term benefit of investments in attractive high yielding opportunities to enhance RECI's returns.

The Company has the authority to make market purchases of fully paid shares of up to 14.99% of the shares in issue, and renewal of this authority will be sought from Shareholders at the AGM in September 2025 and at each subsequent AGM, or earlier at an Extraordinary General Meeting if the Directors consider it appropriate.

As at 31 March 2025 a total of 7.4 million shares have been purchased for treasury for an aggregate amount of £9.2 million. A further buyback programme was then announced on 31 March 2025 for £10.0 million, of which £0.2 million has been utilised by 31 May 2025.

Target Portfolio Returns and Dividend Risk

The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns. In addition, the pace of investment may be slower than expected, or principal may be repaid earlier than anticipated, causing the return on affected investments to be less than expected. In addition, if repayments are not promptly re-invested this may result in cash drag which may lower portfolio returns. However, as the Company is able to invest in both bonds and loans, the Investment Manager has the ability to adjust the asset mix towards bonds.

As a result, the level of dividends and other distributions to be paid by the Company may fluctuate and there is no guarantee that any such distributions will be paid.

There may be economic circumstances and wider market considerations that arise, that mean the Investment Manager and Board deem it appropriate to maintain higher levels of cash reserves.

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

Valuation Risk

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

The Company categorises its financial assets and liabilities in accordance with IFRS 9 and establishes fair value utilising the methodology in accordance with IFRS 13, as set out in Note 14(d) to the financial statements. Further information on valuation is detailed in the Audit and Risk Committee Report on page 55 and Note 2 to the financial statements.

Credit Risk

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

Market Bond Portfolio – The Company is subject to the risk that issuers of asset-backed securities in which it invests may default on their obligations and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of an instrument in which the Company invests will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Company will not sustain a loss on the transaction as a result.

The Company seeks to mitigate this risk by monitoring its portfolio of investments and reviewing the underlying credit quality of its counterparties on a monthly basis. In addition to the underlying credit quality of borrowers, the weighted average life of the market bonds as at 31 March 2025 is two years, which is an additional mitigant regarding any loss in value due to changes in borrowers' circumstances over the long term.

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

Market Risk

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

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

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

Foreign Currency Risk

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

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

Interest Rate Risk

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

The Company invests in both direct real estate loans and floating rate real estate debt securities, which include CMBS.

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

In addition to the underlying credit quality of borrowers, the weighted average life of the loans as at 31 March 2025 is one year, which is an additional mitigant regarding any losses in value due to changes in borrowers' circumstances over the long term.

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities on a timely basis. The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures detailed in Note 14(c) to the financial statements. Where needed, the Investment Manager will seek to liquidate positions to increase cash or reduce leverage.

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

Strategic Report (continued)

Furthermore, where the Company acquires investments for which there is no readily available market, the Company's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such investment is exposed may be limited.

For further information on risks, please refer to Note 14 to the financial statements.

Other Risk Factors

The Board gives consideration to and, together with Cheyne, monitors other relevant risks, in addition to the ones highlighted above; this includes a consideration of any relevant Emerging Risks as they evolve. The Board and Cheyne regularly measure and evaluate the performance of the providers. These currently include: geopolitical and macroeconomic risks sustained higher interest rates and stubborn inflation pressure, supply chain disruption, the continuing impact of conflicts around the world; and the effects of climate change and cyber security. Given the short weighted average life of the assets, and the continual replacement of assets in the portfolio from the wider Investment Manager's pipeline, such macro risks are worked through in the life of the assets. Any issues that might potentially impact the value of the investments, including impacts to supply chains, are taken into account in the fair value. An evaluation of each of the Company's positions in light of these risks is continually monitored. The performance of service providers is a relevant risk, as the Company is dependent on the performance of the service providers.

Hotel and Spa in the United Kingdom

BUSINESS AND STRATEGY REVIEW

Investment Manager's Report

Supporting the Company's key objectives through a challenging period

Ravi Stickney
Portfolio Manager

Managing Partner and CIO,
Cheyne Real Estate

Positioning to grow into the accelerating demand for European real estate credit

I would like to start the commentary on the past year by acknowledging the immense contribution of both the Company's retiring Chairman, Bob Cowdell, and Board member, John Hallam.

Bob has worked tirelessly with Cheyne, as manager, and the Company's advisors through the many challenges in the last 10 years. Firstly, in working to set forward a path to growth, and then, in navigating the very difficult periods of Brexit, the COVID Pandemic and also the turbulence of 2022. Each of those periods required deft skills in navigating the risks to the Company whilst continual communication with its investors. Bob leaves RECI on a sound footing , ready to face the challenges ahead.

I am happy to also welcome Mark Thompson and the new Chairman, Andreas Tautscher. The team at Cheyne Real Estate look forward to working with RECI's Board in furtherance of our service to investors.

Macroeconomic backdrop and implications for real assets

Tariffs, growth, taxes, policy chaos, inflation (or disinflation) and uncertainty. All of these factors have been magnified since the election of a new US president in January 2025.

As investment managers seeking the most defensive and highest return investments for our investors, we do need to frame the continued changes in so many variables and their implications over the short and longer terms.

To unpick the recent changes since January this year, the following are clear to us:

1. Tariffs imposed by the Trump administration are highly inflationary on the US consumer and are an impediment to growth in the US (mainly)
2. More importantly, the chaotic and ill-conceived policies of this US administration may well have very long-term implications for global capital allocation and the movement of the global skilled workforce
3. Europe, and the rest of the free world, are responding rapidly in various ways to counter the effect of these policies on their economics and security
4. The implications of all of these on the US are not the same for the rest of the world

We see the following as just some of the factors that are relevant for European real estate:

1. US tariffs are expected to be disinflationary on input prices to European real estate (both for construction and operations). This is due to the redirection of supply away from the US markets to the rest of the world
2. Whilst the US is seeing rising inflation expectations, the Eurozone, in particular, is experiencing the reverse. Consequently, the rate cut expectations are pronounced in the Eurozone, with expectations of benchmark rates falling below 2.0% by end of 2026
3. The change in the flow of the global skilled workforce is perhaps anecdotally captured by the following headlines: (a) US applications for UK citizenship have hit a record high with a 12% increase from the previous quarter (FT 23 May 2025) and (b) the UK is now the largest destination of choice for US students and also all international students, with a significant drop in demand for US universities (Economist 28 April 2025). These factors are highly supportive of the demand base for Living assets and, especially, student housing and higher education infrastructure assets
4. The Eurozone and the UK present policy stability and a sharp focus on productivity and growth. The Draghi report on the future of European competitiveness and policy changes across the UK and Eurozone point to a focus on growth, productivity, reduction in unnecessary regulatory burden and economic security
5. The beginning of a reset in UK and European relations
6. Germany's recent fiscal stimulus package focused on boosting investment, infrastructure and energy transition

In the short term, we do expect the heightened uncertainty unleashed by the US administration to be negative for real asset investment sentiment and demand.

However, in the longer term, we see the above factors as being very supportive for key UK and Eurozone real assets.

We also note the beginnings of incremental inward investment shifts towards the rest of the world and away from the US. This includes investor appetite for key real assets.

The significant need for debt capital

The long-term shift in policy focus to growth and productivity necessitates a rapid investment in key real assets from housing, industrial, offices and also infrastructure (energy, digital, transport and social). The funding markets for real assets in Europe and the UK remain lagging vs the large, dynamic capital markets of the US.

As an example, US focused real estate credit funds raised over $164 billion in the five years ending 2023 Private Equity Real Estate (PERE), and of the largest 10 global real estate debt managers, only one is domiciled in Europe (PDI Real Estate Debt ranking).

All of this points to the growing need for debt capital markets to support the creation (and retention) of these much needed assets.

The debt capital markets for real assets in Europe are deeply underserved due to (a) the continued restrictions on banks from regulatory capital charges and (b) the very high barriers to entry, into a highly specialised asset class, for nascent and non-local managers.

Cheyne Real Estate has continually increased its presence in the European real estate debt markets since inception in 2008. The supportive macro backdrop and growing need have seen RECI's manager (Cheyne Real Estate) grow its team, geographic footprint and business size significantly.

It is our intent that RECI grows to scale into providing for this immense long-term need.

RECI – Review of the prior year

RECI has navigated another challenging year by its continued focus on:

- NAV preservation
- Income stability and income growth
- Dividend stability
- Growth

NAV preservation: Benefiting from the move to senior loans

RECI's move towards a focus on senior loans (accelerated post the 2020 pandemic period), continues to give it the ability to mitigate risks arising from macro or sponsor challenges. Senior loans give RECI the absolute security, governance, control and covenants necessary to work with sponsors to navigate their challenged valuations. This has been in sharp focus during the difficult post pandemic and 2022 period. It will also continue to provide support in this period of tariffs and heightened uncertainty.

Challenged Sectors – Offices & Retail

The RECI senior loan book is resilient across its 17 deals. There have been no additions to the challenged loan investments from the prior year. The challenged sector, for RECI, remains its two offices in France that have seen a slow take up post the pandemic. These French office senior loans make up 10.8% of RECI's NAV, post fair value losses, which have increased since 2024. Both senior loans' collateral are

Investment Manager's Report (continued)

located in Paris. Both are to sponsors who have successfully delivered prime "Grade A", ESG excellent offices. Both assets are, however, in secondary locations outside the core central business district. Of the two, one asset is located in the weaker eastern district (2.8% of NAV), whilst the other (larger) asset is in the stronger north west district (8.1% of NAV).

The sponsor in the former asset has defaulted on its loan and RECI has reduced the fair value of the loan to reflect the ultimate recovery value that has been assessed by its valuers. The loan is carried today at 81% of its par balance. The latter asset continues to be supported by its private equity sponsor, with further equity injections during the year and an improving leasing landscape. RECI benefits from the continued work of Cheyne Real Estate's large French team in working towards a recovery on both assets.

RECI's exposure to retail rests in a single mixed-use asset, which is currently carried at a valuation that is 38% of its par balance and represents 0.9% of the Company's NAV.

Repayments and reinvestment

Other than the challenged assets above, we continue to see timely repayments on RECI's loan book. This year has seen the repayment of seven deals, with gross proceeds of £113.6 million.

Yields available on new senior loans far exceed those created prior to late 2022 (due to higher margins and base rates), RECI has progressed on its path to a higher net income (and hence dividend profile) via reinvestment into two floating rate senior loans:

1. A senior loan with LTV of 65% secured by a core London hotel portfolio
2. A senior loan with LTV of 48% secured by a core hotel in the French Alps

RECI's cost of leverage has declined during the year and has been reflected in the cost of leverage secured on both these investments. The running yield on these levered senior loans is in excess of 12% today.

Over the last five years, since 2020, RECI's loan book has decreased substantially. This is due to the constraints on available cash (with justifiable competing cash needs for share buybacks and, in volatile times, cash retention as a defensive measure).

A less granular loan book does lead to increased NAV volatility as any fair value adjustment to the remaining positions leads to an outsized variation on NAV. A less granular book also impairs operational efficiency (for example in cash flow optimisation).

Dividend

Maintaining, and improving upon, the net income of RECI is key to supporting (and potentially adding to) the dividend payments to investors. Dividend cover from total returns for the year amount to 0.81x. The path to full dividend cover remains (in absence of further capital formation), the recycling of loan repayments into new investments at higher returns and a marginally lower cost of financing.

Cheyne Team

The Cheyne Real Estate team today stands at 36 investment professionals, supported by a captive loan servicing and asset management team of a further 29 professionals. The 65-strong team operates out of localised offices in London, Paris, Madrid and Berlin, providing for a dedicated long-term origination and management platform present throughout Europe.

The Year Ahead

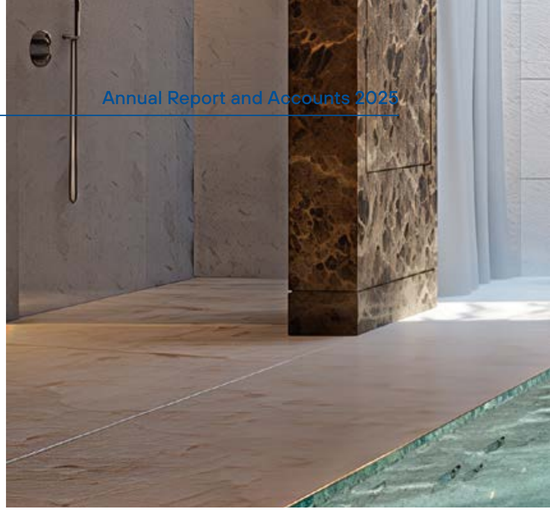
The prior year has seen RECI stabilise on its NAV movements and also on its path to income growth. Whilst our work towards those objectives has been satisfactory, the key objective of growth has not been met.

In our view, the growth of RECI remains a key aim for Cheyne for following reasons:

- RECI should be fully capable of participating in the fast growing, compelling market for senior lending in Europe
- New loans provide higher risk adjusted returns, driving higher income without increased risk
- A larger book promotes efficiency in funding and cash flow management, thus improving further on long-term stable net income
- A larger, more diverse book presents lower NAV volatility from any single impaired position
- A larger RECI should provide for increased liquidity and investability for investors

We remain committed to the management of RECI and to working with its investors and Board and we look forward to working on our objectives for the Company, including the delivery on the growth of the Company.

Student accommodation in the United Kingdom



BUSINESS AND STRATEGY REVIEW

Stakeholder Engagement

The Board is committed to promoting the long-term success of the Company whilst conducting business in a fair, ethical and transparent manner.

Whilst directly applicable only to companies incorporated in the UK, the Board recognises the intention of the AIC Code that matters set out in section 172 of the Companies Act 2006 are reported on. The Board strives to understand the views of the Company's key stakeholders and to take these into consideration as part of its discussions and decision-making process. As an investment company, the Company does not have any employees and conducts its core activities through third-party service providers.

Each provider has an established track record and through regulatory oversight is required to have in place suitable policies and procedures to ensure they maintain high standards of business conduct, treat their own stakeholders fairly, and employ corporate governance best practice. The Company strongly believes that fostering healthy and constructive relationships with its broad range of stakeholders should result in increased Shareholder value over the long term.

Co-living development in the United Kingdom

Assisted living residence in the United Kingdom

Investors

Why they are important

The Board believes that the maintenance of good relations with Shareholders is important for the long-term prospects of the Company and seeks engagement with investors.

How the Board engages

The Directors and Cheyne are committed to providing detail and transparency regarding the Company's portfolio and investment strategy, allowing all investors to focus upon RECI and its merits and opportunities, notwithstanding the broader market environment. The Chairman and other Directors are available for discussion about governance and strategy with major Shareholders and the Chairman ensures communication of Shareholders' views to the Board. The Board also receives feedback on the views of Shareholders from Panmure Liberum Limited (the "Corporate Broker") and the Investment Manager, and Shareholders are welcome to contact the Chairman or any Director at any time via the Company Secretary.

Key activities during the year

AGM

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

Publications

The Company reports to Shareholders with both monthly fact sheets and quarterly update presentations, along with the Annual and interim reports.

These are available on the Company's website: realestatecreditinvestments.com

In accordance with the EU Packaged Retail and Insurance-based Investment Products Directive on 1 January 2018, a Key Information Document is available on the Company's website.

Events

Throughout the last financial year, the Investment Manager continued to provide a detailed and comprehensive review of RECI's portfolio as part of our programme of enhanced investor communication. A number of online events and meetings were held to maintain a regular dialogue with our Shareholders and potential new investors. In addition, the Board continues to work with its service providers to enhance the Company's website and fact sheet.

