Real Estate Credit Investments Limited

Interim Financial Report

2023

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2023

RECI
REAL ESTATE CREDIT INVESTMENTS

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2023

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

Front cover: Hotel development in Portugal

Inside front cover images:
Top: Health Spa in the United Kingdom
Middle: Hotel development in Portugal
Bottom: PBSA development in Spain

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This condensed unaudited interim financial statements does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report and audited financial statements for the year ended 31 March 2023 and any public announcements made by Real Estate Credit Investments Limited (the "Company" or "RECI") during the interim reporting period.

The condensed unaudited interim financial statements of the Company were approved by the Directors on 28 November 2023.

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

OVERVIEW
AS AT 30 SEPTEMBER 2023

Overview and Highlights

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	• 45 positions • Diverse portfolio across sectors and geography
Attractive and stable income in a changing interest rate environment	• Consistent portfolio yield of 7%+ 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

Total Assets
£408.5m
(31 March 2023: £419.0m)


Hotel development in France

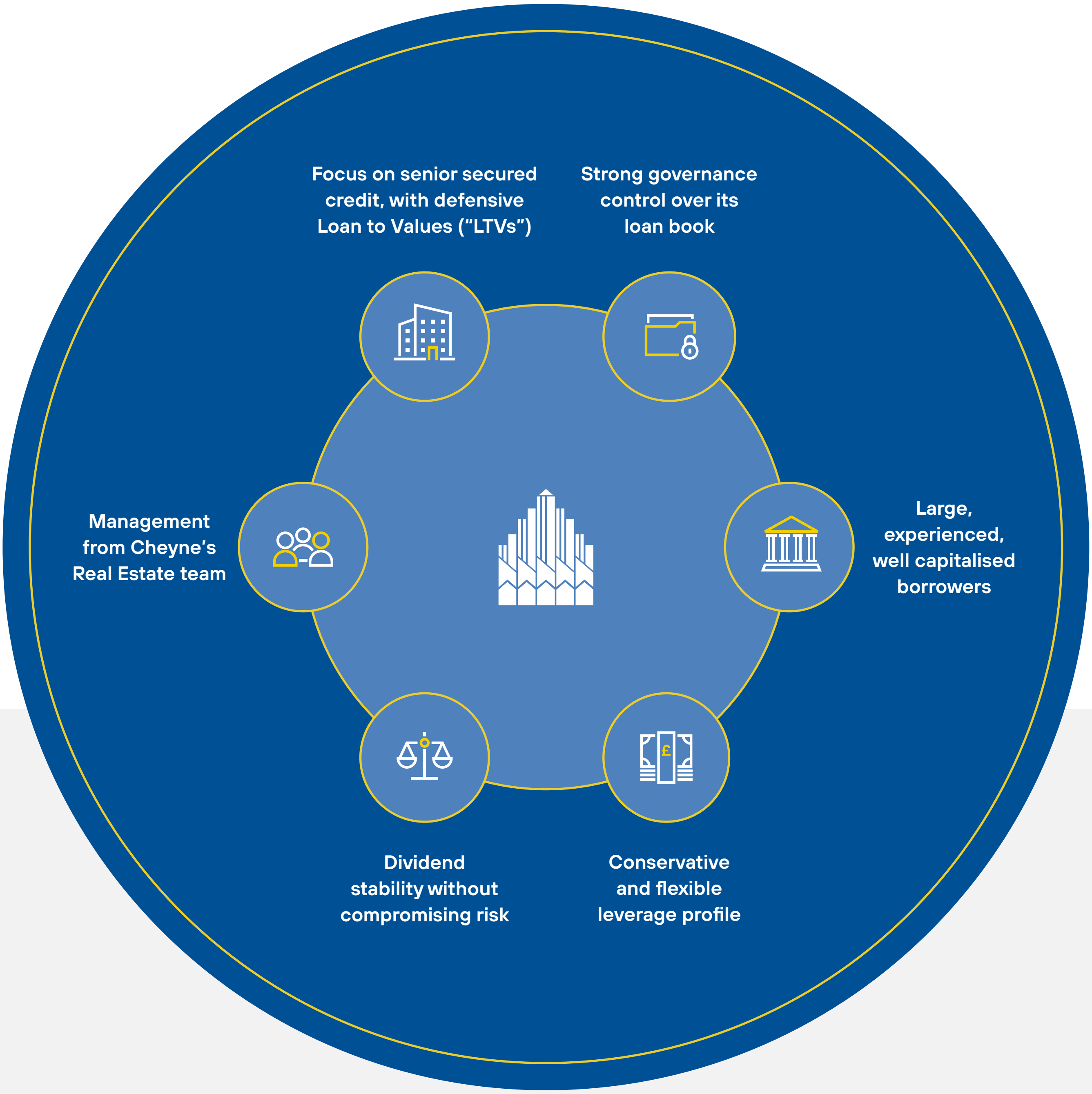
NAV per Share
£1.48
(31 March 2023: £1.47)


Later Living Development in the United Kingdom

Net Assets
£338.8m
(31 March 2023: £337.0m)

Net Profit
£15.6m
(Full year ended 31 March 2023: £20.6m profit)

RECI Offers:



H1 2023 Total NAV Return (annualised)

9.4%

(30 September 2022: 5.9%)

Share Price

£1.32

(31 March 2023: £1.34)

Dividend Yield

9.1%

(31 March 2023: 9.0%)

HY 2023 Dividends

6.0 pence

(30 September 2022: 6.0 pence)

OVERVIEW

At a Glance

Providing compelling risk-adjusted returns

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

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

Investments are predominantly in:

Self-Originated Loans and Bonds

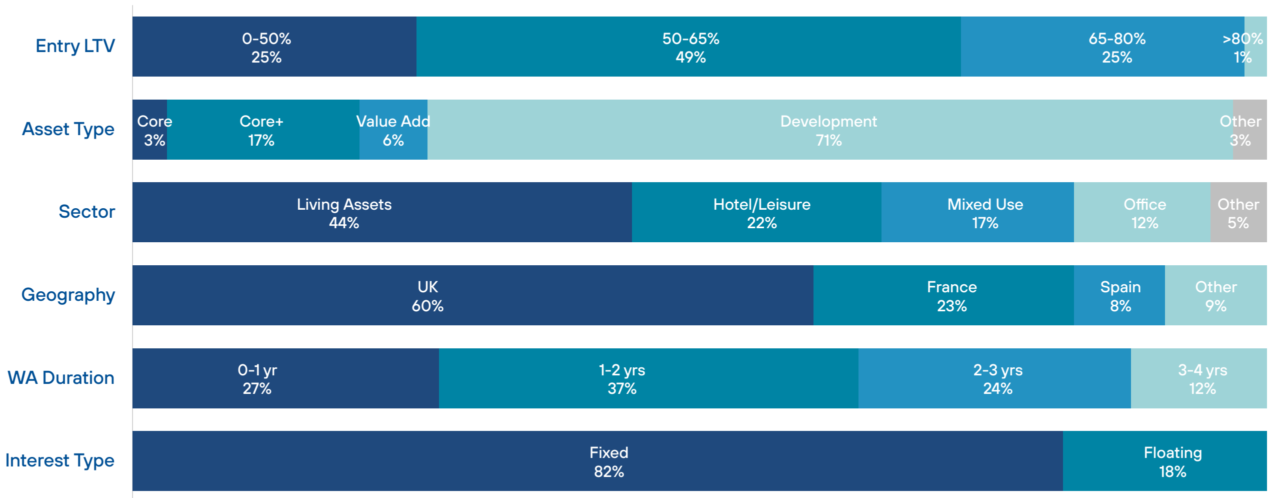
Predominantly bilateral senior real estate loans and bonds.

Market Bonds

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

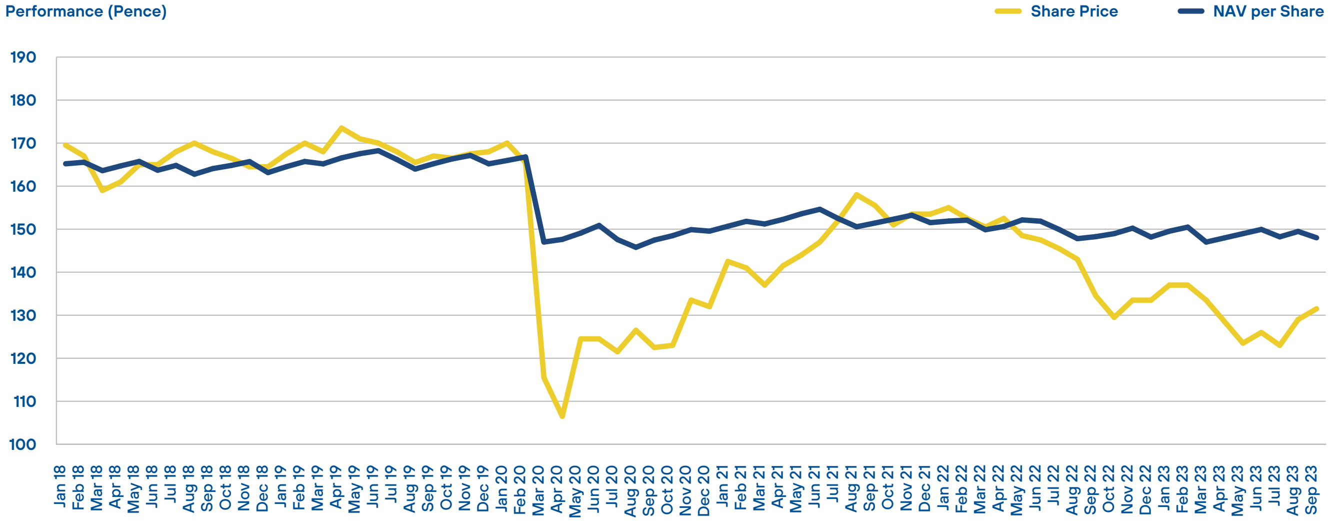
Investment Portfolio Composition

RECI's investment portfolio, a diversified book of 45 positions in real estate bonds and loans, was valued at £395.9 million, including accrued interest, as at 30 September 2023, down from £400.7 million as at 31 March 2023. The portfolio had a weighted average levered yield of 10.4% and an average loan-to-value ratio of 60.1% as at 30 September 2023.



Share Price vs NAV per Share

Performance (Pence)



NAV and Share Price

As at 30 September 2023	
Net Assets	**£338.8m**
Shares Outstanding	**229.3m**
NAV (per share)	**£1.48**
Share Price (per share)	**£1.32**
(Discount)/Premium	**(10.8)%**
Dividend Yield	**9.1%**
Market Capitalisation	**£301.6m**

Total NAV Return*

Half Year Ended 30 September 23 (Annualised)	**9.4%**
Prior Financial Year End 31 March 23	**6.2%**
Last Three Financial Years Ended 31 March 23	**26.9%**
Last Five Financial Years Ended 31 March 23	**32.1%**

* 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 outside of the scope of IFRS.

OVERVIEW

Chairman's Statement

RECI continued to deliver a stable NAV and attractive quarterly 3 pence dividend per share

Bob Cowdell
Chairman

The period since commencement of the Company's current financial year on 1 April 2023 has seen a continuation of the geopolitical and economic themes which have challenged global markets and investor sentiment. In addition, October saw the start of the harrowing events in Israel and Gaza which have raised tensions in the Middle East and further increased global uncertainties.

Central banks around the world continued to raise interest rates during the period as they battled to control high levels of inflation. The September and November rate setting meetings brought a pause in increases by the Federal Reserve and Bank of England, leading to speculation that rate rises may have peaked as inflation data showed some easing. Investors and commentators have continued to speculate as to the future direction of rates, as wage growth and rising winter fuel costs loom which may boost inflation, while balancing the risk that levels of Western economy growth appear sluggish, raising the threat of potential recession. While the latest UK inflation data shows some reduction, concerns persist that interest rates may remain at elevated levels for longer and that a return to the very low levels of the last decade may not be achievable.

The rapid rise in interest rates and the associated risk free return that can be generated has put pricing pressure upon bonds and income funds, with yields expanding accordingly. This coupled with investor nervousness continues to see most UK listed investment trusts and companies trading at historically high discount levels.

Investors and commentators have raised questions regarding the valuation of assets in the alternative assets sector. Of relevance to RECI, the scrutiny of commercial property valuations has heightened as prolonged high interest rates and recessionary concerns impact tenants, operators and developers. In addition, the attraction of certain sectors, such as retail premises and city centre office space, continues to be impacted by the cost of living crisis and the changed workplace patterns since the COVID pandemic. In addition to the varying attraction of different property sectors, the focus has also alighted upon the widening difference between the valuation of tired, older generation properties when contrasted with the merits of new, high specification, ESG compliant buildings built for the demanding tenants and clients of the 21st century.

Our investment manager had anticipated this trend and Cheyne's investment process and deal selection continues to identify and lend against those quality real estate assets within its preferred sectors and with fundamentals that underpin and support their valuations.

Continuing the pivot towards senior loans which commenced in 2017, our Investment Manager has strengthened the resilience of the Company's portfolio. As at 30 September 2023, the exposure to lower risk senior loans and bonds was 89.2%; the total portfolio had a Weighted Average Life ("WAL") of just 1.5 years; and the weighted average LTV of the Company's portfolio was 60.1% (60.4% at 30 September 2022), providing significant defensive equity headroom.

Financial Performance

RECI reported total net profit for the half year ended 30 September 2023 of £15.6 million on half year end total assets of £408.5 million; £10.3 million for the half year ended 30 September 2022 on half year end total assets of £465.7 million.

The NAV as at 30 September 2023 was £1.48 per share (£1.48 per share as at 30 September 2022).

The 30 September 2023 NAV reflects the dividends of 6 pence per share declared during the half year in respect of the fourth interim dividend for the year ended 31 March 2023 and the first interim dividend of the current financial year, returning £13.8 million to Shareholders and providing an annualised total NAV return of 9.4% for the half year.

During the half year ended 30 September 2023, the Company funded £50.7 million in the origination of loans; received £15.6 million from the sale of market bonds; and received cash repayments and interest of £72.6 million.

Half Year Review

Reflecting RECI's robust portfolio, the Company's NAV continued to be stable during the half year to close at £1.48 per share at 30 September 2023.

Having commenced the half year period at a price of £1.34 per share, the Company's shares traded at an average discount to NAV of 14.7% during the financial half year to close at 30 September 2023 at £1.32 per share (a discount of 10.8%). Reflecting market sentiment, the Real Estate debt sector traded at an average discount of 23.5% (excluding RECI) over the six months to 30 September 2023 (source: Liberum, company data).

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").

On 30 August 2023, the Company announced a share buyback programme (the "Programme") to expire on 31 March 2024 at the end of the current financial year. The Board's decision allocated Available Cash to finance the Programme alongside future potential reinvestment into new enhanced return investment opportunities, as and when appropriate.

Reflecting the uncertain market background and its policy of prudent cash management, the aggregate purchase price of all shares acquired under the Programme will be no greater than £5.0 million. The Company appointed Liberum Capital Limited to make market purchases of shares in accordance with certain pre-set parameters, the Company's existing authorities and relevant regulatory requirements. RECI's shares closed at £1.28 per share (a discount of 13.6%) on 30 August 2023, the eve of the buyback announcement and traded at an average price of £1.30 (12.3% discount) from the date of announcement until 27 November 2023. To date Liberum have not exercised their discretion to purchase shares under the Programme, reflecting the market demand they are seeing for the Company's shares from existing and new investors and the resilient share price performance.

The Company's shares closed at £1.32 on 27 November 2023 (a discount of 11.4%), which would provide a yield of 9.1% on the basis of continuing to pay a quarterly 3 pence dividend per share for the rest of the current financial year.