Stakeholder Engagement (continued)

Community and Environment

Why they are important

In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly. The Directors recognise the importance of environmental, social and governance factors, including climate change, when pursuing the Company's Investment Objective and in the selection of the service providers and advisers the Company works with. The Board is alive to the magnitude of the evolving ESG landscape. It has determined that ESG considerations, and their communication, must be fundamental to all its operations and has consequently nominated an ESG lead to co-ordinate and drive internal discussion. The Board, in conjunction with the Investment Manager, continues to closely monitor upcoming regulation and any developments in this area.

How the Board engages

The Board's ESG Lead, Colleen McHugh works closely with Cheyne in monitoring RECI's approach towards developing and implementing ESG. Pages 30 to 35 of the Sustainability Report provide further information about the Company's and the Investment Manager's approach to ESG matters.

Key activities during the year

The Investment Manager engages on an ongoing basis with an external Real Estate ESG specialist consultant to assist with developing its framework and provide assurance on a comprehensive scorecard-based approach using a borrower questionnaire and ESG data templates for each deal. The questions in Cheyne's borrower questionnaire have been grouped and weighted to enable a proprietary 0-5 scoring against the following Target Characteristics:

- E1 Commitment to Environmental Risk Monitoring
- E2 Contribution to Positive Environmental Action
- S1 Supporting Social Wellbeing

Qualifying Investments must achieve a score of 3 or higher on at least one of the Target Characteristics.

The ultimate aim is to align the Investment Manager's principles with industry recognised benchmark standards to identify a minimum ESG standard needed across RECI's portfolio. The move to a more qualitative system has significantly helped the Investment Manager identify and understand ESG-based risks in its portfolio more easily, and not only assist with lowering risk and increasing quality, but also helped collate and measure the data required to track progress in what is a fast-moving but increasingly important area of focus. The Investment Manager has now fully embedded the ESG framework within its investment process, which includes regular training for the Real Estate team and wider Cheyne employees.

The Investment Manager has also appointed a leading Real Estate asset-level focused sustainability consultant to develop its Decarbonisation Strategy. Every proposed transaction across RECI's portfolio is now subject to a Carbon Risk Real Estate Monitor ("CRREM") alignment assessment. An asset is considered CRREM-aligned if its current or projected operational carbon and energy use intensity are in line with the targets set by CRREM for a particular building type, location and time horizon. These targets are based on global climate goals to limit warming to 1.5°C or 2°C, and becoming CRREM-aligned means the asset avoids 'stranding' by maintaining acceptable levels of carbon intensity as regulations and market expectations tighten over time.

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

To further reduce its carbon footprint, Shareholder communications are electronic only for Shareholders on the share register. Accordingly, the Company's website is now the default method of communication for Shareholder publications. Currently approximately 72% of the Company's Shareholder register receive documents and other communications electronically.

Service Providers

Why they are important

Effective relationships with service providers help the Company achieve its objectives, including its investment objectives, and to operate in an efficient and compliant manner.

Commercial service providers: Investment Manager, Administration agent, Corporate broker, Legal advisers, Auditor and Key service providers are retained, providing continuity of service and familiarity with the objectives of the Company.

The Audit and Risk Committee receives information from the Company's service providers with the majority of information being directly sourced from the Company Secretary, Administrator, the Investment Manager and the external auditor.

How the Board engages

The Management Engagement Committee meets at least once a year for the purpose of evaluating the performance of the Company's service providers, the review of service agreements and service level statements and the level and method of their remuneration. The Audit and Risk Committee considers the nature, scope and results of the auditor's work and reviews its performance annually prior to providing a recommendation to the Board on the reappointment or removal of the auditor.

Key activities during the year

The Board has detailed and constructive discussions with major service providers regarding service provision and fees. Details of the responsibilities of the Investment Manager, Investment Advisor, MUFG Corporate Markets (Guernsey) Limited (Registrar), and Aztec Financial Services (Guernsey) Limited (Company Secretary) can be found on page 100. Other service providers include our corporate broker, lenders, auditors, counsel and other advisors.

BUSINESS AND STRATEGY REVIEW

Sustainability Report

RECI's Approach to Sustainability

RECI aims to operate in a responsible and sustainable manner over the long term. The Company prioritises continuous enhancement of ESG credentials across the portfolio, and its success is aligned with the delivery of positive outcomes for all its stakeholders, not least the communities in which the buildings that it finances, live, work and enjoy.

The Company's main activities are carried out by Cheyne, the Investment Manager, and as such the Company adopts the Investment Manager's policy and approach to sustainability and integrating ESG principles.

The Investment Manager was one of the initial signatories to the Standards Board for Alternative Investments (formerly known as the Hedge Fund Standards Board) and is a signatory to the United Nations-supported Principles for Responsible Investment ("UN PRI").

Several standards and codes have received prominence as metrics for investment managers. These include, for example, the UN PRI, the Task Force on Climate-related Financial Disclosures ("TCFD"), the Financial Reporting Council's Stewardship Code, and the FCA's Sustainability Disclosure Requirements ("SDR"). As of 15 December 2023, the Financial Stability Board ("FSB") requested the IFRS take over from, and be responsible for, the monitoring of climate-related disclosures from the TCFD.

The UK government has started the process of how to endorse the IFRS Sustainability Disclosure Standards for use in the UK. This reporting framework will be known as the UK Sustainability Reporting Standards and is not expected to be effective until January 2026 at the earliest.

The Investment Manager's Stewardship Committee provides firmwide oversight over its processes, seeking to ensure compliance with existing Responsible Investment and ESG policies and procedures, and creates a direct communication channel for all ideas and concerns around ESG. In addition, the ESG Implementation Forum acts as a conduit for the streamlining of various initiatives across investment lines and ensures that it continuously improves its ESG standards.

Cheyne's Partnership with Evora Global

EVORA

ESG considerations have formed a key part of Cheyne's approach to investments in real estate for many years. In February 2022, Cheyne partnered with Evora, widely recognised as one of the leading sustainability consultancy specialists to the real estate industry, to formalise its approach to the incorporation of sustainability considerations into the investment process.

The ongoing partnership with a leading external specialist is expected to enable Cheyne to remain at the forefront of the rapidly evolving ESG agenda and provide an independent checkpoint to challenge their ESG investment process and ensure robustness.

Cheyne's Partnership with Carbon.Climate.Certified

This new partnership, established in September 2024, represents the evolution of Cheyne's approach to ESG as it relates to their real estate portfolios.

Cheyne has appointed Carbon.Climate.Certified ("CCC") to prepare a CRREM alignment assessment for every proposed transaction. A CRREM aligned asset has an emissions and energy intensity profile aligned with the Paris climate goals of limiting global temperature rise to 2° C, with ambition towards 1.5° C. For standing assets, this is the current profile, for development assets, the projected profile to have once operational.

CCC will work to establish the scope for the net zero pathway, determine targets, deliverable requirements and create an action plan for net zero alignment and staged gateway reporting. Cheyne will evaluate the assessment, together with the borrower, to consider viability of achieving CRREM alignment. While not all our investments will be CRREM aligned, we require all our borrowers to commit to the CRREM alignment assessment process.

Cheyne Real Estate Core ESG Principles

VALUE ENHANCING | **RISK REDUCING** | **ACTIVELY ENGAGED**

Cheyne believes that an overarching focus on ESG considerations is entirely aligned with our investment goals.

- Sustainability credentials directly support real estate valuations
- Sustainable, energy efficient buildings are more valuable to asset owners by:
  - Supporting higher rents, lower vacancies and lower operating costs
  - Supporting exit valuations.

ESG considerations in our investments are not merely a passive analysis but rather the opportunity to effect positive change.

- Cheyne is a key stakeholder in our investments, frequently the sole lender to a real estate asset
- This provides the ability to directly engage with all new sponsors to help drive the ESG agenda directly and seek to address any deficiencies and opportunities to improve sustainability credentials of the asset
- This is particularly relevant in development, value add and transitional financing, which represents a core focus for Cheyne.

Incorporating Sustainability into the Investment Process

Due Diligence

RECI is primarily invested in real estate loans and other real estate-based debt investments. Key factors taken into consideration, where appropriate and possible, are best-in-class environmental, design and construction standards, a focus on Building Research Establishment Environmental Assessment Method ("BREEAM") ratings, governance rights and engagement with sponsors. Sustainability risks are considered during the Investment Manager's initial due diligence in respect of an investment opportunity, including as part of the external valuations of the real estate being financed (such valuations typically consider any environmental and/or social risks) and early engagement with potential borrowers or issuers through a data gathering exercise.

The Investment Manager's analysts also compile reports using data gathered from their own due diligence and external reports, environmental performance indicators (including BREEAM ratings and Energy Performance Certificates) and investigations (including through the use of forensic accountants and other third-party consultants). This information is included in the investment committee memorandum, which is considered by the Investment Manager's investment committee prior to an investment being made.

Decision-Making Process

Sustainability risks are considered as part of the investment decision-making process for RECI. In particular, the following sustainability risks are typically considered, both in respect of the real estate being financed and/or the relevant borrower or issuer:

- **Environmental:** power generation (including its sustainability), construction standards, water capture, energy efficiency, land use and ecology and pollution.
- **Social:** affordable housing provisions, community interaction and health and safety conditions.
- **Governance:** management experience and knowledge and anti-money laundering, corruption, and bribery practice.

Documentation

The Investment Manager seeks to ensure that borrowers are formally required to adhere to its ESG processes, as well as applicable ESG laws and regulations, as a condition to lending. ESG considerations are therefore an integral part of RECI's loan documentation. All borrowers are expected to comprehensively complete ESG data requests in a timely manner, including the ESG questionnaire and carbon emissions data and/or energy use data. In addition, the Investment Manager expects its borrowers to commit to a CRREM alignment evaluation, and engage in a discussion on viability of achieving CRREM alignment.

Sustainability Report (continued)

Ongoing Management

Sustainability risks also form part of the ongoing monitoring of RECI's investments, with regular reports and ongoing engagement from borrowers and issuers incorporating information related to sustainability risks provided to the Investment Manager. Where appropriate, the investment team will assist borrowers and issuers in addressing ESG-related issues and support its borrowers' and issuers' efforts to report externally and internally on their ESG approach and performance in relation to material sustainability risks.

Exit

ESG considerations are already having an impact on underlying real estate values and whilst clear data-driven evidence is in its infancy, the Investment Manager is acutely aware that during the life of the loans that RECI is writing, this will become much clearer. As such this is an important consideration regarding risk analysis now; hence the approach above is an integral tool when calculating, managing and measuring risk.

Business as Usual

Cheyne has taken a staged approach in developing its ESG strategy, with its philosophy drawing on the following four drivers:

- The Greater Good
- Value Enhancement/Risk Management
- Regulation
- Investor Expectations

Cheyne has worked with Evora to prepare customised ESG questionnaires for each of the real estate asset types the Cheyne real estate lending funds finance: standing, refurbishment and development assets, together with a borrower questionnaire. An ESG data template has also been prepared (one template for all asset types).

The questionnaires seek to quantify each investment's performance against key ESG criteria, utilising a consistent approach to enable aggregation across the assets within the relevant Cheyne fund. The score is set at a stringent enough level to effect a conversation about enhancing the ESG characteristics if they are not up to Cheyne's standards.

The questionnaires are used by Cheyne's analysts to undertake a broad-based ESG evaluation of a proposed investment – focusing on both the sponsor and the asset itself.

Standards and Guidance

A range of external guidance and best practice standards have been used to inform the development of the ESG questionnaires, including:

- Global Real Estate Sustainability Benchmark ("GRESB")
- Building Research Establishment Environmental Assessment Method ("BREEAM")
- EU Taxonomy
- Sustainable Finance Disclosure Regulations ("SFDR")
- Minimum Energy Efficiency Standards ("MEES")

Outlook and Focus Areas 2025 and Beyond

The Company knows that its Shareholders, including the Directors of the Company, see attention to ESG factors as critical in its assessment of Cheyne as the Investment Manager. The Company expects ESG to remain a dominant theme within the financial services industry going forward; the course being taken by regulators suggests that its importance will only increase in years to come; the research process and the investment judgements the Company makes will continue to reflect that and to evolve as necessary.

The continuing evolution is demonstrated through the Investment Manager in completing and implementing its ESG framework which now forms the basis of an evaluation tool to influence investment decisions from an ESG perspective for new projects. The addition of a leading ESG asset level consultant to capture more defined asset level metrics and formulate a Decarbonisation Strategy, represents the next phase of the Investment Manager's ESG evolution. This commitment reflects the Investment Manager's dedication to environmental stewardship, sustainability, and the wellbeing of the communities it serves. As part of its involvement with this project, the Investment Manager will assess the alignment of its investments with the CRREM framework, to secure its assets and reduce the risk of stranding.

The Investment Manager firmly believes that adopting this approach will:

- Enhance the quality of the portfolio and help to protect value;
- Stay ahead of investor demand to invest in sponsors that have a plausible and demonstrable ESG strategy;
- Use capital to drive/accelerate change in the Real Estate arena in regard to ESG; and
- Provide a measurable approach to understanding the ESG dynamics of our portfolio.

These efforts are being fully incorporated into the investment process and allow the Investment Manager to influence borrowers and to improve the ESG standards of projects which they fund.

Looking ahead, one of the main focuses will be on evolving regulatory requirements. This year the Investment Manager will produce its second FCA TCFD entity report. Cheyne will also be producing a publicly available FCA TCFD product level report for RECI, due to its role as Investment Manager.

In addition, the Investment Manager is monitoring the potential forthcoming changes to the SFDR. The European Supervisory Authorities ("ESAs") have published a joint opinion on this matter, which suggest turning the SFDR into either a product categorisation regime and/or a framework that uses sustainability indicators to grade sustainability products. The European Commission will take the ESAs' joint opinion into consideration as part of its review into SFDR, but it is under no obligation to make the changes recommended. There is no firm date for the European Commission's revision of the SFDR, but proposals are expected during 2025.

Further details on Cheyne's ESG policy can be found on its website: cheynecapital.com/esg-responsible-investment/

Hotel in Finland

Responsible Investment Highlights 2025

(Unchanged from 2024)

Investment example 1

Taxi House – Co-Living Scheme (United Kingdom)

Co-living residence in the United Kingdom

ENVIRONMENTAL

- The co-living development will be a car-free development, and residents will be encouraged to use sustainable modes of transport and the scheme will have dedicated cycle parking
- The Sponsor is dedicated to deliver as BREEAM Outstanding utilising a range of green and sustainable technologies and measures
- The Sponsor will also ensure 100% of electricity and gas supplies are from renewable energy sources
- The Sponsor will strive to achieve a recycling rate of 90% and zero waste to landfill.