When the financial year began on 1 April 2023, RECI had gross balance sheet leverage of £80.4 million (0.24x NAV) and leverage net of £16.5 million cash was 0.19x NAV. 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. During the last financial year, the Company introduced asset level leverage (which may be structured on a non-recourse or partial recourse basis), alongside flexible balance sheet leverage. As at 30 September 2023, the Company's gross balance sheet leverage was £59.3 million (0.18x NAV); its balance sheet leverage net of £12.6 million cash was 0.14x NAV; and its net effective leverage, including contingent liabilities (being the partial recourse commitment representing 25% of asset level borrowings provided to certain asset level structured finance counterparties), was £49.8 million (0.15x NAV).

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 1.16 million shares in the Company since the start of the current financial year.

Colleen McHugh was appointed on 15 September 2023 as Chair of the Board's Management Engagement Committee, succeeding Susie Farnon who remains Chair of the Company's Audit & Risk Committee.

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 earlier this month.

Outlook

The continued uncertainty as to the future level of inflation and interest rates will likely pervade for the rest of this financial year. The macroeconomic background will feed into valuation concerns for certain sectors and property types within the real estate market. The Board is confident that Cheyne's management expertise and focus on only lending in respect of high quality assets, in their preferred sectors and contracting with substantial quality sponsors, will position RECI well to withstand the broader challenges and steer a course through difficult market conditions.

The Company's buyback Programme remains in place and will be reviewed at the end of the current financial year. Scheduled portfolio repayments will boost Available Cash resources during H1 2024, which may be deployed into a successor to the Programme and potential investments into the attractive higher yielding opportunities identified by Cheyne.

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

Bob Cowdell
Chairman
28 November 2023

KPIs and Financial Highlights

Key Performance Indicators

	30 Sep 2023	31 Mar 2023
Balance Sheet		
Net Asset Value ("NAV") per share	**£1.48**	£1.47
Share price	**£1.32**	£1.34
Discount	**(10.8)%**	(8.8)%
Average discount in period/year*	**(14.7)%**	(6.1)%
Leverage (% of NAV)**	**17.5%**	23.8%

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

	30 Sep 2023	30 Sep 2022
Profit, Loss and Dividends (6 months ended)		
Earnings per share	**6.8p**	4.5p
Dividends per share declared for the period	**6.0p**	6.0p
Total NAV Return (including dividends) annualised	**9.4%***	5.9%

* Assumes re-investment of dividends.

Financial Highlights

	30 Sep 2023	31 Mar 2023
Balance Sheet		
Cash, cash equivalents and cash held by brokers	**£12.6m**	£16.5m
Net assets	**£338.8m**	£337.0m

	30 Sep 2023	30 Sep 2022
Profit and Loss (6 months ended)		
Operating income	**£20.6m**	£14.7m
Net profit	**£15.6m**	£10.3m

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

Further Information

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

BUSINESS AND STRATEGY REVIEW

Investment Manager's Report

Well Positioned Portfolio to Successfully Navigate Transition

Ravi Stickney
Portfolio Manager

Managing Partner and CIO,
Cheyne Real Estate

Market Review

Real Asset Valuations: Exogenous shocks and a transition to higher for longer

Prior to the beginning of October this year, expectations for long-term rates had begun to decline as inflation was seen to be easing and employment markets were seen to be softening.

However, expectations today have been materially revised for two main reasons:

- A resurgence of geopolitical uncertainty, leading to exogenous risks coming back to the fore, and
- Economies (and employment) have proven very resilient to a prolonged period of higher rates

On the latter, economies are demonstrating that marginally higher terminal rates in the region of 3% to 4% are not necessarily destructive to the economy and, indeed, may be productive in the long run.

On the former, exogenous inflation is a threat that is difficult to now forecast a path through. A continued prolonged period of inflation, not matched with growth, may well lead to a stagflationary environment posing a threat to global asset valuations.

Our view remains that a terminal interest rate in the region of 3-4% globally is conducive to productivity and growth. However, exogenous inflationary threats are a concern which are now difficult to assess with certainty.

Real Estate Valuations and the need to sell

Real estate valuations are under pressure. Holders of income generating real assets are seeing a race between improvements in rents against yields remaining higher for longer and the need to sell. The hope for holders of productive, income generating assets is that the rise in income is more than sufficient to offset the impact of rising yields and that this will happen before they are forced to sell. This would allow them a pathway to refinance their assets and continue to hold them for the long term.

However, increasingly, that outcome is being dictated by a sale being forced upon asset owners.

For the last two years of this cycle, we have seen little of this element as lenders ranking ahead of the equity have waited out the rate cycle, and also as open ended funds have managed to forestall their own liquidity redemption requests.

However, this is markedly changing and quickly:

- Loans originated prior to 2020 are now fast approaching their maturity dates and lenders are reluctant to extend
- After a period of relative calm, redemptions from open ended funds are accelerating

The confluence of the above is moving global real asset markets towards the emergence of forced sellers. This is unfortunate, especially for sponsors who do hold clearly productive assets which demonstrate a certain path towards higher rents.

The rational decision, for holders of assets facing such pressures, is to raise more equity (and new debt) to repay or reduce their indebtedness or to meet liquidity requirements from exiting investors.

The capital so raised may be expensive, but it enables the owner to manage through the crystallisation of those higher rents, which should deliver a favourable exit in a matter of time.

However, not all sponsors are in such a position and debt markets are especially weak in Europe, which makes such a recapitalisation onerous.

Performance Review

Implications for RECI

RECI began rotating its investment book to senior loans (and away from subordinated positions) some years ago and accelerated this change through the COVID period.

Its borrowers on senior loans are mainly institutional grade larger institutions. Whilst every sponsor is facing similar pressures, larger institutional sponsors have been proven to have the resources and skills to defend their assets with additional capital and a constructive approach to their lenders.

Protecting the downside

The first implication is that RECI will continue to do what it has done best through the previous periods of stress (e.g. Brexit and COVID), which is to protect its positions by working consensually with the sponsors towards de-risking its loan book whilst, in exchange, affording the sponsors time to realise the improving rental tone and seek an orderly exit.

For the rare borrowers that cannot or will not seek an orderly exit, RECI has in the past sought to enforce its position to realise the underlying asset on its own (a position it is able to do as its manager has a significant real estate platform capable of owning, developing and operating real estate assets throughout Europe and the UK).

In the event it needs to do so again, it will.

Senior loans with full governance

RECI's senior loan book affords it absolute governance over the underlying asset i.e. it is never a forced seller of its loan investment or asset. As such, RECI can rely on the work of its manager to maximise value, if needed, towards an exit that recovers its full position.

Where a lender loses governance, they will potentially be in the subordinated (mezzanine or preferred equity) positions. RECI's current exposure to subordinated positions is 11% of total commitment in six positions.

Valuations

Valuations of real estate assets are in sharp focus today for equity funds. There is an emerging difference in valuations between the owner that is able to retain the asset to capture its upside potential and those that are forced to sell.

Open ended funds and levered equity positions are at risk of being forced sellers and do need to move to a "spot" market liquidation valuation (which will likely be a valuation that reflects not just the current uncertain environment but also the distressed nature of the sale).

RECI's senior loans are held on a fair value basis. To the extent that the exit value of the asset is demonstrably less than the value of the debt, and there is no evident path to value recovery, RECI does take what is effectively a provision against those future expected losses on its position. This has occurred a number of times in the past, notably with its equity exposure to a UK housebuilder where a conservative provision for potential loss was taken, with an ultimate actual loss of "NIL" achieved after a favourable restructuring and recovery.

As this crisis unfolds, and where necessary, similar fair value losses may be taken, if appropriate.

However, RECI is never a forced seller on its senior loan book. These loans have been crafted with absolute governance and hence no other lender or counterparty can force the sale of its senior loan investment. As such, even in the instance where a fair value loss is taken, RECI does have the benefit of time and ability to recover its investment.

Investment Manager's Report (continued)

For its limited subordinated loan book, we are mindful of the need to work constructively with the senior lender(s) to retain control and effect an orderly exit in this environment.

For its minor positions in liquid securities held for trading (predominantly CMBS), we would expect that the market volatility continues to suppress valuations. Albeit, the relatively short duration nature of these bonds lends some price protection against widening yields and rates. RECI's liquid securities book represents a carrying value of £35.2 million or 10.4% of its NAV and is held at an average of 88.2% of par, with a duration of 2.4 years.