SOCIAL

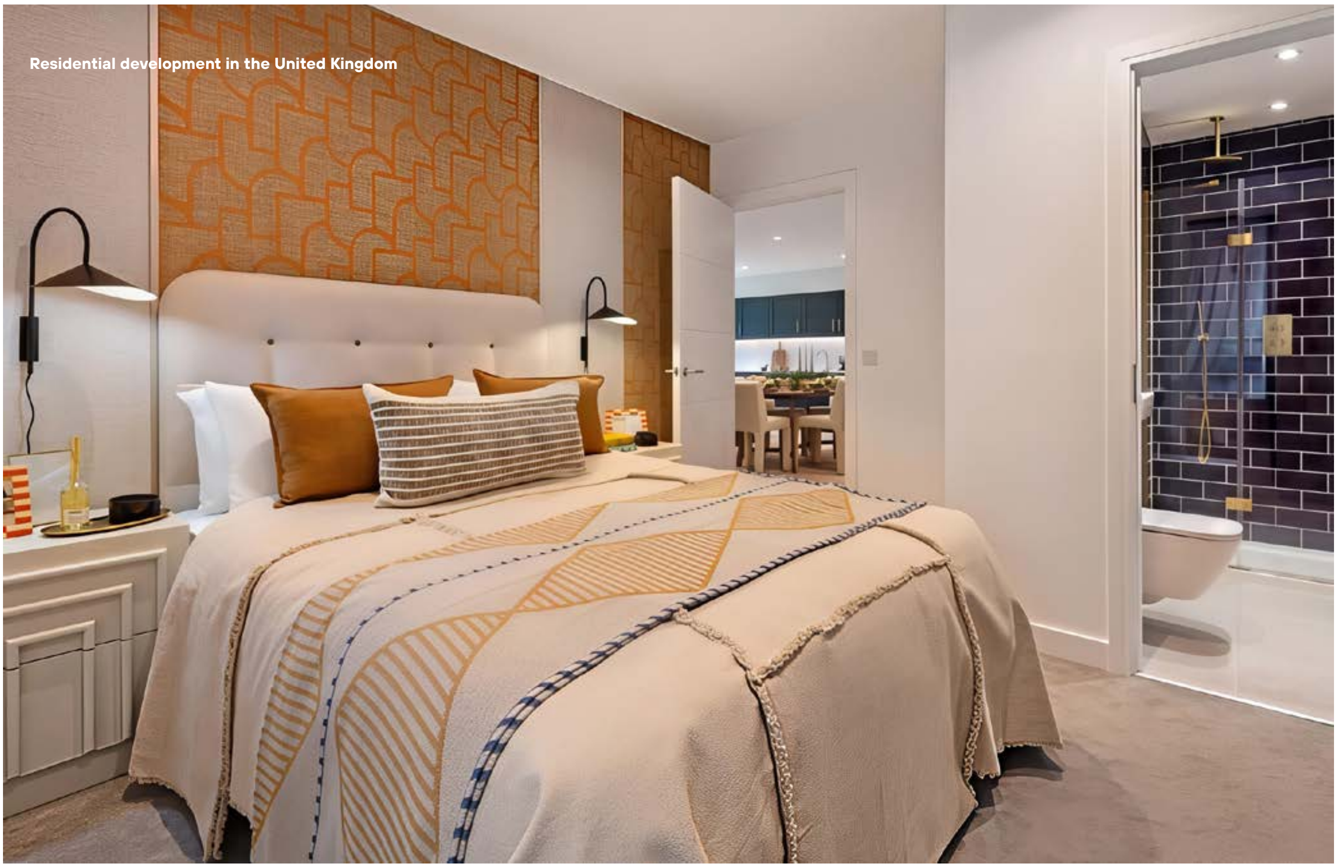
- The Sponsor will aim to provide rental levels for studio apartments which are 10% lower than the comparable rents in the area
- The scheme will be devoted to tackling the issue of loneliness and isolation through communal spaces and on-site events
- The co-living concept provides high-quality community-focused accommodation. Ample amenity spaces are dedicated for the residents to socialise and form a community
- The scheme will provide local employment opportunities through apprenticeships and training at the site.

GOVERNANCE

- Cheyne has a firm grasp over the governance of the structure and continues to oversee management initiatives
- Cheyne will retain control rights through its JV participation and will therefore ensure the Sponsorship upholds the highest quality of due diligence and governance in its investments

Investment example 2

Fulton Road – Residential Development (United Kingdom)


Residential development in the United Kingdom

ENVIRONMENTAL

- Air source heat pump technology will provide heating and hot water
- 50% carbon reduction, 41 photovoltaic panels, 2,037 square metres of new public planning, 51 new trees and 2,500 square metres of biodiverse green roofs
- Biodiversity net gain and BREEAM Excellent rating.

SOCIAL

- The project has helped create up to 925 construction jobs and 205 permanent jobs
- Regal will establish on-site training and construction academies at its developments to support and give back to local communities in an exclusive relationship with Building Heroes
- Two new pedestrian raised table crossings and a new bus shelter
- New cycle connections and four new public spaces including 3,192 square metres of new play spaces.

GOVERNANCE

- Regal are a strongly governed business with environmental, anti-slavery and human trafficking, modern slavery and health and safety policies in place and followed
- They are in the process of creating their Diversity and Inclusion policy.

Governance

In this section


ZENITH

GOVERNANCE

Board of Directors

Andreas Tautscher

(Chairman from 1 November 2024)
(Guernsey Resident).

Mr Tautscher is an experienced Financial Services former executive who now focuses on acting as an Independent Director on Listed and Private Funds as well as other regulated businesses. He is currently a Director and Chairman of Audit Committee for two AIM Listed Boards, a LSE listed Aircraft Leasing platform as well as a local Bank and Asset Manager. From 1994 until 2018, Andreas was a senior executive at Deutsche Bank and was most recently CEO Channel Islands and Head of Financial Intermediaries for EMEA and LATAM. He also sat on the UK Regional Governance Board of Deutsche and the EMEA Wealth Management Exco. He has also served on Local Government advisory committees and was for six years a non-executive director on the Virgin Group Board. Andreas' first career was in the Oil Industry as a Geologist before moving to PricewaterhouseCooper CI LLP where he qualified as a Chartered Accountant in 1994. He has been a member of the Board since May 2024.

Susie Farnon

(Chair of the Audit and Risk Committee, Chair of the Nomination Committee from 1 November 2024 and Senior Independent Director from 12 June 2024)
(Guernsey resident).

Mrs Farnon is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1983. She is a former Banking and Finance partner of KPMG Channel Islands from 1990 until 2001 and head of the Channel Island Audit Practice from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of the States of Guernsey Audit Commission and as vice-chairman of the Guernsey Financial Services Commission. Susie is a non-executive director of two investment companies listed on the London Stock Exchange and was a board member of the Association of Investment Companies from 2018 until January 2025.

Colleen McHugh

(Chair of the Management Engagement Committee, Chair of the Remuneration Committee from 1 November 2024 and ESG Lead)
(Guernsey resident).

Mrs McHugh is an experienced investment professional with over 25 years in the financial services industry, including roles in investment management and private banking. She has worked with publicly listed banks such as HSBC, Barclays, and Butterfield Bank, primarily within international financial centres. Her career includes senior investment roles, most recently as Chief Investment Officer at Wealthify, a UK-regulated digital adviser within the Aviva PLC group, and previously as Managing Director of 1818 Venture Capital, a Guernsey-based licensed asset manager. In addition to her executive experience, Colleen serves as a non-executive director on the boards of listed and private investment funds, as well as a Guernsey-licensed commercial and captive insurance company. Colleen is a Chartered Wealth Manager and a Fellow of the Chartered Institute for Securities & Investment (CISI). She holds an Economics degree from the University of Ireland, Galway, and an MBA from the University of London. She has also recently completed the ESG Investing Certificate from the CFA Institute. She has been a member of the Board since March 2021.

Mark Thompson

(Independent Director)
(Guernsey resident).

Mr Thompson is a Guernsey resident with over 30 years' experience in the offshore finance industry. He is a Chartered Accountant (ICAEW), Chartered Director (IoD) and a former chairman of the Guernsey Branch of the Institute of Directors. Mark is a non-executive director of Rocq Capital Holdings Limited and was formerly the chairman of the London listed investment company Trian Investors 1 Ltd. Mark worked for KPMG for 31 years in London, Hong Kong and Guernsey where his roles included audit partner, head of audit and senior partner of KPMG in the Channel Islands.

GOVERNANCE

Management Team

Ravi Stickney

Head of Cheyne Real Estate/Portfolio Manager

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

Andrew Sergeant

Head of Operations, Real Estate

Andrew has 16 years' experience with Cheyne, having joined in 2007. He is responsible for the daily operations of the Real Estate business including cash management, securitisations, loan drawdowns, hedging, tax compliance and corporate governance. Andrew is an approved director in Jersey under the JFSC and holds several UK directorships. Prior to Cheyne, Andrew held trading support positions at Deutsche Bank, JP Morgan, and Citibank. Andrew earned a First Class BA from the University of Leicester in 2003 and holds the CFA Certificate in Investment Management (IMC).

Kirran Sky

Deputy Portfolio Manager, Real Estate

Kirran joined Cheyne in 2022 from a subsidiary of Oaktree Capital where he worked with the flagship Opportunities Funds since 2016 in Portfolio Management, Origination/UW, and modelling/systems development. Prior to this he worked for Apollo Global Management's European Principal Finance funds in Portfolio Management, and Nationwide Building Society's Management Development Programme in Non-Performing Loans, and Commercial Credit Risk. Kirran has a BSc in Mathematics from Loughborough University.

Ashley Martinelli

Portfolio Associate

Ashley joined Cheyne in 2024 as Portfolio Associate with the Real Estate Team in the London office. Ashley comes from JP Morgan Chase where she was Audit Senior Associate. Previously, she completed the Audit graduate program at PwC Ireland in the Asset and Wealth Management division. Ashley is a Chartered Accountant and a CFA charter holder. She has earned a BSc in Business and Economics at the University of Bologna and an MSc in Finance at UCD's Michael Smurfit Graduate Business School.

Arron Taggart
Head of UK

Arron has over 25 years' experience in the real estate markets. He joined Cheyne in August 2012 to originate real estate loans in the UK and Northern Europe. Prior to Cheyne, Arron was a Property Specialist and Partner at Clydesdale Bank responsible for the origination and execution of real estate loans in London and the South of England. He was also responsible for the management of the loan portfolio and setting regional strategy. Prior to Clydesdale Bank, he was at Bank of Scotland and Hitachi Capital.

Raphael Smadja
French Origination

Raphael joined Cheyne in January 2014 and has 20 years' experience. Prior to Cheyne, he was an Associate Director in Real Estate Finance at Deutsche Pfandbriefbank, responsible for sourcing and structuring commercial real estate loans across Europe. Prior to that, he held positions within the Real Estate Finance and CMBS space at Moody's, UBS and Morgan Stanley.

Daniel Schuldes
European Origination

Daniel has over 18 years' experience in the European real estate debt and ABS markets. He joined Cheyne in 2007 and specialises in the origination, structuring, negotiation and execution of German real estate credit transactions. He was previously an associate on Credit Suisse's asset finance team in London, which was responsible for originating and structuring the bank's European securitisations. He focused on fundamental analysis of RMBS collateral.

Sa'ad Malik
Structured Credit

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

Lydia Boos
Legal Counsel

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

GOVERNANCE

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2025.

General Information

The Company was incorporated in Guernsey on 6 September 2005 with registered number CMP43634.

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

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

Principal Activity and Business Review

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

Results and Dividends

The results for the year and the Company's financial position as at year end are shown on pages 69 and 70. Dividends totalling £26.7 million (31 March 2024: £27.4 million) were paid on the shares during the year.

A fourth interim dividend for the year ended 31 March 2025 of 3.0 pence per share (31 March 2024: 3.0 pence per share) was declared by the Directors on 24 June 2025 and is payable on 25 July 2025. This fourth interim dividend has not been included as a liability in these financial statements.

The Company purchased 3.3 million (31 March 2024: 4.1 million) shares in the market during the year. The total amount paid to purchase the shares was £4.2 million (31 March 2024: £5.0 million).

Capital Structure

Details of the authorised, issued and fully paid share capital, together with details of the movements in the Company's issued share capital during the current and prior year, are shown in Note 13 to the financial statements.

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

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

Board of Directors

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

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

Andreas Tautscher (appointed 7 May 2024 and Chairman from 1 November 2024)
Susie Farnon
Colleen McHugh
Mark Thompson (appointed 4 November 2024)
Bob Cowdell (resigned 31 October 2024)
John Hallam (resigned 18 September 2024)

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

Director	Company Name
Andreas Tautscher	Doric Nimrod Air Three Limited Doris Nimrod Air Two Limited
Susie Farnon	Apax Global Alpha Limited Ruffer Investment Company Limited
Colleen McHugh	Ruffer Investment Company Limited

All Directors are independent of the Investment Manager and free from any business or other relationship that would materially interfere with the exercise of their independence.

Mrs Farnon and Mrs McHugh are both on the board of Ruffer Investment Company Limited but the Company believes that this does not impact their ability to be considered independent.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Incorporation (the "Articles") and the Companies (Guernsey) Law, 2008 (as amended). The Articles themselves may be amended by special resolution of the Shareholders. The powers of Directors are described in the Articles and in the financial statements in the Corporate Governance Statement.

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

	Number of Shares	% of Company
Andreas Tautscher (Chairman)	17,500	0.01%
Susie Farnon	57,250	0.03%
Colleen McHugh	70,000	0.03%
Mark Thompson	10,000	0.00%

Substantial Interests in Share Capital

Chapter 5 of the Disclosure and Transparency Rules, requires disclosure of major Shareholder acquisitions or disposals (over 5% of the shares) in the Company (see list below of major Shareholders). During the year, there were ten notifications of such transactions (31 March 2024: three notification). Since 1 April 2025, there were no notifications.

List of major Shareholders as at 31 March 2025:

Name	Total Shares Held	% Shares Held
Close Brothers Group	23,266,882	10.49%
Hargreaves Lansdown PLC	17,422,571	7.85%
Premier Milton Group	13,255,018	5.97%
Aberdeen plc	12,233,727	5.51%
Waverton Investment Management	11,933,884	5.38%
Canaccord Genuity Group Inc	11,311,278	5.10%
Tilney Smith & Williamson	11,100,879	5.00%

Issued Share Capital

The issued share capital of the Company was 229.3 million shares, consisted of 221.9 million outstanding shares and 7.4 million treasury shares (31 March 2024: 229.3 million shares, consisted of 225.2 million outstanding shares and 4.1 million treasury shares).

Directors and Officers Liability Insurance

Directors and Officers liability insurance is in place and was renewed on 6 July 2024.

Listing Information

The shares are currently listed and traded on the Main Market of the London Stock Exchange.

Website

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

The Investment Manager

Having reviewed the performance of the Investment Manager, the Directors are satisfied that the continued appointment of the Investment Manager on the terms agreed is in the best interests of the Shareholders and the Company. The Company has entered into the Investment Management Agreement under which the Investment Manager manages its day-to-day investment operations. Details of the Investment Management Agreement can be found in Note 17 to the financial statements.

Auditor

During the year the Audit and Risk Committee conducted a tender process for the position of external auditor, which, in-line with best practice, included one "challenger" audit firm. A request for proposal was sent to suitably qualified audit firms and a rigorous interview process was conducted for those firms that tendered. The Board will nominate PricewaterhouseCoopers CI LLP at the 2025 AGM to be appointed external auditor and a motion will be proposed to Shareholders on whether to approve their appointment.

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

Principal Risks and Uncertainties

Principal risks and uncertainties are discussed in the Strategic Report.

Directors' Report (continued)

Related Party Transactions

Related party transactions are disclosed in Note 17 to the financial statements. There have been no material changes in the related party transactions described in the last annual report.

Going Concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, they consider that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the audited financial statements.

Note 2 of the financial statements provides details of the matters the Directors have taken into account in making their assessment of going concern.

Continuation Vote

A continuation vote is due in September 2025 and if any continuation resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval within six months of the date of the vote. The Directors have no reason to believe that the continuation vote will not be approved by Shareholders and note:

- The previous vote was passed by an overwhelming majority;
- The Company's performance since then has been robust; and
- The current general market conditions are much improved from last year's market and major investors have been commenting on the relevance and attractiveness of RECI's proposition.

AGM

It is intended that the AGM of the Company will be held at 10:30am on 17 September 2025 and details of the resolutions to be proposed at the AGM, together with explanations, will appear in the Notice of Meeting to be distributed to Shareholders in due course. Members of the Board will be in attendance at the AGM and will be available to answer Shareholder questions.

On behalf of the Board on 24 June 2025.

Andreas Tautscher
Director

Susie Farnon
Director

Residential development in the United Kingdom

GOVERNANCE

Remuneration Committee Report

As in other areas of corporate governance, the Company seeks to adhere to the AIC Code of Corporate Governance and has established a Remuneration Committee. Although the Company is not incorporated in England and Wales it is mindful of the regulations that apply to such companies in the context of remuneration and will seek to make appropriate disclosures. All Directors are non-executive and are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, performance related or otherwise. Directors do not have service contracts and there is no provision for compensation for loss of office. All Directors are entitled to be repaid all expenses reasonably incurred in the performance of their duties and have signed a letter of appointment setting out the terms of such appointment.

The prime purpose of the Committee is to determine the Company's remuneration policy within the limits set by the Articles of Incorporation which currently state that the remuneration paid to each Director by way of fees shall not exceed €160,000 in any financial year. Additionally, they provide that if any Director performs any special duties, or renders services, outside of the ordinary duties of a Director, that Director shall be paid such reasonable additional remuneration as the Board may determine.

The Committee is authorised by the Board to seek, subject to a financial limit, such independent advice as it may deem necessary in the discharge of its responsibilities.

Composition of the Committee

The Committee is chaired by Colleen McHugh and is composed of all the Directors including the Chairman of the Company, who was deemed independent at the time of his appointment. This membership is considered appropriate as, collectively, its members are believed to have the necessary experience and knowledge to fairly determine remuneration.

Remuneration Policy

The current policy adopted by the Committee is set out below and will be tabled at the next AGM for approval by Shareholders along with this Report.

The Company's Remuneration Policy is that fees payable to the Directors should reflect the experience and expertise of and the responsibilities borne by the Directors and the time spent on the Company's affairs and be sufficient to attract, retain and motivate individuals of high calibre with suitable skills, experience and knowledge and to ensure that their remuneration is set at a reasonable level commensurate with their duties and responsibilities. No element of the Directors' remuneration is performance related.

In determining the level of these fees, the Committee obtains and takes account of reliable, up-to-date information about remuneration in other companies of comparable scale and complexity together with general economic conditions. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or other information which it deems necessary.

Implementation of the policy

Remuneration is reviewed every three years, with the last major review of Board remuneration taking place in 2022. In the intervening years the Committee reviewed changes in Guernsey Retail Price Index ("RPIX") to determine if it was appropriate to increase the Chairman's fee and the base fee for the other directors, to maintain real remuneration levels in line with inflation. The Remuneration Committee, therefore, considered that it was timely for a fundamental review of the remuneration structure with any revisions taking place with effect from 1 April 2025.

In accordance with the stated policy several factors were considered:

(a) Given the residence of the Company and the Board members, Guernsey RPIX, which excludes mortgage and interest payments is considered to be the relevant inflation benchmark and in the 12 months to 31 December 2024 this rose by 4%,

(b) Publicly available market research was reviewed,

(c) The current remuneration levels reported by other listed investment companies, of a similar size and nature, and

(d) The responsibilities of different Board members were analysed to identify significant changes since the 2022 review.

As stated in the policy, and given that all Directors are non-executive, remuneration decisions are not influenced by the financial performance of the Company, be that in terms of share price or net asset value. Accordingly, such information is not presented here.

The Remuneration Committee concluded that the Chairman's and Directors' fees did not require an increase along the line of the 4% rise in Guernsey RPIX; rather, half of this, namely 2% (rounded) was competitive. Therefore, the Chairman's fee should increase from £91,000 to £93,000, and the base fee for other Directors should increase from £44,000, as set in 2024, to £45,000.

The review of other responsibilities and leadership roles concluded that the following changes were appropriate:

Audit and Risk Committee chair – the additional fee should increase from £12,500 to £13,500 per annum in light of further risk responsibilities.

Senior Independent Director – it was determined that the role of SID warranted a fee of £2,500 per annum, to acknowledge the additional workload being undertaken.

No changes were made to:

Management Engagement Committee chair – Fee to remain £2,500 per annum;

ESG lead – Fee to remain £2,500 per annum;

Remuneration Committee chair – Fee to remain £2,500 per annum;

Nomination Committee chair – it was determined that a fee would no longer be payable for this role.

As a consequence of these recommendations, the following table sets out the remuneration of Board members for the financial year ending 31 March 2026 as compared to the previous year; it should be noted that the additional fees relate to the roles performed and not to specific individuals while the table assumes that the named individuals will discharge the roles indicated throughout the coming year.

	Year ending 31 March 2026 GBP (projected)	Year ended 31 March 2025 GBP (actual)
Andreas Tautscher (Chairman)[1]	93,000	59,111
Susie Farnon (Audit and Risk Committee Chair, Senior Independent Director and Nomination Committee Chair)[2]	61,000	56,500
Colleen McHugh (Remuneration Committee Chair, Management Engagement Committee Chair and ESG Lead)[3]	52,500	49,000
Mark Thompson (Independent Director)[4]	45,000	17,973
Bob Cowdell (resigned 31 October 2024)	–	53,083
John Hallam (resigned 18 September 2024)	–	21,734

1 Andreas Tautscher was appointed chair to succeed Bob Cowdell with effect from 1 November 2024
2 Susie Farnon took over from John Hallam as Senior Independent Director with effect from 12 June 2024 and as Nomination Committee Chair from Bob Cowdell with effect from 1 October 2024
3 Colleen McHugh took over from John Hallam as Remuneration Committee chair with effect from 1 October 2024
4 Mark Thompson was appointed with effect from 4 November 2024

Statement of Shareholder Voting

At the last AGM held on 18 September 2024, a resolution to approve the Remuneration Committee Report and Remuneration Policy was passed with 93,717,723 votes (99.92%) being cast in favour and 78,331 votes (0.08%) against reflecting the same very high level of approval as the previous AGM.

Future Reviews

It is anticipated that full reviews will not take place at less than three yearly intervals but that the Committee will, in the early part of each year, review the changes in Guernsey RPIX to determine if it is appropriate to increase the Chairman's fee and the base fee for other Directors.

Colleen McHugh
Remuneration Committee Chair
24 June 2025

GOVERNANCE

Corporate Governance Statement

Statement of Compliance with Corporate Governance

The Company is a member of Association of Investment Companies (the "AIC") and by complying with the AIC Code is deemed to comply with both the UK and the GFSC Code where relevant.

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

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

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

The AIC Code includes provisions relating to:

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

The Board considers some of these provisions are not relevant to the position of the Company as it is an externally-managed investment company. The Directors are non-executive and the Company does not have employees and the Board is satisfied that any relevant issues that arise can be properly considered by the Board or by Shareholders at AGMs. The Remuneration Committee considers matters relating to Directors' remuneration. An external assessment of Directors' remuneration has not been undertaken. The Company's Remuneration policy is that fees payable to the Directors should reflect the experience and expertise of and the responsibilities borne by the Directors and the time spent on the Company's affairs and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. Please refer to the Remuneration Committee Report on pages 46 to 47.

The Board

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

The Board meets at least four times a year and, in addition, there is regular contact between the Board, the Investment Manager and the Company Secretary including an annual strategy meeting and the Investment Manager due diligence visits, when the Board attends the offices of the Investment Manager and meets with senior executives. Further, the Board requires that it is supplied in a timely manner with information by the Investment Manager, the Company Secretary and other advisers in a form and of a quality appropriate to enable it to discharge its duties.

Duties and Responsibilities

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

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

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

	Scheduled Board Meetings Attendance	Nomination Committee Meeting Attendance	Audit and Risk Committee Meeting Attendance	Management Engagement Committee Meeting Attendance	Remuneration Committee Meeting Attendance
Attendance by:					
Andreas Tautscher (Chairman)	4/4	4/4	3/3	1/1	1/1
Susie Farnon	4/4	4/4	3/3	1/1	1/1
Colleen McHugh	4/4	4/4	3/3	1/1	1/1
Mark Thompson (appointed 4 November 2024)	2/2	1/1	2/2	0/0	1/1
Bob Cowdell (resigned 31 October 2024)	2/2	2/2	1/1	1/1	0/0
John Hallam (resigned 18 September 2024)	1/1	0/0	0/0	0/0	0/0

The previous table is an extract of the various Directors' attendance at Board and Committee meetings for the financial year compared against those for which they were eligible to attend.

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

Chairman

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

Senior Independent Director

Mrs Farnon was appointed as Senior Independent Director ("SID") with effect from 12 June 2024. The primary roles are to support the Chairman and act as an intermediary for the other non-executive Directors in matters relating to the Chairman including leading them in the annual performance evaluation of the Chairman. The SID is also available to Shareholders who may have any concerns which contact through the normal channels of the Chairman and AIFM has failed to resolve or for which such contact is inappropriate. Mrs Farnon can also be contacted through the Company Secretary.

Board Independence

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

Committees of the Board

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

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mrs Farnon, and its other members are Mr Tautscher, Mrs McHugh and Mr Thompson. The terms of reference of the Audit and Risk Committee state that it will meet not less than three times in each financial year. In the year ended 31 March 2025, the Audit and Risk Committee met at four informal meetings. The Audit and Risk Committee Report on pages 54 to 57 sets out the role and activities of this Committee and its relationship with the external auditor.

Nomination Committee

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

Corporate Governance Statement (continued)

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

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

The performance of the Chairman of the Board will be assessed by the SID through appraisal questionnaires and discussions with the other Directors.

Management Engagement Committee

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

Remuneration Committee

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

Director Re-Election, Tenure and Induction

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

The Board regards all Directors as being independent. The Board has adopted a policy whereby all Directors will be proposed for re-election each year and so all other Directors will be proposed for re-election at the forthcoming AGM. Details of Directors' tenure are disclosed on pages 38 to 39.

Internal Controls

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

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

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

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

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

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

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

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

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

Corporate Social Responsibility

The Board keeps under review developments involving social and environmental issues, and will report on those to the extent they are considered relevant to the Company's operations. The Company's ESG strategy is outlined on page 28 of the Stakeholder Engagement section and in the Sustainability Report on pages 30 to 35.

UK Criminal Finances Act 2017

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

General Data Protection Regulation ("GDPR")

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

Anti-Bribery and Corruption Policy

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

Whistle-blowing

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

Employees and Socially Responsible Investment

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

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

Modern Slavery Act 2015

The Company's Modern Slavery and Human Trafficking Statement is available on the Company's website and is reviewed by the Board on an annual basis.

Gender Metrics

The Company, in conjunction with the Investment Manager, strives to achieve a diverse workforce that embraces individuals of all gender, race, nationality, religion, age and orientation and to develop a unique workplace to come together and grow professionally and personally.

Corporate Governance Statement (continued)

Cheyne is committed to supporting diversity, equality and inclusion through implementing change and supporting initiatives, partnerships and programmes across the firm and the industry, under the oversight of Cheyne's Diversity, Equity and Inclusion ("DE&I") Committee. Cheyne is comprised of a diverse range of employees and is committed to providing equal employment opportunities to all colleagues and applicants without regard to gender, race, nationality, religion, age, orientation or disability. To this end, Cheyne has implemented reporting tools within its HR system to enable a more granular measurement of gender and ethnicity, using the AIMA/Albourne classifications within their DE&I Questionnaire, that is compliant with data privacy considerations. The ongoing evolution and monitoring of this data will allow the Investment Manager to assess how its DE&I Policy and supporting action plans are working in practice, while enabling the DE&I Committee to identify areas for improvement and target its efforts to effect change. The business case behind the data collection has been communicated to all employees.

	Number of Board members	% of Board members	Number of senior positions on the Board (CEO, CFO, SID, Chair)
Male	2	50.0	Not applicable – see note[1]
Female	2	50.0	
Minority ethnic background	–	–	

1 This column is inapplicable as the Company is externally managed and does not have executive management functions, specifically it does not have a CEO or CFO. The chair of the Board is male. However, the Company considers that chairing the permanent sub-committees of the Board are senior roles in an investment company context. The SID, and the chair of the Audit and Risk Committee, Nomination Committee, Management Engagement Committee and Remuneration Committee are held by women.

The Board acknowledges the importance of diversity for the effective functioning of the Board which helps create an environment for successful and effective decision-making. The Board currently has equal representation of men and women. The Company does not currently comply with the ethnic diversity target set out in the Listing Rules. However, the Board continues to keep this under review in the context of planned Board succession opportunities. In view of the nature, scale and complexity of the Company, the Board believes a formal diversity policy for the Company is not necessary at this time. Diversity of the Board is further considered on at least an annual basis through the Board evaluation process.

Principal Risks and Uncertainties

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

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

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

The Company's principal risks are discussed in the Strategic Report of these financial statements while those specifically relating to financial reporting are discussed in the Audit and Risk Committee Report and Note 14 to the financial statements.

Changes in Regulation

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

Office development in France

GOVERNANCE

Audit and Risk Committee Report

Dear Shareholders,

On the following pages, we present the Audit and Risk Committee's report for 2025, setting out the responsibilities of the Audit and Risk Committee and its key activities during the year ended 31 March 2025. As in previous years, the Audit and Risk Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit and Risk Committee in discharging these responsibilities, regular reports are received and reviewed from the Investment Manager, Administrator and external auditor.

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

Membership of the Audit and Risk Committee

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

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

Responsibilities

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

- Consideration of the fair value of the Company's investments and income generated from the portfolio;
- Consideration of the accounting policies of the Company;

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

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

Meetings

The Audit and Risk Committee normally meets at least three times annually, including shortly before the Board meets to consider the Company's semi-annual and annual financial reports, and reports to the Board on its deliberations and recommendations. It also has an annual planning meeting with the external auditor and other ad-hoc meetings as considered necessary.

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

Significant Issues Considered over Financial Reporting

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

Additional information regarding principal risks and uncertainties is provided in the Strategic Report and in Note 14 to the financial statements.

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

Valuation of Portfolios

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

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

When considering the bilateral bond investments, the Audit and Risk Committee considered a number of factors including, but not restricted to:

- The key valuation judgement whereby the effective yield calculated is used as proxy for the market yield at the valuation date;
- Pricing sources;
- The range of valuations determined by the independent pricing adviser in light of the approaches used and the weighting applied by the Investment Manager to derive a fair value point estimate;
- Comparison between effective and actual yields;
- Depth of prices and any disparity between different marks;
- Indicative liquidity;
- Comparison of realised prices with previous valuations; and
- The significance of unobservable inputs used to determine the fair value of the bond investments and classification within the fair value hierarchy.

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

Audit and Risk Committee Report (continued)

During the year, the Chair of the Audit and Risk Committee and/or other members of the Board attended at least one of the meetings held between the external auditor and the Investment Manager in respect of valuations.

Income Recognition

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

As highlighted in the long-term viability section in the Strategic Report, the Investment Manager performed an evaluation of each of its positions, taking into account all relevant geopolitical and macroeconomic risks, on its operating models and valuations. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs); these were taken into account in the modelled expected cash flows for 31 March 2025.

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The work of the Audit and Risk Committee is driven primarily by the Company's Risk Framework and the assessment of its principal risks and uncertainties as set out in the Strategic Report and in Note 14 to the financial statements, and it receives reports from the Investment Manager on the Company's risk evaluation process and reviews changes to significant risks identified.

Internal Audit

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

External Audit

The current appointed external auditor is Deloitte LLP. Deloitte LLP has served as RECI's external auditor for 20 years and under the Mandatory Audit Firm Rotation Rules (UK & LSE-listed entities), this represents the maximum allowable audit firm tenure. A tender process has taken place in the second half of 2024 to appoint a new external auditor. In accordance with the standard, the tender process was led by the Audit and Risk Committee and invited three audit firms to participate. The Audit and Risk Committee considered key criteria in its decision including audit quality, experience in real estate and debt audits and valuation, audit approach and fees. Following a thorough evaluation, PricewaterhouseCoopers CI LLP was selected as the preferred firm. The Board approved the Audit and Risk Committee's recommendation, and PricewaterhouseCoopers CI LLP will be appointed as external auditor following the publication of the Annual Report. The appointment will also be recommended to Shareholders for approval at the 2025 AGM.