It is the Company's intent to continue its gradual rotation out of its market bond portfolio.

Investing and Growth

RECI's manager, Cheyne Real Estate, believes that the present period of transition to the new normal of higher rates and productive assets is healthy for the long-term future of real assets, but it does produce an acute and sustained period of value adjustment and a critical need for debt financing in the interim.

Cheyne Real Estate has, during the course of 2021 and 2022, raised approximately £2.5 billion of new capital which has been used effectively to finance these much needed productive assets across mainly the UK and also continental Europe. It has helped numerous sponsors recapitalise, stabilise, purchase and develop these assets through this period and continues to do so. It has also significantly expanded its investment and risk management teams in the UK, France, Spain and Germany to future enhance its ability to assist borrowers and serve its investors.

It goes without saying that the margins and absolute rates of return garnered on its new senior loan origination far surpass those at any period of time, including the 2008-9 period.

We appreciate that the current share price discount and the need to fund a buyback programme, in addition to the dividend payment certainty, impose some constraints on available cash to allow RECI to participate and benefit from these investments.

However, the ability to do so will enable RECI to continue to build a diverse book of senior credits and benefit from those higher returns (thus enabling it to better cover its dividends and potentially grow its dividend payments).

ESG Update

Cheyne Capital and its Real Estate business remain committed to operating in a progressively responsible manner, achieved through the incorporation of high standards of governance and investment stewardship. Cheyne aims for the consideration, assessment and integration of ESG factors to be a core element of analysis undertaken in its investment processes.

In the last year, Cheyne has engaged with an external real estate ESG specialist consultant to assist with developing and providing assurance on a comprehensive scorecard based approach. The ultimate aim is to align our principles with industry recognised benchmark standards to identify a minimum ESG standard we will need to achieve across our portfolio. The move to a more qualitative system will significantly help us identify and understand ESG-based risks in our portfolio more easily, and not only assist us with lowering risk and increasing quality but will also help us collate and measure the data required to track progress in what is a fast moving but increasing important area of focus. We are currently in the implementation phase of the project, which includes ongoing training for the Real Estate team and wider Cheyne employees. Further information can be found in the Sustainability Report on pages 16-18.

Portfolio Overview

Portfolio Highlights

Deals Repaid

7

Repayments and Interest

£72.6m

Deals Funded

£50.7m

Commitments and Funding

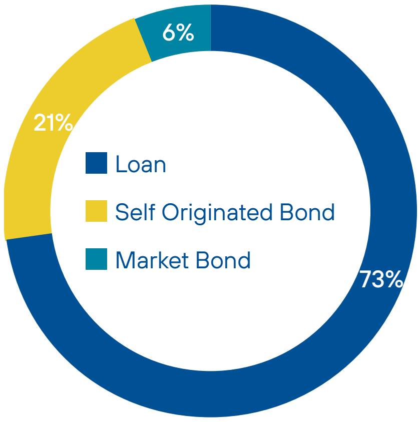
During the half year, given the lack of incremental sources of capital, there were no commitments made to new deals, however the Company funded £50.7 million into existing deals during the period, and received £72.6 million in cash repayments and interest compared with £85.9 million in the half year ended 30 September 2022.

As part of its strategy to rotate out of the Market Bond Portfolio, the Company sold £15.6 million of market bonds in the half year, with a further £25.2 million sold in October 2023.

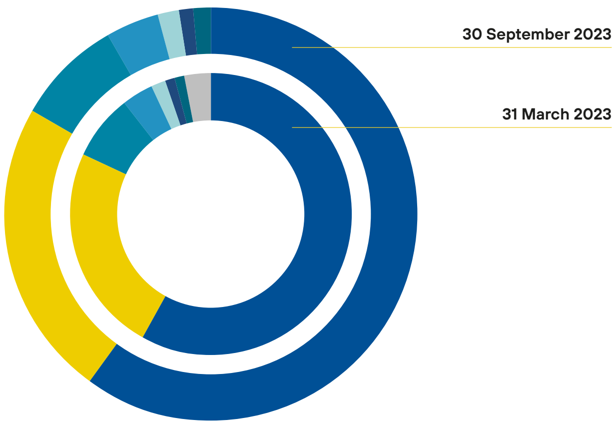
Portfolio Composition

RECI's investment portfolio, a diversified book of 45 positions in real estate bonds and loans, was valued at £395.9 million including accrued interest as at 30 September 2023. The portfolio had a weighted average levered yield of 10.4% and an average loan to value of 60.1% as at 30 September 2023.

Investment Portfolio Composition
(Funded Fair Value)



Portfolio by Geography
(Breakdown by Total Committed Capital including PIK)



Country	30 Sep 2023	31 Mar 2023
United Kingdom	**60.2%**	58.3%
France	**23.4%**	23.8%
Spain	**8.3%**	7.5%
Finland	**4.0%**	3.7%
Ireland	**1.8%**	1.6%
Italy	**1.0%**	1.2%
Germany	**1.3%**	1.1%
Portugal	**0.0%**	2.8%

Investment Manager's Report (continued)

Top 10 Positions[1] (by commitment)

Deal Description	Commitment	% of NAV	Entry LTV	Investment Strategy	Sector	Country	Asset Type
1 Light industrial, office and mid-market residential asset portfolio in the UK	£82.4m	11.0%	48%	Senior Loan	Mixed-Use	United Kingdom	Development
2 Student accommodation development in London	£45.2m	4.8%	58%	Senior Loan	Student Accommodation	United Kingdom	Development
3 Residential, affordable housing and mixed-use scheme over five blocks within Greater London	£32.7m	3.4%	67%	Senior Loan	Residential	United Kingdom	Development
4 Refurbishment and extension of a freehold office building in Saint Ouen, Paris	£30.9m	8.8%	58%	Senior Loan	Office	France	Value Add/ Transitional
5 Fully let 98,246 sq ft new grade A office block located in Hoxton, London	£22.8m	6.9%	59%	Senior Loan	Office	United Kingdom	Core+
6 Build-for-sale luxury villa development	£22.4m	4.4%	49%	Senior Loan	Residential	Spain	Development
7 Income producing residential developer in France	£20.6m	5.9%	36%	Senior Loan	Housebuilder	France	Development
8 Finland hotel development in progress. Expected completion in Q3 2024	£20.4m	2.7%	65%	Senior Loan	Hotel	Finland	Development
9 French Hotels in Nice and Paris. Development in progress. Expected completion in Q3 2024	£19.9m	4.7%	80%	Senior Loan	Hotel	France	Development
10 Acquisition of the leasehold interest in 190 luxury assisted living units in Kensington, London	£19.7m	5.4%	60%	Senior Loan	Assisted Living	United Kingdom	Core+

1. Based on total commitment of bonds and loans.

Bilateral Loan and Bond Portfolio

The drawn fair value of the bilateral loan and bond portfolio, including accrued interest, had increased from £351.5 million as at 31 March 2023 to £360.7 million as at 30 September 2023.

The average loan portfolio LTV exposure as at 30 September 2023 was 60.9%. The portfolio continues to provide attractive risk-adjusted returns with a weighted average unlevered yield of 9.5% per annum, before any back-end fees, profit share or equity element contributions are taken into account.

Bilateral Loan and Bond Portfolio Summary as at 30 September 2023

Number of assets	30
Total committed capital	£523.2m
Total capital deployed	£360.2m
Leverage deployed	£37.7m
Drawn fair value (gross)	£360.7m
Drawn fair value (net)	£323.8m
Weighted average unlevered yield	9.5%
Weighted average portfolio yield	9.8%
Weighted average LTV	60.9%
Weighted average life (yrs)	1.5

Market Bond Portfolio

As at 30 September 2023, the market bond portfolio of 15 bonds (excluding the self-originated bonds) was valued at £35.2 million, compared to 19 bonds, valued at £49.2 million as at 31 March 2023. Four bonds were sold during the period at realisations above fair value valuations.