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

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

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

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

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor, with particular regard to the level of non-audit fees. During the year, Deloitte charged non-audit fees of £45,000 for the 30 September 2024 interim review.

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

Annual Report

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

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

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

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

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

The Audit and Risk Committee members have each reviewed the Annual Report and earlier drafts in detail, comparing its content with their own knowledge of the Company, reporting requirements and Shareholders' expectations. Formal meetings of the Audit and Risk Committee have also reviewed reports and explanations from its service providers about the details and the financial results. The Audit and Risk Committee has concluded that the Annual Report taken as a whole is fair balanced and understandable and that the Board can reasonably and with justification make the Directors' Responsibility Statement on page 58.

During the year ended 31 March 2025, the external auditor had three meetings with the Audit and Risk Committee and met with the Chairman of the Audit and Risk Committee on other occasions when necessary.

On behalf of the Audit and Risk Committee.

Susie Farnon
Audit and Risk Committee Chair
24 June 2025

GOVERNANCE

Directors' Responsibility Statement

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

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

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

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

By order of the Board.

Andreas Tautscher
Director
24 June 2025

Susie Farnon
Director

Hotel in Finland

Financial Statements

In this section

Independent Auditor's Report

to the Members of Real Estate Credit Investments Limited

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"); and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related Notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS Accounting Standards as issued by the IASB.

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Key judgement in the valuation of bilateral loan and bond portfolio. Within this report, key audit matters are identified as follows: ! Newly identified ^ Increased level of risk <> Similar level of risk V Decreased level of risk
Materiality	The materiality that we used in the current year was £6.4 million which was determined on the basis of 2% of the net assets (2024: 2% of net assets).
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our approach as compared to the prior year.

4. Conclusions relating to going concern

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

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

- Evaluating the assumptions applied in the Company's going concern assessment particularly the considerations of the current macroeconomic challenges and testing the mechanical accuracy of the underlying forecasts;
- Performing stress testing on the key assumptions applied to understand those that could potentially give rise to a material uncertainty in respect of the use of the going concern basis;
- Checking consistency of the forecast assumptions applied in the going concern assessment with other forecasts, including asset maturity and valuation assumptions;
- Assessing the liquidity position of the Company including its ability to meet its undrawn commitments by evaluating the impact of repayment of the Company's financing agreements at maturity without renewal and considering the mitigating actions identified by the Directors as available responses to liquidity risks;
- Evaluating the recommendation by the Directors and their assertion of passing the upcoming continuation vote scheduled in September 2025. We also considered the current and historical performance of the Company and the Broker's discussions with certain Shareholders; and
- Assessing the appropriateness of the going concern disclosure in the financial statements.

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

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

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

5. Key audit matters

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

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

5.1 Key judgement in the valuation of bilateral loan and bond portfolio <>

Key audit matter description	The bilateral loan and bond investments of £344.9million (2024: £305.0 million) make up 88% (2024: 87%) of total assets and are a key value driver for the Company's Net Asset Value (NAV). As the Company's investments are measured at fair value, the discount rate used to calculate the present value of future cash flows should be the market yield prevailing at the valuation date. Management has made a judgement that for these instruments that are highly bespoke and are not adequately comparable to other market positions, the effective yield of investment is considered an appropriate representative of the current market yield at the valuation date. This is the key judgement made by management in the valuation of the investment portfolio. This has contributed to a potential risk of fraud and error associated with the valuation approach applied particularly around the fixed income investments. This has become of more importance as a result of the changes in the macroeconomic environment and the movement in market yield during the year. This judgement is described as one of the key sources of estimation uncertainty in Notes 3 and further details are included in Note 14 to the financial statements. This is also described in the Audit and Risk Committee Report on page 54.

Independent Auditor's Report (continued)

5.1 Key judgement in the valuation of bilateral loan and bond portfolio

How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we have performed the following audit procedures: • Obtained an understanding of and tested the relevant controls around the valuation process; • Challenged management's use of the bond or loan's effective yield as a representative of market yield by assessing the assumptions used, including considering contradictory evidence; • Analysed the bilateral loans and bonds investment portfolio by comparing the yield of each fixed interest rate loan or bond with the relevant range of market yields at the valuation date using third-party data; • Analysed the yields implicit in loans and bonds issued during the year and compared with the yields of more seasoned loans to evaluate management's assertion that the yield of the Company's assets is dislocated from the movement in market yields; • Searched for contradictory evidence by assessing the consistency of management's judgements with a number of data points including the realisation of loans and bonds during the year and the pricing of bonds and loans valued using market comparables; and • Assessed the financial statements related disclosures to evaluate whether they appropriately explain judgements made by management, including the associated assumptions, and highlight the sensitivity to changes in those assumptions.
Key observations	We concluded that the judgement applied in arriving at the fair value of the Company's self-originated bonds and loans investments is reasonable, and that the resulting valuations are appropriate. We also concluded that the related disclosures are appropriate.

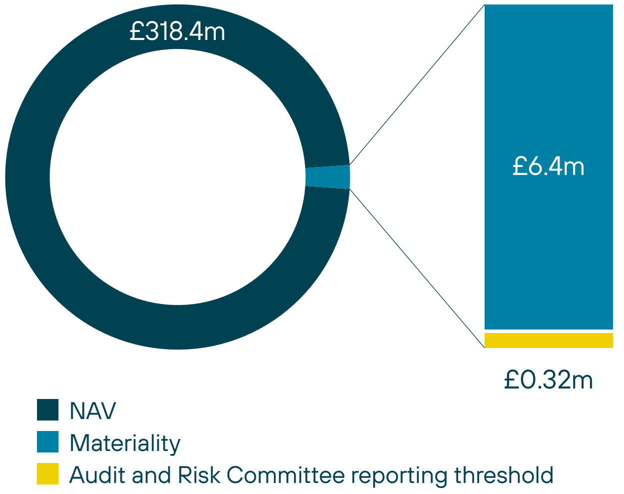
6. Our application of materiality

6.1 Materiality

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

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

Materiality	£6.4 million (2024: £6.5 million)
Basis for determining materiality	2% (2024: 2%) of net assets as at 31 March 2025
Rationale for the benchmark applied	Net asset value is the most appropriate benchmark as it is considered one of the principal considerations for members of the Company in assessing financial performance and represents total shareholders' interest.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment, including that of the administrator; and
- our past experience of the audit, including the nature and volume of corrected and uncorrected misstatements.

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £318,000 (2024: £326,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Scoping

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

7.2 Our consideration of the control environment

The accounting function for the Company is provided by a third-party administrator. In performing our audit, we obtained an understanding of relevant controls at the administrator that are relevant to the business processes of the Company. We have tested the relevant controls at the investment manager level around the key judgement used in the valuation but we have chosen not to place reliance on those controls and instead adopted a substantive approach in performing our audit.

7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Company's business and its financial statements.

The Company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 30.

We performed our own qualitative risk assessment of the potential impact of climate change on the Company's account balances and classes of transactions.

We have also read the Annual Report to consider whether the climate-related disclosures are materially consistent with the financial statements, and our knowledge obtained in the audit.

8. Other information

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

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

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

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

We have nothing to report in this regard.

Independent Auditor's Report (continued)

9. Responsibilities of directors

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

11.1 Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for the investment manager and directors' remuneration, bonus levels and performance targets;
- the Company's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board on 11 June 2025;
- results of our enquiries of management and the audit and risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: key judgement in the valuation of bilateral loan and bond portfolio. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's regulatory licences under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

11.2 Audit response to risks identified

As a result of performing the above, we identified the key judgement in the valuation of bilateral loan and bond portfolio as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Corporate Governance Statement

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

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

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 44;
- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 17;
- the Directors' statement on fair, balanced and understandable set out on page 58;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 52;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 50; and
- the section describing the work of the Audit and Risk Committee set out on pages 54 to 57.

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

13.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report (continued)

14. Other matters which we are required to address

14.1 Auditor tenure

We were appointed by the Company upon inception on 6 September 2005 to audit the financial statements of the Company for the period ending 31 March 2006 and subsequent financial periods. Following a competitive tender process, we were reappointed by the Board of Directors on 13 June 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 20 years, covering the years ending 31 March 2006 to 31 March 2025.

14.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

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

15. Use of our report

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

As required by the Financial Conduct Authority ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.1.14R, these financial statements will form part of the European Single Electronic Format ("ESEF") prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

John Clacy, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
24 June 2025

Statement of Comprehensive Income

For the Year Ended 31 March 2025

	Note	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Interest income	6	29,520	30,341
Net gains on financial assets and liabilities at fair value through profit or loss	4	3,630	635
Net gains on foreign currency translation		1,011	260
Other income		37	123
Operating income		**34,198**	**31,359**
Operating expenses	5	(6,599)	(5,990)
Profit before finance costs		**27,599**	**25,369**
Finance costs	6	(4,782)	(3,514)
Net profit		**22,817**	**21,855**
Earnings per share			
Basic and diluted	8	10.2p	9.6p
Weighted average shares outstanding		**Number**	**Number**
Basic and diluted	8	222,881,212	228,777,629

There were no items of other comprehensive income in the comparative periods.

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

Statement of Financial Position

As at 31 March 2025

	Note(s)	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Non-current assets			
Financial assets at fair value through profit or loss	9,14	369,478	329,369
		369,478	329,369
Current assets			
Cash and cash equivalents	9	19,295	18,290
Cash collateral held at broker	9,16	2,866	4,489
Other assets	9	72	104
		22,233	22,883
Total assets		**391,711**	**352,252**
Equity and liabilities			
Equity			
Reserves	13	318,356	326,382
Total equity		**318,356**	**326,382**
Current liabilities			
Financing agreements	9,12	70,850	23,790
Cash collateral due to broker	9,16	–	14
Derivative financial liabilities	9	213	88
Other liabilities	9,10	2,292	1,978
		73,355	25,870
Total liabilities		**73,355**	**25,870**
Total equity and liabilities		**391,711**	**352,252**
Shares outstanding	13	221,894,004	225,237,478
Net asset value per share		**£1.43**	**£1.45**

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

Signed on behalf of the Board of Directors by:

Andreas Tautscher
Director
24 June 2025

Susie Farnon
Director

Statement of Changes in Equity

For the Year Ended 31 March 2025

	Note	Total equity GBP'000
Balance as at 31 March 2024		**326,382**
Total comprehensive income		22,817
Dividends	7	(26,673)
Treasury shares purchased	13	(4,170)
Balance as at 31 March 2025		**318,356**

	Note	Total equity GBP'000
Balance as at 31 March 2023		**336,966**
Total comprehensive income		21,855
Dividends	7	(27,416)
Treasury shares purchased	13	(5,023)
Balance as at 31 March 2024		**326,382**

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

Statement of Cash Flows

For the Year Ended 31 March 2025

	Note	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Net profit		**22,817**	**21,855**
Purchases of investment portfolio		(127,280)	(81,364)
Repayments/sales proceeds on investment portfolio		100,588	155,247
Net losses on investment portfolio	4	1,025	5,980
Net movement on derivative financial assets and liabilities		125	1,844
Foreign currency gain under financing agreements	12	(257)	(326)
Interest income		(29,520)	(30,341)
Finance costs	12	4,782	3,514
Operating cash flows before movement in working capital		**(27,720)**	**76,409**
Decrease/(increase) in cash collateral held at broker		1,623	(2,105)
Decrease/(increase) in other assets		32	(77)
(Decrease)/increase in cash collateral due to broker		(14)	14
Increase in other liabilities		314	395
Movement in working capital		**1,955**	**(1,773)**
Interest received		15,078	21,851
Net cash (outflow)/inflow from operating activities		**(10,687)**	**96,487**
Financing activities			
Dividends paid to Shareholders	7	(26,673)	(27,416)
Payments under financing agreements	12	(192,749)	(295,841)
Proceeds under financing agreements	12	239,269	239,681
Finance costs paid	12	(3,985)	(3,679)
Payments on treasury shares purchased	13	(4,170)	(5,023)
Net cash inflow/(outflow) from financing activities		**11,692**	**(92,278)**
Net increase in cash and cash equivalents		1,005	4,209
Cash and cash equivalents at the start of the year		18,290	14,081
Cash and cash equivalents at the end of the year		**19,295**	**18,290**

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

Notes to the Financial Statements

For the Year Ended 31 March 2025

1. General Information

Real Estate Credit Investments Limited ("RECI" or the "Company") was incorporated in Guernsey on 6 September 2005 with registered number CMP43634. The Company commenced its operations on 8 December 2005.

The Company's shares are currently listed and traded on the Main Market of the London Stock Exchange.

2. Material Accounting Policies

Statement of Compliance

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS"), together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the FCA. The same accounting policies, presentation, and methods of computation have been followed in these financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 March 2024.

New Standards, Amendments and Interpretations Issued and Effective for the Financial Year Beginning 1 April 2024

The Company has applied the following standards and amendments for the first time for its reporting year commencing 1 April 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1 Presentation of financial statements;
- Lease Liability in Sale and Leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The amendments listed above 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 2024 and not Early Adopted

The following standards will become effective in future accounting periods and have not been early adopted by the Company. Management do not believe that the application of these standards will have a material impact on the Company's financial statements:

- Amendments to IAS 21 – *Lack of Exchangeability* (1 January 2025)
- Amendments to the Classification and Measurement of Financial Instruments – *Amendments to IFRS 9 and IFRS 7* (1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (1 January 2027)

Basis of Preparation

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

The functional and presentation currency of the Company is British Pounds ("GBP" or "£") which the Board considers best represents the economic environment in which the Company operates. All amounts presented in tables are rounded to the nearest thousand pounds, except for net asset value ("NAV") per share and share information. Amounts in notes and detailed disclosures outside of tables are expressed in million of pounds, as specified.

Going Concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, they consider that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the audited financial statements. In making this assessment, the Directors have taken account of the matters set out below.

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

- 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.

The evaluation of each position takes into account all relevant geopolitical and macroeconomic risks, on its operating models and valuations, and includes a granular analysis of the future liquidity profile of the Company. A detailed cash flow profile of each investment was completed, incorporating the probability of likely delays to repayments, other stress tests (and additional cash needs). Stress testing is then performed on this cash flow forecast against a number of adverse scenarios, such as the fair value write down of the investments, or reduced cash flows from the investment portfolio. The fair value stress test was considered relevant to factor in any potential events affecting the underlying assets or credit concerns about the borrowers which potentially could impact on the fair value.

Notes to the Financial Statements (continued)

The reduced cash flow stress test was considered relevant in the event of potential defaults arising on the loan portfolio and the inability to recover the interest or principal back in full.

Taking into account of the updated forecasting, the Directors consider that the cash, cash equivalents and cash collateral held at brokers as at 31 March 2025 of £22.2 million, the liquidity of the market bond portfolio and the financing available through activities such as repurchase agreements and off-balance sheet financing are sufficient to cover normal operational costs, the funding of borrower loan commitments and current liabilities as they fall due for a period of at least 12 months from the date of signing the audited financial statements. The Directors note that a key assumption adopted in the going concern analysis is that leverage through repurchase agreements is not withdrawn. Net debt (leverage minus cash) as at 31 March 2025 was 18.2%.

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 cessation or delay of any future dividends, obtaining longer-term and non-recourse financing, and further sales of assets within the bond portfolio.

As disclosed in Note 18, as at 31 March 2025, the Company had committed £468.7 million into the loan and bond portfolio of which £387.2 million had been funded. The Investment Manager models these expected commitments and only funds if the borrowers meet specific business plan milestones.

A continuation vote is due in September 2025 and if any continuation resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval within six months of the date of the vote. The Directors have no reason to believe that the continuation vote will not be approved by Shareholders and note:

- The previous vote was passed by an overwhelming majority;
- The Company's performance since then has been robust; and
- The current general market conditions are much improved from last year's market and major investors have been commenting on the relevance and attractiveness of RECI's proposition.