The bond portfolio has the potential for strong defensive returns:

- The portfolio is characterised by a short duration (2.4 years) and high coupon, which is defensive to interest rate rises and provides resilience in turbulent markets; and
- The weighted average unlevered yield of the market bond portfolio as at 30 September 2023 was 12.6%, with the weighted average levered yield of the bond portfolio as at 30 September 2023 being 29.1%.

Market Bond Portfolio Summary as at 30 September 2023

Number of assets	15
Gross fair value	£35.2m
Average Carrying Price (% of par)	88.2%
Net fair value	£10.3m
Leverage deployed	£24.9m
Weighted average unlevered yield	12.6%
Weighted average levered yield	29.1%
Weighted average LTV	53.3%
Weighted average life (yrs)	2.4

Cheyne Capital Management (UK) LLP
28 November 2023

Health Spa in the United Kingdom

BUSINESS AND STRATEGY REVIEW

Sustainability Report

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 ("PRI"). In its most recent assessment, Cheyne scored 4 stars out of 5 in all modules bar one. Cheyne received a score of 68% (4 stars out of 5) in the Investment and Stewardship Policy module (where the PRI median was 62%). Over 40% of its sub-indicators in this module received a perfect score.

Several standards and codes have received prominence as metrics for investment managers. These include, for example, the UN Principles for Responsible Investment (UN PRI), the Task Force on Climate-related Financial Disclosures ("TCFD"), the Financial Reporting Council's Stewardship Code, and the FCA's Sustainability Disclosure Requirements ("SDR").

The Investment Manager's ESG Implementation Forum oversees both the Responsible Investment and ESG policies to ensure that it continuously improves its ESG standards. Its Responsible Investment policy is already incorporated into its investment process.

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.

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 Real Estate 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 Real Estate.

Due Diligence

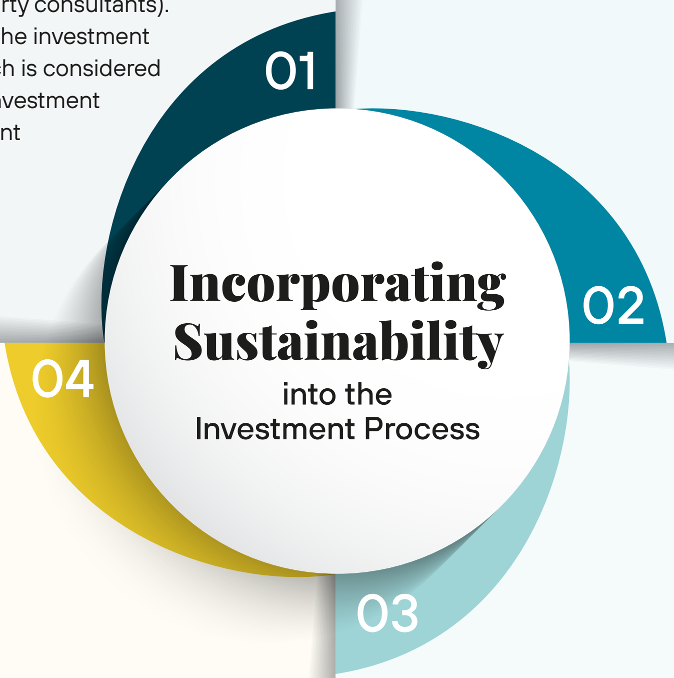
RECI is primarily invested in real estate loans and other real estate-based debt investments. Key factors taken into consideration, where appropriate and possible, are best-in-class environmental, design and construction standards, a focus on Building Research Establishment Environmental Assessment "BREEAM" 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



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.

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.

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 its ESG investment process and ensure robustness.

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

1. The Greater Good
2. Value Enhancement/Risk Management
3. Regulation
4. 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 Regulation ("SFDR")
- Minimum Energy Efficiency Standards ("MEES")
- Outlook and Focus Areas 2023 and Beyond

The Company knows that its Shareholders, which include both the Directors and senior members of the investment management team of your Company, see attention to ESG factors as critical in its assessment of Cheyne as 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 making progress towards completing its ESG framework which will form the basis of an evaluation tool to influence investment decisions from an ESG perspective for new projects.

This next phase of its ESG evolution will involve the implementation of a more rigorous scoring-based system with the aim of using capital invested to finance strategies/projects that adhere to robust ESG principles. The 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 the Investment Manager's portfolio.

These efforts will allow the Investment Manager to influence borrowers and to improve the ESG standards of projects which they fund. The framework should be finalised in 2023. It is intended to be incorporated into the investment process slowly, beginning in early 2024.

Looking ahead, one of the main focuses will be on new regulatory requirements. Next year the Investment Manager will advance its reporting under the TCFD framework.

In addition, the UK's regulatory framework SDR comes into force in stages from later this year. The Investment Manager is working closely with relevant parties to ensure that it is meeting the necessary regulatory requirements.

ESG subsequent covenants/conditions may well also be included in time, driven by risk management principles.

Further details on Cheyne's ESG policy can be found on its website. www.cheynecapital.com/investment-strategies/real-estate/investing-responsibly/

Hotel development in Portugal

GOVERNANCE

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34")

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

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

Principal Risks and Uncertainties

The principal risks and uncertainties faced at the time of the last annual report remain valid for the purposes of the interim management report. The Board considers that the following are the principal risks and uncertainties faced by the Company.

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.

Target Portfolio Returns

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.

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.

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 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 interest rate risk, currency risk and price risk.

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.

Currency Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities on a timely basis.

Other Risk Factors

These currently include: geopolitical and macroeconomic risks: including increased interest rates, heightened inflation, supply chain disruption, the continuing impact of conflicts around the world; and the effects of climate change and cyber security. There are no emerging risks since the 31 March 2023 Annual Report.

The detailed explanation of these principal risks and uncertainties can be found in the Strategic Report section under the Risk Management section of the 31 March 2023 Annual Report, which is available on the Company's website.

By order of the Board

Bob Cowdell
Director
28 November 2023

Susie Farnon
Director

Co-Living development in the United Kingdom

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2023

Financial Statements

In this section

Hotel development in Portugal

Independent Review Report

to Real Estate Credit Investments Limited

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the condensed unaudited statement of comprehensive income, the condensed unaudited statement of financial position, the condensed unaudited statement of changes in equity, the condensed unaudited statement of cash flows and related notes 1 to 20.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands
28 November 2023

Condensed Unaudited Statement of Comprehensive Income

For the six months ended 30 September 2023

	Note	30 Sep 2023 GBP	30 Sep 2022 GBP
Interest income	5	15,239,555	16,577,696
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	3	5,240,595	(1,844,587)
Other income		72,986	5,483
Operating income		20,553,136	14,738,592
Operating expenses	4	(2,873,145)	(3,161,657)
Profit before finance costs		17,679,991	11,576,935
Finance costs	5	(2,089,118)	(1,279,770)
Net profit		**15,590,873**	**10,297,165**
Other comprehensive income		–	–
Total comprehensive income		**15,590,873**	**10,297,165**
Earnings per share			
Basic and diluted	10	6.8p	4.5p
Weighted average shares outstanding		**Number**	**Number**
Basic and diluted	10	229,332,478	229,332,478

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

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

Condensed Unaudited Statement of Financial Position

As at 30 September 2023

	Note(s)	30 Sep 2023 GBP	31 Mar 2023 GBP
Non-current assets			
Financial assets at fair value through profit or loss	12,14	395,861,303	400,741,910
		395,861,303	400,741,910
Current assets			
Cash and cash equivalents		5,405,921	14,081,343
Cash collateral at broker	15	7,153,937	2,383,962
Derivative financial assets	13	–	1,756,118
Other assets		45,360	27,345
		12,605,218	18,248,768
Total assets		**408,466,521**	**418,990,678**
Equity and liabilities			
Equity			
Reserves		338,796,832	336,965,907
		338,796,832	**336,965,907**
Current liabilities			
Financing agreements	8	59,330,999	80,441,157
Dividends payable	9	6,879,974	–
Derivative financial liabilities	13	1,655,860	–
Other liabilities	6	1,802,856	1,583,614
		69,669,689	82,024,771
Total liabilities		69,669,689	82,024,771
Total equity and liabilities		**408,466,521**	**418,990,678**
Shares outstanding	11	229,332,478	229,332,478
Net asset value per share		£1.48	£1.47