Financial Assets at Fair Value Through Profit or Loss

The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed, and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities at fair value through other comprehensive income. The contractual cash flows of the Company's debt securities are not solely principal and interest. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The gain or loss on reassessment of fair value is recognised immediately in the Statement of Comprehensive Income.

The interest receivable from loans and bonds are reported as part of financial assets at fair value through profit or loss. The related interest income and finance costs are included under interest income and finance costs accounts in the Statement of Comprehensive Income.

Financial Liabilities at Fair Value Through Profit or Loss

Financing agreements entered into for the purpose of efficient portfolio management are measured at fair value through profit or loss. The gain or loss on reassessment of fair value is required to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss. The Company's gain or loss on reassessment of fair value is recognised immediately in the Statement of Comprehensive Income.

Financial Assets at Amortised Cost

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

Financial Liabilities at Amortised Cost

Financial liabilities at amortised cost include all other liabilities not measured at fair value through profit or loss. This includes cash collateral due to broker and other liabilities.

Initial Measurement

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

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

Purchases and sales of financial assets and liabilities at fair value through profit or loss are accounted for at trade date.

Subsequent Measurement

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

Financial liabilities held for trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortised cost, unless the fair value option is applied. The Company classifies its financing agreements as at fair value through profit or loss.

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

Recognition

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

Derecognition

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

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

Realised gain/(loss) on disposals of financial assets and liabilities is calculated using the first-in, first-out ("FIFO") method.

Cash and Cash Equivalents

Cash and cash equivalents includes amounts held in interest bearing accounts and overdraft facilities with original maturities of less than three months and are used for cash management purposes.

Derivative Financial Instruments

Derivative financial instruments used by the Company to manage its exposure to foreign exchange arising from operational, financing and investment activities are accounted for as financial assets or liabilities at fair value through profit or loss.

Subsequent to initial recognition, derivative financial instruments are stated at fair value. The change in value is recorded in net gains/(losses) on financial assets and liabilities through profit or loss in the Statement of Comprehensive Income. Derivative financial assets and derivative financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Fair Value

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

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

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

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

Foreign Currency Transactions

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

Notes to the Financial Statements (continued)

Foreign exchange differences arising on translation are recognised in net gains/(losses) on foreign currency translation in the Statement of Comprehensive Income. Foreign currency denominated non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

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

Interest Income

Interest income from financial assets at fair value through profit or loss are recognised within interest income in the Statement of Comprehensive Income using the effective interest method.

Expenses

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

Taxation

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

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Treasury Shares

Shares that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. Treasury shares are not entitled to dividends, and, thus, they are also not included in the calculation of earnings per share.

Segment Information

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

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Company's accounting policies (described in Note 2), the Company has determined that the following judgements and estimates have the most significant effect on the amounts recognised in the financial statements:

Critical Accounting Judgements

Classification of Bilateral Loans and Bonds as Financial Assets at Fair Value Through Profit or Loss

As described on pages 74 to 75, classification and measurement of financial assets under IFRS 9 are driven by the entity's business model for managing financial assets and the contractual cash flow characteristics of those financial assets.

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

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

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

As further described on page 74, the contractual cash flow characteristics for loan investments are not solely payments of principal and interest. For the loans held via Stornoway Finance S.à r.l., ENIV S.à r.l. and RELF, the Company receives the return for each underlying loan net of expenses and so it is not considered to be a basic lending arrangement under the standard. As such, these loan investments are required to be measured at fair value through profit or loss. The loans held via ENIV S.à r.l. are listed and considered bonds.

Key Sources of Estimation Uncertainty

Valuation of Bilateral Loans and Bonds at Fair Value Through Profit or Loss
The Company has made loans and bonds into structures to gain exposure to real estate secured debt in, but not limited to, 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. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques such as discounted cash flows models. The rate used to discount future cash flows represents key source of estimation uncertainty that has material impact on the valuation of the investment portfolio.

In the absence of market observable inputs, this uncertainty translates into a wide range of appropriate discount rates. The Investment Manager believes that the loan or bond's own effective yield represents the most appropriate point estimate within that range.

The Investment Manager has considered relevant geopolitical and macroeconomic factors including the development of market interest rate and continues to believe that this key judgement remains appropriate due to the bespoke nature of the investment portfolio and the dislocation between the yield of these assets and the market interest rate. The fair value of these loans is linked directly to the value of the real estate loans in the underlying structure the Company invests in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 7.1% to 11.7% (31 March 2024: 6.2% to 13.2%).

Adjustments in the fair value of the real estate loans are considered in light of changes in the credit quality of the borrower and underlying property collateral. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess LTV of the investment). In most instances, the terms of the loan require periodic revaluation of the underlying property to check against LTV covenants.

The valuation policy for contingent fees and potential profit participations provided for in contractual arrangements is to mark them at fair value. The profit participation features will initially be valued at cost, with subsequent revaluations triggered by specific threshold or development events. To determine the exit value, a third-party valuation of the underlying assets will be typically used, or an accepted sale price if available.

The Company has been closely monitoring this and indeed all other material macro sources of uncertainty-related developments, such as increased interest rates, heightened inflation, supply chain disruption, and the effects of climate change, and less direct impact factors such as the continuing impact of conflicts around the world and cyber security, to ensure that these updated assumptions and any potential impact have been reflected in the valuation of financial assets at fair value through profit or loss as at 31 March 2025. Future valuation might change significantly in the future.

Further details relating to the Company's valuation of bilateral loans and bonds and sensitivity analysis is disclosed in Notes 14(a) and 14(d).

Notes to the Financial Statements (continued)

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

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Net gains/(losses)		
Net gains on market bond portfolio	1,026	1,808
Net losses on bilateral loan and bond portfolio	(5,511)	(2,512)
Net gains/(losses) on equity securities	3,460	(5,276)
Net gains on forward foreign exchange contracts	4,655	6,615
Net gains on financial assets and liabilities at fair value through profit or loss	**3,630**	**635**

5. Operating Expenses

	Note	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Investment management, administration and depositary fees			
Investment management fees	17	4,096	4,205
Administration fees	17	286	279
Depositary fees	17	42	64
		4,424	**4,548**
Other operating expenses			
Deal and underwriting expenses		743[1]	–
Directors' fees		260	232
Legal fees		195	221
Audit fees		167	155
Fees to auditor for non-audit services		45	43
Other expenses		765	791
		2,175	**1,442**
Total operating expenses		**6,599**	**5,990**

1 The costs relate to the annual running costs of each securitisation entity (ENIV) compartment along with any abortive costs on failed deals. Whilst these were previously accounted for on a deal level, the Company now reports the balance at a Fund level within Operating Expenses. As such, no comparable figure form 2024 is provided.

The ongoing charges are calculated based on the most recent Association of Investment Companies ("AIC") guidance issued in October 2024. For 31 March 2025, they are 2.24% and the restated costs, based on the most recent AIC guidance, for 31 March 2024 are 2.33%. The costs exclude legal transaction fees and financing.

6. Interest Income and Finance Costs

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

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Interest income on financial assets at fair value through profit or loss		
Real Estate Credit Investments – market bond portfolio	754	1,482
Real Estate Credit Investments – bilateral loan and bond portfolio	28,050	28,413
	28,804	**29,895**
Interest income on financial assets at amortised cost		
Cash and cash equivalents and cash collateral held at broker	716	446
Total interest income	**29,520**	**30,341**
Finance costs		
Cost of financing agreements	(4,782)	(3,514)
Total finance costs	**(4,782)**	**(3,514)**

7. Dividends

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Share dividends		
Fourth dividend for the year ended 31 March 2024/31 March 2023	6,702	6,880
First dividend for the year ended 31 March 2025/31 March 2024	6,657	6,880
Second dividend for the year ended 31 March 2025/31 March 2024	6,657	6,880
Third dividend for the year ended 31 March 2025/31 March 2024	6,657	6,776
Dividends paid to Shareholders	**26,673**	**27,416**

The total dividends paid during the financial year ended 31 March 2025 amounted to 12.0 pence per share (31 March 2024: 12.0 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 dividends approved.

8. Earnings per share

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

	31 Mar 2025	31 Mar 2024
Net earnings attributable to shares (GBP'000)	22,817	21,855
Weighted average number of shares for the purposes of basic and diluted earnings per share[1]	**222,881,212**	**228,777,629**
Earnings per share		
Basic and diluted (pence)	10.2	9.6

[1] The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

Notes to the Financial Statements (continued)

9. Categories of Financial Instruments

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

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Assets		
Financial assets at fair value through profit or loss:		
Real Estate Credit Investments – market bond portfolio	6,812	7,894
Real Estate Credit Investments – bilateral loan and bond portfolio	344,857	305,037
Real Estate Credit Investments – equity securities	17,809	16,438
Financial assets at fair value through profit or loss	**369,478**	**329,369**
Financial assets at amortised cost:		
Cash and cash equivalents	19,295	18,290
Cash collateral held at broker	2,866	4,489
Other assets	72	104
Total assets	**391,711**	**352,252**
Liabilities		
Financial liabilities at fair value through profit or loss:		
Financing agreements	70,850	23,790
Derivative financial liabilities:		
Forward foreign exchange contracts	213	88
Financial liabilities at amortised cost:		
Cash collateral due to broker	–	14
Other liabilities	2,292	1,978
Total liabilities	**73,355**	**25,870**

The value of the market bond was £6.7 million as at 31 March 2025, excluding accrued interest of £0.1 million (31 March 2024: £7.8 million, excluding accrued interest of £0.1 million); and the value of the bilateral loan and bond portfolios were £334.0 million as at 31 March 2025, excluding accrued interest of £10.9 million (31 March 2024: £296.0 million, excluding accrued interest of £9.0 million).

See Note 15 for a summary of the movement in fair value in the Company's investments for the year.

10. Other Liabilities

	Note	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Investment management fees payable	17	338	317
Deal and underwriting expenses payable		177[1]	–
Administration fees payable	17	40	38
Depositary fees payable	17	20	67
Other operating payables		1,717	1,556
Total other liabilities		**2,292**	**1,978**

[1] The costs relate to the annual running costs of each securitisation entity (ENIV) compartment along with any abortive costs on failed deals.

11. Structured Entities Not Consolidated

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company has concluded that the unlisted entities in which it invests, but does not consolidate, meet the definition of structured entities. Cheyne utilises structured entities in order to obtain leverage, whilst limiting recourse to the underlying funds. Cheyne implements an off-balance sheet funding structure by establishing an orphan SPV ("LOL Vehicle") to own and manage a discrete, diversified pool of repackaged senior debt exposures financed pro rata by Cheyne funds and a bank. The Sponsors who will fund the orphan SPV will be a combination of Cheyne-managed funds, of which RECI is one. The bank lender faces the RELF (an orphan SPV established for the purpose of holding and financing a discrete pool of senior mortgage exposures, held in listed/cleared bond format). RECI, alongside other participating Cheyne funds, holds asset-linked notes issued by the RELF. The recourse is either to the RELF only, or via certain limited recourse fund guarantees (i.e. maximum 25% of amounts borrowed). Financing is "off-balance sheet" and all other assets in RECI are unencumbered, except insofar as a limited recourse guarantee is provided. This arrangement limits RECI's exposure to the underlying credit(s) and financing. This conclusion will be reassessed on an annual basis, if any of these criteria or characteristics change.

As a result, the Company recognises its interests in structured entities as investments at fair value through profit or loss in accordance with IFRS 10 Consolidated Financial Statements and therefore there is no requirement to consolidate in full. However, in line with IFRS 12 Disclosure of Interest in Other Entities, the details of the interests in the unconsolidated structured entities are presented in the following tables. The maximum exposure to loss is the carrying amount of the financial assets held which is equal to the fair value of loans and units in funds as at 31 March 2025 and 31 March 2024.

31 March 2025

Name	Fair value of loans[1] GBP'000	Undrawn commitment GBP'000	Carrying value GBP'000	Nature and purpose of the entity	Location
RELF[2]					
Fulton Road	30,036	2,689	15,754	To invest in Fulton Road real estate	United Kingdom
Kensington	15,682	236	7,947	To invest in Kensington real estate	United Kingdom
Sabina	19,688	8,142	9,935	To invest in Sabina real estate	Luxembourg
Cheyne French Funding Sub-Fund 3	8,881	512	8,881	To invest in Cheyne French Funding Sub-Fund 3 real estate	France
Cheyne French Funding Sub-Fund 8	19,781	–	19,781	To invest in Cheyne French Funding Sub-Fund 8 real estate	France

[1] This amount excludes interest receivables.
[2] The total loan exposure on the RELF will not equal the carrying value disclosed above due to financing within the RELF structure.

The Company holds no equity in any of these entities and has no exposure to other potential valuation uplift.

Notes to the Financial Statements (continued)

31 March 2024

Name	Fair value of loans[1] GBP'000	Undrawn commitment GBP'000	Carrying value GBP'000	Nature and purpose of the entity	Location
RELF[2]					
Fulton Road	15,262	17,463	7,888	To invest in Fulton Road real estate	United Kingdom
Kensington	17,550	236	8,035	To invest in Kensington real estate	United Kingdom
Lifestory	12,650	–	4,163	To invest in Lifestory real estate	Luxembourg
Ruby	8,194	1,560	4,167	To invest in Ruby real estate	Luxembourg
Sabina	15,869	6,562	8,865	To invest in Sabina real estate	Luxembourg
Cheyne French Funding Sub-Fund 3	10,372	3,299	10,372	To invest in Cheyne French Funding Sub-Fund 3 real estate	France
Cheyne French Funding Sub-Fund 8	24,477	5,202	24,709	To invest in Cheyne French Funding Sub-Fund 8 real estate	France

1 This amount excludes interest receivables.
2 The total loan exposure on the RELF will not equal the carrying value disclosed above due to financing within the RELF structure.

The Company holds no equity in any of these entities and has no exposure to other potential valuation uplift.

12. Financing Agreements

The Company engages in repurchase agreements ("repos") with bank lenders to manage its portfolio efficiently. Securities financed through these repos are valued at fair market value, with financing costs and advance rates varying according to the lender's discretion. Under the terms of a repo agreement, the lender takes custody of the purchased securities and values them daily to safeguard against the Company's failure to repurchase. If the market value of the underlying securities falls below the face value of the repos plus accrued interest, the Company will provide additional collateral. In case of a default on the repurchase obligation, the lender has the right to liquidate the collateral to satisfy the debt. If the counterparty defaults or declares bankruptcy, the realisation or retention of the collateral or proceeds may be subject to legal proceedings.

The Company enters into repos with several banks. This financing is collateralised against the Company's market bond and self-originated bond portfolio with a fair value totalling £100.2 million (31 March 2024: £39.5 million) and has a weighted average cost of 7.50% (31 March 2024: 7.73%) per annum. The contractual maturity period for repos is six months for market bond positions. For self-originated bonds, the maturity period is the earlier of the underlying loan's maturity or the maturity of any committed repo facilities.

This short-term financing is shown as a current liability in the Statement of Financial Position whereas the collateralised assets are shown as non-current. The movement in financing agreements amounting to £46.3 million (31 March 2024: £56.5 million) and finance costs paid amounting to £4.0 million (31 March 2024: £3.7 million) are shown as financing activities in the Statement of Cash Flows.

The following table summarises movements in financing agreements as at 31 March 2025 and 31 March 2024.

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Balance as at 1 April	23,790	80,441
Payments under financing agreements	(192,749)	(295,841)
Proceeds under financing agreements	239,269	239,681
Foreign currency gain	(257)	(326)
Finance costs	4,782	3,514
Finance costs paid	(3,985)	(3,679)
	70,850	**23,790**

During the financial year ended 31 March 2025, the Company maintained off-balance sheet financing agreements. These facilities are structured using off-balance sheet entities and are secured against specific loans. This financing does not encumber other Company assets, except for a limited recourse loss guarantee up to the borrowed amount. As at 31 March 2025, the total off-balance sheet loans amounted to £31.2 million (31 March 2024: £33.9 million). The partial recourse commitment was £9.3 million (31 March 2024: £3.9 million). No expected loss from this guarantee has been recognised in the financial statements, and no additional collateralisation was required as at year-end.

13. Share Capital

The issued share capital of the Company consists of shares, and its capital as at the year end is represented by the net proceeds from the issuance of shares and profits retained up to that date. The Company does not have any externally-imposed capital requirements. As at 31 March 2025, the Company had equity of £318.4 million (31 March 2024: £326.4 million).

	31 Mar 2025 Number of Shares	31 Mar 2024 Number of Shares
Authorised Share Capital		
Shares of no par value each	Unlimited	Unlimited
Shares issued and fully paid	**229,332,478**	**229,332,478**
Shares outstanding		
Shares at the start of the year	225,237,478	229,332,478
Shares repurchased and held in treasury	(3,343,474)	(4,095,000)
Shares at the end of the year	**221,894,004**	**225,237,478**
Treasury Shares		
Shares repurchased and held in treasury at the start of the year	4,095,000	–
Shares repurchased and held in treasury	3,343,474	4,095,000
Shares repurchased and held in treasury at the end of the year	**7,438,474**	**4,095,000**

Pursuant to the share buyback authority approved by the Company's Shareholders at the AGM on 18 September 2024, the Board has granted authority to the Company's broker, Panmure Liberum Limited, to purchase the Company's shares in the market, subject to pre-agreed parameters. All shares purchased during the year are held in treasury. On 31 March 2025, the Company announced that, having reviewed the current circumstances and assessed the Company's level and allocation of cash available for deployment, it intends to undertake a further buyback programme which will run to 30 September 2025. The aggregate purchase price of all shares acquired under the programme will be no greater than £10.0 million and 200,000 shares have been repurchased to date.

The Company purchased 3.3 million (31 March 2024: 4.1 million) shares in the market during the year. The total amount paid to purchase the shares was £4.2 million (31 March 2024: £5.0 million).

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 is a closed-ended listed investment company and, as such, Shareholders in the Company have no right to redeem their shares. Any redemption offered to Shareholders shall be at the discretion of the Directors of the Company.

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream pooled investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment company which, if it were domiciled in the United Kingdom, would currently qualify as an investment trust.

There were no changes in the policies and procedures during the year ended 31 March 2025 with respect to the Company's approach to its share capital management.

Notes to the Financial Statements (continued)

14. Financial Instruments and Associated Risks

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

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

(a) Market Risks

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

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

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

The sensitivity analysis below is based on a change in one variable while holding all other variables constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in foreign currency rate and change in market values. In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature. The sensitivity analyses are based on the Investment Manager's best estimate of reasonably possible changes in interest rates and foreign currency rates. In practice the actual trading results may differ from the sensitivity analyses in the following pages and the differences may be material.

(i) Foreign Currency Risk

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

The primary purpose of the Company's foreign currency economic hedging activities is to protect against the volatility associated with investments denominated in foreign currencies and other financial assets and liabilities created in the normal course of business.

The Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's financial assets or liabilities denominated in currencies other than GBP.

The Company may enter into spot currency transactions or utilise derivatives such as forwards to hedge against currency fluctuations.

The Company manages its foreign exchange exposure with forward foreign exchange contracts.

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

As at 31 March 2025:

Currency	Monetary Assets GBP'000	Monetary Liabilities GBP'000	Forward Foreign Exchange Contracts GBP'000	Net currency exposure GBP'000
GBP	277,508	(65,257)	110,467	322,718
EUR	114,196	(7,885)	(110,680)	(4,369)
USD	7	–	–	7
	391,711	**(73,142)**	**(213)**	**318,356**

As at 31 March 2024:

Currency	Monetary Assets GBP'000	Monetary Liabilities GBP'000	Forward Foreign Exchange Contracts GBP'000	Net currency exposure GBP'000
GBP	195,177	(17,112)	153,070	331,135
EUR	157,069	(8,670)	(153,158)	(4,759)
USD	6	–	–	6
	352,252	**(25,782)**	**(88)**	**326,382**

As at 31 March 2025, if the GBP strengthened by 5% or 10% in relation to all currency exposures of the Company, with all other variables held constant, the equity of the Company and the net profit/(loss) per the Statement of Comprehensive Income would have changed by the amounts shown below. The analysis was performed on the same basis for 2024.

By 5%	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
EUR	(218)	(238)
Total	**(218)**	**(238)**

By 10%	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
EUR	(437)	(476)
USD	1	1
Total	**(436)**	**(475)**

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

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

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

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

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

A fundamental principle of bond investing is that market interest rates and bond prices generally move in opposite directions. When market interest rates rise, prices of fixed-rate bonds fall. However, as explained under the key sources of estimation uncertainty in Note 3, the Investment Manager believes that the loan or bond's own effective yield represents the most appropriate rate to discount future cash flows. The use of this judgement limits the impact of the fluctuations in market interest rates on the valuation of the bilateral bonds and loans portfolio.

The Investment Manager has considered relevant geopolitical and macroeconomic factors including the development of market interest rate during the year and continues to believe that this key judgement remains appropriate due to the bespoke nature of the investment portfolio and the dislocation between the yield of these assets and the market interest rate.

Had movement in market interest rates been fully reflected in the valuation of fixed-rate assets held by the Company, the estimated impact of a rise of 1% (100 basis points) or 5% (500 basis points) (31 March 2024: 1% (100 basis points) or 5% (500 basis points)) on the NAV of the Company would be a decrease of £4.8 million or £24.0 million (31 March 2024: £4.4 million or £22.1 million), respectively. A decrease in interest rates by 1% (100 basis points) or 5% (500 basis points) is estimated to result in an increase in the NAV of the Company by a similar amount. These estimates are calculated based on the fair value of the fixed-rate securities, including accrued interest held by the Company as at 31 March 2025 and 31 March 2024, and their weighted average lives.

Notes to the Financial Statements (continued)

For the floating rate portion of the portfolio, which represents 27% of total investments, a 1% (100 basis points) increase in interest rates would increase annual income by approximately £1.9 million (31 March 2024: £0.5 million), while a 1% (100 basis points) decrease would reduce annual income by approximately £1.9 million (31 March 2024: £0.5 million). This analysis assumes all other variables remain constant and is based on the floating rate exposure at the reporting date.

The interest rate profile of the Company as at 31 March 2025 was as follows:

	Fixed GBP'000	Floating GBP'000	Non-interest bearing GBP'000	Total GBP'000
Financial assets at fair value through profit or loss	240,375	100,323	28,780[1]	369,478
Cash and cash equivalents	–	19,295	–	19,295
Cash collateral held at broker	–	2,866	–	2,866
Other assets	–	–	72	72
Financing agreements	–	(69,931)	(919)[2]	(70,850)
Derivative financial assets – forward foreign exchange contracts	–	–	(213)	(213)
Other liabilities	–	–	(2,292)	(2,292)
Total	**240,375**	**52,553**	**25,428**	**318,356**

[1] Accrued interest and equity securities related to financial assets at fair value through profit or loss.
[2] Interest payable related to financing agreements.

The maturity profile of the Company as at 31 March 2025 was as follows:

	Within one year GBP'000	One to five years GBP'000	Over five years GBP'000	Total GBP'000
Financial assets at fair value through profit or loss	183,567	184,244	1,667	369,478
Cash and cash equivalents	19,295	–	–	19,295
Cash collateral held at broker	2,866	–	–	2,866
Other assets	72	–	–	72
Financing agreements	(70,850)	–	–	(70,850)
Derivative financial assets – forward foreign exchange contracts	(213)	–	–	(213)
Other liabilities	(2,292)	–	–	(2,292)
Net assets	**132,445**	**184,244**	**1,667**	**318,356**

The interest rate profile of the Company as at 31 March 2024 was as follows:

	Fixed GBP'000	Floating GBP'000	Non-interest bearing GBP'000	Total GBP'000
Financial assets at fair value through profit or loss	195,849	108,202	25,318[1]	329,369
Cash and cash equivalents	–	18,290	–	18,290
Cash collateral held at broker	–	4,489	–	4,489
Other assets	–	–	104	104
Financing agreements	–	(23,668)	(122)[2]	(23,790)
Cash collateral due to broker	–	(14)	–	(14)
Derivative financial liabilities – forward foreign exchange contracts	–	–	(88)	(88)
Other liabilities	–	–	(1,978)	(1,978)
Total	**195,849**	**107,299**	**23,234**	**326,382**

[1] Accrued interest and equity securities related to financial assets at fair value through profit or loss.
[2] Interest payable related to financing agreements.

The maturity profile of the Company as at 31 March 2024 was as follows:

	Within one year GBP'000	One to five years GBP'000	Over five years GBP'000	Total GBP'000
Financial assets at fair value through profit or loss	105,966	223,366	37	329,369
Cash and cash equivalents	18,290	–	–	18,290
Cash collateral held at broker	4,489	–	–	4,489
Other assets	104	–	–	104
Financing agreements	(23,790)	–	–	(23,790)
Cash collateral due to broker	(14)	–	–	(14)
Derivative financial liabilities – forward foreign exchange contracts	(88)	–	–	(88)
Other liabilities	(1,978)	–	–	(1,978)
Net assets	**102,979**	**223,366**	**37**	**326,382**

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

(b) Credit Risk

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

The Company has credit exposure in relation to its financial assets with The Bank of New York Mellon with the credit quality of AA- (31 March 2024: AA-) according to Standard and Poor's. The Company's cash and cash equivalents are held with The Bank of New York Mellon.

The Company also has credit exposure to JPMorgan Chase Bank N.A. in relation to cash collateral held, which has a credit rating of AA- (31 March 2024: A+) according to Standard and Poor's.

The Company's maximum exposure to credit risk for financial assets is as follows:

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Instrument		
Real Estate Credit Investments – market bond portfolio	6,812	7,894
Real Estate Credit Investments – bilateral loan and bond portfolio	344,857	305,037
Cash and cash equivalents	19,295	18,290
Cash collateral held at broker	2,866	4,489
Total	**373,830**	**335,710**

Market Bond Portfolio

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

Notes to the Financial Statements (continued)

Bilateral Loan and Bond Portfolio

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

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

The Company's total investment in bilateral loan and bond portfolio as at 31 March 2025 amounted to £344.9 million (31 March 2024: £305.0 million) which includes accrued interest on loans and bonds of £10.9 million (31 March 2024: £9.0 million) at this date.

The Company's total credit risk exposure includes an additional £9.3 million relating to partial guarantee provided for off-balance sheet loan financing arrangements. These contingent obligations, while not recognised on the Statement of Financial Position, represent potential credit risk exposure that supplements our reported risk position. No expected loss from this guarantee has been recognised in the financial statements.

Derivative Contracts

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 in the Statement of Financial Position. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

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

Below are the derivative liabilities by counterparty and details of the collateral received and pledged by the Company as at 31 March 2025:

Derivative Type	Counterparty	Value of derivative liabilities GBP'000	Collateral received GBP'000	Collateral pledged GBP'000	Net (if greater than zero) GBP'000
Forward foreign exchange contracts	The Bank of New York Mellon	(213)	–	–	–

Below are the derivative liabilities by counterparty and details of the collateral received and pledged by the Company as at 31 March 2024:

Derivative Type	Counterparty	Value of derivative liabilities GBP'000	Collateral received GBP'000	Collateral pledged[1] GBP'000	Net (if greater than zero) GBP'000
Forward foreign exchange contracts	The Bank of New York Mellon	(88)	–	88	–

[1] Over-collateralisation is not presented in this table. The amount of collateral reflected is limited to the amount of the derivative liabilities.

Custody

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

If the credit quality or the financial position of The Bank of New York Mellon (International) Limited were to deteriorate significantly, the Investment Manager will seek to move the Company's assets to another bank. The Bank of New York Mellon (International) Limited is a Trust Company with a credit quality of Aa1 at the reporting date (31 March 2024: Aa2) according to Moody's.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In managing the Company's assets, therefore, the Investment Manager seeks to ensure that the Company holds at all times a sufficient portfolio of assets listed on recognised investment exchanges to enable it to discharge its payment obligations. The Investment Manager monitors the Company's liquidity position on a daily basis. Where needed, the Investment Manager will liquidate positions to increase cash or reduce leverage.

The Company manages the liquidity risk for repurchase agreements and off-balance sheet financing agreements by ensuring the tenor for these arrangements are long term. The contractual maturity for repurchase arrangements is agreed at six months for market bond positions, with the expectation that this financing will be rolled over. For self-originated positions, the maturity period is determined by the earlier of the underlying loan's maturity or the maturity of any committed repo facilities.

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

As at 31 March 2025:	Less than 1 month GBP'000	1-3 months GBP'000	3 months to 1 year GBP'000	Greater than 1 year GBP'000
Financial liabilities excluding derivatives				
Financing agreements	51,376	18,655	819	–
Other liabilities	–	2,292	–	–
	51,376	**20,947**	**819**	**–**

As at 31 March 2024:	Less than 1 month GBP'000	1-3 months GBP'000	3 months to 1 year GBP'000	Greater than 1 year GBP'000
Financial liabilities excluding derivatives				
Financing agreements	–	22,433	1,357	–
Cash collateral due to broker	–	14	–	–
Other liabilities	–	1,978	–	–
	–	**24,425**	**1,357**	**–**

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

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

(d) Valuation of Financial Instruments

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

Notes to the Financial Statements (continued)

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

Level 1 – Quoted market prices in an active market for an identical instrument;

Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

As at 31 March 2025:	Level 1 GBP'000	Level 2 GBP'000	Level 3 GBP'000	Total GBP'000
Non-current assets				
Real Estate Credit Investments – market bond portfolio	–	66	6,746	6,812
Real Estate Credit Investments – bilateral loan and bond portfolio	–	–	344,857	344,857
Real Estate Credit Investments – equity securities	–	–	17,809	17,809
Total non-current assets	–	66	369,412	369,478
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(70,850)[1]	–	(70,850)
Forward foreign exchange contracts	–	(213)	–	(213)
Total current liabilities	–	(71,063)	–	(71,063)
	–	**(70,997)**	**369,412**	**298,415**

[1] Includes repurchase agreements related to Level 3 investments.

As at 31 March 2024:	Level 1 GBP'000	Level 2 GBP'000	Level 3 GBP'000	Total GBP'000
Non-current assets				
Real Estate Credit Investments – market bond portfolio	–	101	7,793	7,894
Real Estate Credit Investments – bilateral loan and bond portfolio	–	–	305,037	305,037
Real Estate Credit Investments – equity securities	–	–	16,438	16,438
Total non-current assets	–	101	329,268	329,369
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(23,790)[1]	–	(23,790)
Forward foreign exchange contracts	–	(88)	–	(88)
Total current liabilities	–	(23,878)	–	(23,878)
	–	**(23,777)**	**329,268**	**305,491**

[1] Includes repurchase agreements related to Level 3 investments.

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 foreign exchange 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 value of the repurchase agreements is valued at cost or principal and is included in Level 2 of the fair value hierarchy.

The fair value 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").

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 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 7.1% to 11.7% (31 March 2024: 6.2% to 13.2%) (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 LTV of the investment). In most instances, the terms of the loan require periodic revaluation of the underlying property to check against LTV 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.

RECI may invest in equity securities which are not quoted in an active market, and which may be subject to restrictions on redemptions such as lock-up periods, redemption gates and side pockets. Transactions in the shares of the funds occur on a regular basis. Equity securities are valued using discounted cash flow.