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

Signed on behalf of the Board of Directors by:

Bob Cowdell
Director
28 November 2023

Susie Farnon
Director

Condensed Unaudited Statement of Changes in Equity

For the six months ended 30 September 2023

	Note	30 Sep 2023 GBP
Balance as at 31 March 2023		**336,965,907**
Total comprehensive income		15,590,873
Dividends	9	(13,759,948)
Balance as at 30 September 2023		**338,796,832**

	Note	30 Sep 2022 GBP
Balance as at 31 March 2022		**343,935,484**
Total comprehensive income		10,297,165
Dividends	9	(13,759,948)
Balance as at 30 September 2022		**340,472,701**

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

Condensed Unaudited Statement of Cash Flows

For the six months ended 30 September 2023

	30 Sep 2023 GBP	30 Sep 2022 GBP
Net profit	**15,590,873**	**10,297,165**
Purchases of investment portfolio	(50,695,576)	(108,801,376)
Repayments of investment portfolio	59,321,049	69,034,307
Movement in realised and unrealised gains on investment portfolio	(1,784,919)	(4,561,286)
Net movement on derivative financial assets and liabilities	3,411,976	4,531,132
Interest income	(15,239,555)	(16,577,696)
Interest expense	2,089,118	1,279,770
Operating cash flows before movement in working capital	**12,692,966**	**(44,797,984)**
Increase in cash collateral at broker	(4,769,975)	(9,194,269)
Increase in other assets	(18,015)	(16,614)
Increase in other liabilities	219,242	127,733
Movement in working capital	**(4,568,748)**	**(9,083,150)**
Interest received	13,279,611	16,911,162
Net cash flow from/(used in) operating activities	**21,403,829**	**(36,969,972)**
Financing activities		
Dividends paid to Shareholders	(6,879,974)	(13,759,948)
Payments under financing agreements	(154,253,212)	(296,667,889)
Proceeds under financing agreements	132,884,372	314,184,531
Finance costs paid	(1,830,437)	(1,220,305)
Net cash (used in)/from financing activities	**(30,079,251)**	**2,536,389**
Net decrease in cash and cash equivalents	(8,675,422)	(34,433,583)
Cash and cash equivalents at the start of the period	14,081,343	47,385,138
Cash and cash equivalents at the end of the period	**5,405,921**	**12,951,555**

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

Notes to the Condensed Unaudited Interim Financial Statements

For the six months ended 30 September 2023

1. General Information

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

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

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

The Company's investment management activities are managed by the Investment Manager, who is also the AIFM. The Company has entered into an Investment Management Agreement (the "Investment Management Agreement") under which the Investment Manager manages its day-to-day investment operations, subject to the supervision of the Company's Board of Directors. The Company is an Alternative Investment Fund ("AIF") within the meaning of the Alternative Investment Fund Managers Directive ("AIFMD") and accordingly the Investment Manager has been appointed as AIFM of the Company, which has no employees of its own. For its services, the Investment Manager receives a monthly Management Fee, expense reimbursements and accrues a Performance Fee (see Note 16). The Company has no ownership interest in the Investment Manager.

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

2. Significant Accounting Policies

Statement of Compliance

The condensed unaudited interim financial statements for the period ended 30 September 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The same accounting policies, presentation and methods of computation have been followed in these condensed unaudited interim financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 March 2023.

The condensed unaudited interim financial statements do not contain all the information and disclosures required in a full set of annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 March 2023, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The comparative information for the year ended 31 March 2023 does not constitute Statutory Accounts as defined by Guernsey law. A copy of the Statutory Accounts for that year has been delivered to the Shareholders and is available on the Company's website: www.realestatecreditinvestments.com.

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

New Standards, Amendments and Interpretations Issued and Effective for the Financial Year Beginning 1 April 2023

Amendments to IFRS 17 – Insurance contracts

In June 2020, the IASB issued amendments to IFRS 17 Insurance Contracts to provide three additional transition reliefs relating to: (1) contracts acquired before transition, (2) the risk mitigation option at transition, and (3) investment contracts with discretionary participation features. Issued in May 2017, IFRS 17 sets out the requirements for an entity reporting information about insurance contracts it issues and reinsurance contracts it holds. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023. Entities have been required to apply IFRS 9 Financial Instruments since annual reporting periods beginning on or after 1 January 2018. However, IFRS 4 Insurance Contracts has allowed the temporary deferral of the application of IFRS 9. Entities that have elected to defer IFRS 9 application have instead continued to apply IAS 39 Financial Instruments: Recognition and Measurement. The IASB extended the fixed expiry date for the temporary

Notes to the Condensed Unaudited Interim Financial Statements (continued)

deferral to annual reporting periods beginning on or after 1 January 2023. The amendments have no material impact on the financial statements of the Company.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a new definition of 'accounting estimates'. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. The amendments should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors. The amendments to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments have no material impact on the financial statements of the Company.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provided guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements. The amendments to IAS 1 and IFRS Practice Statement 2 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted as long as this fact is disclosed. The amendments have no material impact on the financial statements of the Company.

Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, which narrowed the scope of the initial recognition exception under IAS 12, so that it no longer applied to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments have no material impact on the financial statements of the Company.

New Standards, Amendments and Interpretations Issued but not Effective for the Financial Year Beginning 1 April 2023 and not Early Adopted

Title	Effective for periods beginning on or after
Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 7 and IFRS 7 – *Supplier Finance Arrangements*	1 January 2024
Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1 – *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 21 – *Lack of Exchangeability*	1 January 2025

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the Condensed Unaudited Statement of Financial Position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that the Company disclose about those items.

Amendments to IAS 7 and IFRS 7 have no material impact on the financial statements as the Company does not have supplier finance arrangements.

Amendments to IFRS 16 have no material impact on the financial statements as the Company does not have sale and leaseback transactions.

Amendments to IAS 1 – Non-current Liabilities with Covenants improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current. Earlier application is permitted. The Company did not early adopt these amendments and expects that the amendments will have no material impact on the financial statements.

Amendments to IAS 21 provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Earlier application is permitted. The Company did not early adopt these amendments and expects that the amendments will have no material impact on the financial statements.

Basis of Preparation

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

For the period ended 30 September 2023 and year ended 31 March 2023, the financial assets at fair value through profit or loss include the related interest receivable to reflect the measurement of the Company's investments as a single unit of account, which includes all cash flows associated with the asset.

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

Going Concern

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

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

Taking account of the updated forecasting, the Directors consider that the cash resources available as at 30 September 2023 of £5.4 million (31 March 2023: £14.1 million), together with the cash collateral at the broker of £7.2 million (31 March 2023: £2.4 million), the liquidity of the market bond portfolio and the financing available through activities such as repurchase agreements as described in Note 8, are sufficient to cover normal operational costs and current liabilities, including the proposed dividend, and the expected funding of loan commitments as they fall due for a period of at least twelve months from the date of signing the condensed unaudited interim financial statements. The Directors note that a key assumption adopted in the going concern analysis is that leverage through repurchase agreements is not withdrawn. Net debt (leverage minus cash) as at 30 September 2023 was 13.8% (31 March 2023: 19.1%).

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

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

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

Notes to the Condensed Unaudited Interim Financial Statements (continued)

As disclosed in Note 17, as at 30 September 2023, the Company had committed £523.2 million into the loan and bond portfolio of which £360.2 million had been funded (31 March 2023: £572.0 million commitment of which £367.8 million had been funded). The Investment Manager models these expected commitments and only funds if the borrowers meet specific business plan milestones.