In determining the level, RECI considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. If RECI has the ability to redeem its investment at the reported net asset valuation as of the measurement date, the investment is generally categorised in Level 2 of the fair value hierarchy. If RECI does not know when it will have the ability to redeem the investment or it does not have the ability to redeem its investment in the near term, the investment is categorised in Level 3 of the fair value hierarchy. Equity securities are categorised in Level 3 of the fair value hierarchy.

Notes to the Financial Statements (continued)

The following tables set out information about significant unobservable inputs used as at 31 March 2025 and 31 March 2024 in measuring financial assets categorised as Level 3:

As at 31 March 2025:	Fair value GBP'000	Valuation technique	Unobservable input
Market bond portfolio	6,746	Priced via external pricing source	Comparable set used
Bilateral loan and bond portfolio	344,857	Discounted cash flow	Risk-adjusted discount rate and sector-based yields
Equity securities	17,809	Discounted cash flow	Risk-adjusted discount rate and sector-based yields

As at 31 March 2024:	Fair value GBP'000	Valuation technique	Unobservable input
Market bond portfolio	7,793	Priced via external pricing source	Comparable set used
Bilateral loan and bond portfolio	305,037	Discounted cash flow	Risk-adjusted discount rate and sector-based yields
Equity securities	16,438	Discounted cash flow	Risk-adjusted discount rate and sector-based yields

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Changes in unobservable inputs, such as discount rates used in loans and bonds valuation and sector-based yields used in collateral valuation can have a negative or positive impact on fair value. Sensitivities around the discount rates are discussed in detail in the interest rate risk note while sensitivity around expected future cash flows including collateral valuation is explained below. Sensitivities range from 10% to 15% for external valuations dated prior to the end of 30 September 2024 (31 March 2024: 10% to 15%). For valuations after 30 September 2024, the sensitivities are set from 5% to 10% for external valuations (31 March 2024: 5% to 10%). This represents management's assessment of a reasonable possible change and would have a negative impact of £3.6 million (31 March 2024: £7.2 million) or positive impact of £3.8 million (31 March 2024: £2.4 million) on the fair value measurements for the Level 3 assets.

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. Since 2017, the majority of the Company's investments are now made through Luxembourg-based entities, ENIV S.à r.l. and RELF, via separate note instruments. As and when market information, such as market prices from recognised financial data providers becomes available, the Company will assess the impact on its portfolio of loans and whether there should be any transfers between levels in the fair value hierarchy.

As at 31 March 2025, 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. Please refer to pages 85 to 86 for the effects of movement in market rates.

Level 3 Reconciliation

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

	Level 3 31 Mar 2025 GBP'000	Level 3 31 Mar 2024 GBP'000
Financial assets at fair value through profit or loss		
Opening balance	329,268	370,979
Total losses recognised in the Statement of Comprehensive Income for the year	(1,025)	(6,381)
Purchases[1]	139,847	95,164
Sales	(100,588)	(125,399)
Increase/(decrease) in interest receivable	1,910	(5,095)
Closing balance	**369,412**	**329,268**
Unrealised gains/(losses) on investments classified as Level 3 at year end	**187**	**(3,267)**

[1] Includes capitalised interest amounting to £12,567 (31 March 2024: £13,800).

(e) Prepayment and Re-Investment Risks

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

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

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

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

15. 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 are likely to be: (i) secured real estate loans; (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"); and (iii) equity securities. 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 three reportable segments, being the Market Bond Portfolio, Bilateral Loan and Bond Portfolio and Equity Securities.

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, Bilateral Loan and Bond Portfolio and Equity Securities separately; thus, three reportable segments are displayed in the financial statements.

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

Year ended 31 March 2025:	Market Bond Portfolio GBP'000	Bilateral Loan and Bond Portfolio GBP'000	Equity Securities GBP'000	Total GBP'000
Interest income	754	28,050	–	28,804
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	1,026	(5,511)	3,460	(1,025)
Reportable segment profit	**1,780**	**22,539**	**3,460**	**27,779**
Finance costs	**(262)**	**(4,520)**	**–**	**(4,782)**

Notes to the Financial Statements (continued)

Year ended 31 March 2024:	Market Bond Portfolio GBP'000	Bilateral Loan and Bond Portfolio GBP'000	Equity Securities GBP'000	Total GBP'000
Interest income	1,482	28,413	–	29,895
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	1,808	(2,512)	(5,276)	(5,980)
Reportable segment profit/(loss)	**3,290**	**25,901**	**(5,276)**	**23,915**
Finance costs	**(989)**	**(2,525)**	**–**	**(3,514)**

As at 31 March 2025:	Market Bond Portfolio GBP'000	Bilateral Loan and Bond Portfolio GBP'000	Equity Securities GBP'000	Total GBP'000
Reportable segment assets	6,812	344,857	17,809	369,478
Non-segmental assets				22,233
Financing agreements	(4,240)	(66,610)	–	(70,850)
Non-segmental liabilities				(2,505)
Net assets				**318,356**

As at 31 March 2024:	Market Bond Portfolio GBP'000	Bilateral Loan and Bond Portfolio GBP'000	Equity Securities GBP'000	Total GBP'000
Reportable segment assets	7,894	305,037	16,438	329,369
Non-segmental assets				22,883
Financing agreements	(4,733)	(19,057)	–	(23,790)
Non-segmental liabilities				(2,080)
Net assets				**326,382**

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 year. Certain income and expenditure is not considered part of the performance of either segment. This includes net gains/(losses) on forward foreign exchange contracts, net gains/(losses) on foreign currency translation, expenses and interest on borrowings.

The following table provides a reconciliation between reportable segment profit and net profit.

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Reportable segment profit	27,779	23,915
Net gains on forward foreign exchange contracts	4,655	6,615
Net gains on foreign currency translation	1,011	260
Interest income on financial assets at amortised cost	716	446
Other income	37	123
	34,198	31,359
Operating expenses	(6,599)	(5,990)
Finance costs	(4,782)	(3,514)
Net profit	**22,817**	**21,855**

Certain assets are not considered to be attributable to either segment. These include cash and cash equivalents, cash collateral held at broker, derivative financial assets and other assets.

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

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Reportable segment assets	369,478	329,369
Cash and cash equivalents	19,295	18,290
Cash collateral held at broker	2,866	4,489
Other assets	72	104
Total assets	**391,711**	**352,252**

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios and Equity Securities for the year ended 31 March 2025:

Year ended 31 March 2025:	Market Bond Portfolio GBP'000	Bilateral Loan and Bond Portfolio GBP'000	Equity Securities GBP'000	Total GBP'000
Financial assets at fair value through profit or loss				
Opening fair value	7,894	305,037	16,438	329,369
Transfer	–	2,312	(2,312)	–
Purchases[1]	–	139,624	223	139,847
Repayments/sales proceeds	(2,073)	(98,515)	–	(100,588)
(Decrease)/increase in interest receivable	(35)	1,910	–	1,875
Realised losses on sales	(58)	(861)	(7)	(926)
Net movement in unrealised gains/(losses)	1,084	(4,650)	3,467	(99)
Closing fair value	**6,812**	**344,857**	**17,809**	**369,478**

[1] Includes capitalised interest amounting to £12,567.

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios and Equity Securities for the year ended 31 March 2024:

Year ended 31 March 2024:	Market Bond Portfolio GBP'000	Bilateral Loan and Bond Portfolio GBP'000	Equity Securities GBP'000	Total GBP'000
Financial assets at fair value through profit or loss				
Opening fair value	49,243	341,475	10,024	400,742
Transfer	–	(11,651)	11,651	–
Purchases[1]	–	94,866	298	95,164
Repayments/sales proceeds	(42,942)	(112,046)	(259)	(155,247)
Decrease in interest receivable	(215)	(5,095)	–	(5,310)
Realised (losses)/gains on sales	(4,233)	1,338	(1)	(2,896)
Net movement in unrealised gains/(losses)	6,041	(3,850)	(5,275)	(3,084)
Closing fair value	**7,894**	**305,037**	**16,438**	**329,369**

[1] Includes capitalised interest amounting to £13,800.

16. Cash Collateral

The Company manages some of its financial risks through the use of financial derivative instruments and repurchase agreements which are subject to collateral requirements. The following table provides the cash held by various financial institutions as at 31 March 2025 and 31 March 2024. The cash held by brokers is restricted and is shown as Cash collateral held at/due to broker in the Statement of Financial Position.

Notes to the Financial Statements (continued)

	31 Mar 2025 GBP'000	31 Mar 2024 GBP'000
Cash collateral held at broker		
JPMorgan Chase Bank, N.A.	2,866	916
The Bank of New York Mellon	–	3,572
Deutsche Bank Securities Inc.	–	1
	2,866	**4,489**
Cash collateral due to broker		
The Bank of New York Mellon	–	(14)
	–	**(14)**

17. 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. Since 2017, the majority of the Company's investments are now made through Luxembourg-based entities, ENIV S.à r.l. and RELF, via separate note instruments. This entity has separate compartments for each loan deal which effectively ringfences each loan deal. Other funds managed by the Investment Manager may invest pari passu in these compartments.

Investment Manager

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

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

Management Fee

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

During the year ended 31 March 2025, the Management Fee totalled £4.1 million (31 March 2024: £4.2 million), of which £0.3 million (31 March 2024: £0.3 million) was outstanding at the year 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. As no Performance Fee was payable in the previous Performance Period, the NAV on which the Hurdle Assets will be determined in accordance with the above formula was the NAV per share of £1.63 as at 2 October 2017 (being the Starting Date of the Performance Period immediately following the last Performance Period in which a Performance Fee was paid).

During the years ended 31 March 2025 and 31 March 2024, there were no performance fees accrued.

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 of £10,000.

During the year ended 31 March 2025, the administration fee totalled £0.3 million (31 March 2024: £0.3 million), of which £0.04 million (31 March 2024: £0.04 million) was outstanding at the year end.

Depositary Fee

Under the terms of the Depositary Agreement, the Depositary is entitled to receive from the Company an annual Depositary fee of 0.02% (31 March 2024: 0.02%) of the NAV of the Company. During the year ended 31 March 2025, the Depositary fee totalled £0.04 million (31 March 2024: £0.06 million). The Company owed £0.02 million (31 March 2024: £0.07 million) to the Depositary at the year end.

18. Contingencies and Commitments

As at 31 March 2025, the Company had committed £468.7 million into bilateral loans and bonds of which £387.2 million had been funded (31 March 2024: £489.0 million into bilateral loans and bonds of which £352.1 million had been funded).

19. Subsequent Events

The Directors declared a dividend of 3.0 pence per share on 24 June 2025.

Since 1 April 2025, RECI has bought back 200,000 shares at 120.0 pence per share.

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

20. Foreign Exchange Rates Applied to Combined Totals Used in the Preparation of the Financial Statements

The following foreign exchange rates relative to the GBP were used as at the year end date:

Currency	31 Mar 2025 GBP	31 Mar 2024 GBP
EUR	1.19	1.17
USD	1.29	1.26

21. Approval of the Financial Statements

The Annual Report and audited financial statements of the Company were approved by the Directors on 24 June 2025.

Appendix I – AIFM Remuneration Policy (Unaudited)

Annual Remuneration Disclosure for the Year to 31 March 2025

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

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

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

Cheyne was authorised as an AIFM on 22 July 2014. The quantitative disclosures required under Article 22 of AIFMD in accordance with the European Securities and Markets Authority ("ESMA") guidance for the year ended 31 March 2025, in respect of remuneration derived from the AIF, are as follows:

Business Area	Number of Code Staff	AIFM Total Remuneration (all variable)	Code Staff relevant to the AIF	Remuneration derived from the AIF (all variable)	Deferred Remuneration derived from the AIF
Portfolio Management	19	£22,014,889	6	£974,850	£210,481
Senior Management	7	£19,059,489	7	£798,434	£220,129
Total	**26**	**£41,074,378**	**13**	**£1,773,284**	**£430,610**

Remuneration Code information is provided as required under the FCA Rules.

Appendix II – AIFM Leverage (Unaudited)

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

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

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

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

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

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

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

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

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

Leverage is limited to 500% of NAV of the Company under both the Gross and Commitment approaches. Up to 31 March 2025, the maximum leverage calculated has been 164.00% (31 March 2024: 146.87%) for the Gross Approach and 128.45% (31 March 2024: 107.90%) for the Commitment Approach.

Directors and Advisers

Directors

Andreas Tautscher
(appointed 7 May 2024 and Chairman from 1 November 2024)
Susie Farnon
Colleen McHugh
Mark Thompson (appointed 4 November 2024)
Bob Cowdell (resigned 31 October 2024)
John Hallam (resigned 18 September 2024)

Secretary of the Company

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

Corporate Broker

Panmure Liberum Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London, EC2Y 9LY

Registrar

MUFG Corporate Markets (Guernsey) Limited
Mount Crevelt House
Bulwer Avenue
St. Sampson
Guernsey, GY2 4LH

Depositary

The Bank of New York Mellon (International) Limited
One Canada Square
London, E14 5AL

Registered Office

East Wing
Trafalgar Court
Les Banques, St. Peter Port
Guernsey, GY1 3PP

Alternative Investment Fund Manager

Cheyne Capital Management (UK) LLP
Stornoway House
13 Cleveland Row
London, SW1A 1DH

Independent Auditor

Deloitte LLP
Regency Court
Glategny Esplanade
St. Peter Port
Guernsey, GY1 3HW

UK Transfer Agent

MUFG Corporate Markets
Central Square
29 Wellington Street
Leeds, LS1 4DL

Administrator

Citco Fund Services (Guernsey) Limited
PO Box 273
Frances House
Sir William Place
St. Peter Port
Guernsey, GY1 3RD

Sub-Administrator

Citco Fund Services (Ireland) Limited
Custom House Plaza, Block 6
International Financial Services Centre
Ireland, Dublin 1

Glossary

Asset Strategy definitions

Core	Assets that benefit from having long-term income.
Core +	Assets that benefit from having strong current income but do require some measure of asset management to optimise their income profile and term.
Development De-Risked	Development assets which benefit from being substantially pre-sold or pre-let.
Development Fit-Out	Assets that have either been built from the ground up and have reached the completion of the superstructure ("topped out"), or assets which are in need of substantial refurbishment works. These typically already benefit from the requisite consent to develop.
Development Groundworks/ Superstructure	Assets that are to be built from the ground up and are in the groundworks stage or building the superstructure has commenced. These typically already benefit from the requisite consent to develop.
Real Estate Op-Co/Prop-Co Loan	Loan secured by both the operating company as well as all of the Company's real assets.
Value add/transitional	Assets that require asset management (typically refurbishment) and re-letting to secure a core income profile.
Weighted Average Life ("WAL")	Represents the average time until principal is repaid, weighted by the size of each principal payment. WAL is calculated by excluding all cash flows prior to the reporting date and adjusting for accrued value in the current period, to reflect only the expected future repayments.

Alternative Performance Measures

Dividend Yield	The total dividends paid in the reporting period (per share) divided by the quoted price of each share as at the relevant reporting date.
Market Capitalisation	The number of shares in issuance at the relevant reporting date multiplied by the share price at the relevant reporting date.
NAV per share	The net asset value of the Company divided by the number of shares in issuance at the relevant reporting date.
Share Price Premium/Discount	The percentage difference between the NAV per share and the quoted price of each share as at the relevant reporting date.
Total NAV Return	The return on the movement in the NAV per share at the end of the period together with all the dividends paid during the period, divided by the NAV per share at the beginning of the period.

RECI
REAL ESTATE CREDIT INVESTMENTS

Real Estate Credit Investments Limited

East Wing
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 3PP

www.realestatecreditinvestments.com