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

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

	30 Sep 2023 GBP	30 Sep 2022 GBP
Net gains/(losses)		
Net gains/(losses) on market bond portfolio	1,526,664	(4,407,934)
Net gains on bilateral loan and bond portfolio	258,255	8,969,220
Net gains/(losses) on foreign exchange instruments and other foreign currency transactions	3,455,676	(6,405,873)
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	**5,240,595**	**(1,844,587)**

4. Operating Expenses

	Note	30 Sep 2023 GBP	30 Sep 2022 GBP
Investment management, administration and depositary fees			
Investment management fees	16	2,139,184	2,162,157
Administration fees	16	142,064	141,118
Depositary fees	16	32,060	32,209
		2,313,308	**2,335,484**
Other operating expenses			
Directors' fees		115,775	107,500
Legal fees		60,375	296,167
Audit fees		56,625	59,444
Fees to auditor for non-audit services		39,500	37,500
Corporate secretary fees		37,500	44,539
Registration fees		30,000	30,000
Research fees		18,450	18,450
Directors and Officers' insurance fees		10,239	13,820
Regulatory body expenses		8,733	15,283
Other expenses		182,640	203,470
		559,837	**826,173**
Total operating expenses		**2,873,145**	**3,161,657**

The ongoing costs of the Company are shown in the Key Information Document (KID) published on the Company's website. The total figure of 2.94% (30 September 2022: 2.23%) is made up of the Investment Manager's fee of 1.25% (30 September 2022: 1.25%), other ongoing costs of 0.53% (30 September 2022: 0.42%), and finance costs (which are disclosed separately in the financial statements) of 1.16% (30 September 2022: 0.56%). The finance costs may vary and are only incurred to increase the overall returns to investors.

5. Interest Income and Finance Costs

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

	30 Sep 2023 GBP	30 Sep 2022 GBP
Interest income		
Real Estate Credit Investments – market bond portfolio	1,428,088	2,285,806
Real Estate Credit Investments – bilateral loan and bond portfolio	13,700,139	14,241,503
Cash and cash equivalents and other receivables	111,328	50,387
Total interest income	**15,239,555**	**16,577,696**
Finance costs		
Cost of financing agreements	(2,089,118)	(1,279,770)
Total finance costs	**(2,089,118)**	**(1,279,770)**

6. Other Liabilities

	30 Sep 2023 GBP	31 Mar 2023 GBP
Investment management, depositary and administration fees payable		
Investment management fees payable	348,437	358,118
Depositary fees payable	54,265	33,090
Administration fees payable	38,666	41,939
	441,368	**433,147**
Other operating payables		
Registration fees payable	118,917	88,917
Legal fees payable	89,169	73,800
Audit fees payable	76,375	30,775
Corporate secretary fees payable	56,250	18,750
Directors' fees payable	53,750	53,750
Research fees payable	17,644	17,644
Other expense accruals	949,383	866,831
	1,361,488	**1,150,467**
Total liabilities	**1,802,856**	**1,583,614**

Notes to the Condensed Unaudited Interim Financial Statements (continued)

7. Structured Entities Not Consolidated

As at 30 September 2023 and 31 March 2023, the Company had an interest in the following structured entities. The Company has concluded that the unlisted entities in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- the Company has obtained funds for the purpose of providing investors with investment management services;
- the Company's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income; and
- the performance of investments is measured and evaluated on a fair value basis.

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 disclosed below. 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 30 September 2023 and 31 March 2023.

30 September 2023

Name	Fair value of loans* GBP	Undrawn commitment GBP	Nature and purpose of the entity	Location	Equity held	Percentage held %	Other exposure**
Real Estate Loan Funding ("RELF")***							
Earlsfield	12,613,190	–	To invest in Earlsfield real estate	United Kingdom	No	–	No
Kensington	18,258,132	235,921	To invest in Kensington real estate	United Kingdom	No	–	No
Lifestory	12,650,000	–	To invest in Lifestory real estate	Luxembourg	No	–	No
Pamplona	4,132,282	421,718	To invest in Pamplona real estate	Luxembourg	No	–	No
Ruby	6,173,178	5,211,822	To invest in Ruby real estate	Luxembourg	No	–	No
Sabina	17,204,253	9,234,247	To invest in Sabina real estate	Luxembourg	No	–	No
Cheyne French Funding Sub-Fund 3	11,501,458	3,584,184	To invest in Cheyne French Funding Sub-Fund 3 real estate	France	No	–	No
Cheyne French Funding Sub-Fund 8	24,755,041	5,306,541	To invest in Cheyne French Funding Sub-Fund 8 real estate	France	No	–	No

* This amount excludes interest receivables.
** Other exposure indicates if the investment in the structured entity comes with any associated potential valuation uplift. These can include, but are not limited to: profit share, variable exit fees, and exposure to enterprise value uplift.
*** The total loan exposure on RELF includes financing within the RELF structure.

31 March 2023

Name	Fair value of loans* GBP	Undrawn commitment GBP	Nature and purpose of the entity	Location	Equity held	Percentage held %	Other exposure**
Real Estate Loan Funding ("RELF")***							
Earlsfield	12,612,167	707,833	To invest in Earlsfield real estate	United Kingdom	No	–	No
Kensington	8,896,085	10,737,000	To invest in Kensington real estate	United Kingdom	No	–	No
Lifestory	8,215,843	4,434,157	To invest in Lifestory real estate	Luxembourg	No	–	No
Pamplona	3,084,772	1,469,228	To invest in Pamplona real estate	Luxembourg	No	–	No
Ruby	2,807,680	8,577,320	To invest in Ruby real estate	Luxembourg	No	–	No
Cheyne French Funding Sub-Fund 3	11,650,667	3,630,876	To invest in Cheyne French Funding Sub-Fund 3 real estate	France	No	–	No
Cheyne French Funding Sub-Fund 8	22,663,417	7,788,478	To invest in Cheyne French Funding Sub-Fund 8 real estate	France	No	–	No
Cheyne French Funding Sub-Fund 9	8,470,707	2,477,156	To invest in Cheyne French Funding Sub-Fund 9 real estate	France	No	–	No

* This amount excludes interest receivables.
** Other exposure indicates if the investment in the structured entity comes with any associated potential valuation uplift. These can include, but are not limited to: profit share, variable exit fees, and exposure to enterprise value uplift.
*** The total loan exposure on RELF includes financing within the RELF structure.

8. Financing Agreements

The Company enters into repurchase agreements with several banks to provide leverage. This financing is collateralised against certain of the Company's bond portfolio assets with a fair value totalling £89.8 million (31 March 2023: £139.9 million) and a weighted average cost of 6.80% (31 March 2023: 5.86%) per annum. The contractual maturity period of the repurchase arrangements is 3 to 6 months (31 March 2023: 3 to 6 months).

This short-term financing is shown as a current liability in the Condensed Unaudited Statement of Financial Position whereas the collateralised assets are shown as non-current. The movement in financing agreement amounting to £21.4 million (30 September 2022: £17.5 million) and finance costs amounting to £1.8 million (30 September 2022: £1.2 million) are shown as financing activities in the Condensed Unaudited Statement of Cash Flows.

During the financial period ended 30 September 2023, the Company continued to maintain some off-balance sheet financing agreements. These facilities entered into during the previous financial year do not have recourse to the Company, and the lending is structured using off-balance entities, and secured against the specific loans involved. The aggregate amount of these off-balance sheet loans as at 30 September 2023 was £30.6 million (31 March 2023: £20.6 million).

The Company also enters into an off-balance sheet financing agreement which does have partial recourse. The amount of partial recourse commitment as at 30 September 2023 was £3.0 million (31 March 2023: £2.9 million). No expected loss from providing this guarantee has been recognised in these financial statements and no additional collateralisation has been paid as at the period end.

Notes to the Condensed Unaudited Interim Financial Statements (continued)

9. Quarterly Dividends

	30 Sep 2023 GBP	30 Sep 2022 GBP
Share Dividends		
Fourth interim dividend for the year ended 31 March 2023/31 March 2022	6,879,974	6,879,974
First interim dividend for the year ending 31 March 2024/31 March 2023	6,879,974	6,879,974
Dividends announced to Shareholders during the period	**13,759,948**	**13,759,948**

The total dividends announced during the financial period ended 30 September 2023 amounted to 6 pence per share (30 September 2022: 6 pence per share).

During the financial period ended 30 September 2023, the dividends paid totalled £6.9 million (30 September 2022: £13.8 million) while £6.9 million (31 March 2023: £Nil) was payable at the period end.

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

The Directors considered that the Company satisfied the solvency test for all dividend payments during the period from 1 April 2022 to 30 September 2023.

10. Earnings per share

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

	30 Sep 2023	30 Sep 2022
Net earnings attributable to shares (GBP)	15,590,873	10,297,165
Weighted average number of shares for the purposes of basic and diluted earnings per share	**229,332,478**	**229,332,478**
Earnings per share		
Basic and diluted (pence)	6.8	4.5

11. Share Capital

The issued share capital of the Company consists of shares and its capital as at the period end is represented by the net proceeds from the issuance of shares and profits retained up to that date. The Company does not have any externally imposed capital requirements. As at 30 September 2023, the Company had capital of £338.8 million (31 March 2023: £337.0 million).

	30 Sep 2023 Number of Shares	31 Mar 2023 Number of Shares
Authorised Share Capital		
Shares of no par value each	Unlimited	Unlimited
Shares issued and fully paid		
Shares at the start of the period/year	229,332,478	229,332,478
Shares at the end of the period/year	**229,332,478**	**229,332,478**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders. The Company's overall strategy was outlined in the Prospectus which is published on the Company's website. The capital structure of the Company consists of the equity of the Company as disclosed in the Condensed Unaudited Statement of Changes in Equity.

12. Valuation of Financial Instruments

IFRS 13 Fair Value Measurement requires disclosures surrounding the level in the fair value hierarchy in which fair value measurement inputs are categorised for assets and liabilities measured in the Condensed Unaudited Statement of Financial Position. The determination of the fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective.

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

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

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

As at 30 September 2023:

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Non-current assets				
Real Estate Credit Investments – market bond portfolio	–	21,259,504	13,909,308	35,168,812
Real Estate Credit Investments – bilateral loan and bond portfolio	–	–	360,692,491	360,692,491
Total non-current assets	–	21,259,504	374,601,799	395,861,303
Current liabilities				
Forward foreign exchange contracts	–	(1,655,860)	–	(1,655,860)
Real Estate Credit Investments – repurchase agreements	–	(59,330,999)*	–	(59,330,999)
	–	**(39,727,355)**	**374,601,799**	**334,874,444**

* Includes repurchase agreements related to Level 3 investments.

As at 31 March 2023:

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Current assets				
Forward foreign exchange contracts	–	1,756,118	–	1,756,118
Non-current assets				
Real Estate Credit Investments – market bond portfolio	–	29,763,268	19,479,919	49,243,187
Real Estate Credit Investments – bilateral loan and bond portfolio	–	–	351,498,723	351,498,723
Total non-current assets	–	29,763,268	370,978,642	400,741,910
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(80,441,157)*	–	(80,441,157)
	–	**(48,921,771)**	**370,978,642**	**322,056,871**

* Includes repurchase agreements related to Level 3 investments.

Notes to the Condensed Unaudited Interim Financial Statements (continued)

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

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

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

The company obtains pricing reports from independent vendors for self-originated bonds where prices are not directly observable in the market. These bonds are classified as Level 3 in the fair value hierarchy. The weighting of the valuation between observable prices from comparable bonds and the valuation result based on proprietary sector curve discount yields is a key unobservable input in deriving fair value of the investments. A 50% weighting to each data point has been applied and the fair value range generated by the two approaches is £0.2 million (31 March 2023: £0.2 million). The sector curve discount yields used range from 9.5% to 12.6% (31 March 2023: 4.8% to 11.9%). Applying a discount yield +/-2% to the valuation would reduce/increase the fair value at 30 September 2023 by £(0.8) million and £1.0 million (31 March 2023: £(1.7) million and £1.6 million), respectively.

The Company makes loans into structures to gain exposure to real estate secured debt in the United Kingdom and Western Europe. These loans are not traded in an active market and there are no independent quotes available for these loans. Such holdings are classified as Level 3 investments. The fair value of these loans is linked directly to the value of the real estate loans that the underlying structures invest in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 6.2% to 13.2% (31 March 2023: 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 loan-to-value of the investment). In most instances, the terms of the loan require periodic revaluation of the underlying property to check against loan-to-value covenants. All the fees associated with the investments (arrangement fees, exit fees, etc.) are paid directly to the Company and not paid to the Investment Manager.

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

A fundamental principle of bond investing is that market interest rates and bond prices generally move in opposite directions. When market interest rates rise, prices of fixed-rate bonds fall. The Investment Manager believes that the loan or bond's own initial effective interest rate represents the most appropriate rate to discount future cash flows. The use of this judgment reflects the limited impact the fluctuations in market interest rates have on the valuation of the bilateral bonds and loans portfolio.

The Investment Manager has considered relevant geopolitical and macroeconomic factors including the rise 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.

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) on the net asset value ("NAV") of the Company, is a decrease of £4.1 million or £20.3 million (31 March 2023: £6.3 million or £31.7 million), respectively. A decrease in interest rates by 100 basis points or 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 30 September 2023 and 31 March 2023, and their weighted average lives.

Level 3 Reconciliation

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

	Level 3 30 Sep 2023 GBP	Level 3 31 Mar 2023 GBP
Financial assets at fair value through profit or loss		
Opening balance	370,978,642	295,890,549
Total gains recognised in the Condensed Unaudited Statement of Comprehensive Income for the period/year	1,030,933	10,170,687
Purchases	50,695,576	167,591,125
Sales	(50,063,992)	(118,994,111)
Increase in interest receivable	1,960,640	2,619,692
Transfer in to Level 3	–	13,700,700
Closing balance	374,601,799	370,978,642
Unrealised gains on investments classified as Level 3 at period/year end	**936,518**	**3,840,715**

13. Derivative Contracts

The Company has credit exposure in relation to its financial assets. The Company invested in financial assets with the Bank of New York Mellon with the credit quality of AA- (31 March 2023: AA-) according to Standard and Poor's.

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

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

Below are the derivative financial assets and liabilities by counterparty as at 30 September 2023 and 31 March 2023.

Forward Foreign Exchange Contracts

The following forward foreign exchange contracts were open as at 30 September 2023:

Counterparty	Settlement Date	Buy Currency	Buy Amount	Sell Currency	Sell Amount	Unrealised Loss GBP
The Bank of New York Mellon	17 November 2023	GBP	162,734,240	EUR	(189,230,000)	(1,655,860)
Unrealised loss on forward foreign exchange contracts						(1,655,860)

The following forward foreign exchange contracts were open as at 31 March 2023:

Counterparty	Settlement Date	Buy Currency	Buy Amount	Sell Currency	Sell Amount	Unrealised Gain GBP
The Bank of New York Mellon	19 May 2023	GBP	163,823,152	EUR	(184,070,000)	1,756,118
Unrealised gain on forward foreign exchange contracts						1,756,118

Notes to the Condensed Unaudited Interim Financial Statements (continued)

14. Segmental Reporting

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

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

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

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

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

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

For the six months ended 30 September 2023:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Interest income	1,428,088	13,811,467	15,239,555
Net gains on financial assets and liabilities at fair value through profit or loss	1,526,664	258,255	1,784,919
Reportable segment profit	**2,954,752**	**14,069,722**	**17,024,474**
Finance costs	**(593,865)**	**(1,495,253)**	**(2,089,118)**

For the six months ended 30 September 2022:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Interest income	2,285,806	14,291,890	16,577,696
Net (losses)/gains on financial assets and liabilities at fair value through profit or loss	(4,407,934)	8,969,220	4,561,286
Reportable segment (loss)/profit	**(2,122,128)**	**23,261,110**	**21,138,982**
Finance costs	**(454,867)**	**(824,903)**	**(1,279,770)**

As at 30 September 2023:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Reportable segment assets	35,168,812	360,692,491	395,861,303
Non-segmental assets	–	–	12,605,218
Financing agreements	(24,582,184)	(34,748,815)	(59,330,999)
Non-segmental liabilities	–	–	(10,338,690)
Net assets			338,796,832

As at 31 March 2023:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Reportable segment assets	49,243,187	351,498,723	400,741,910
Non-segmental assets	–	–	18,248,768
Financing agreements	(36,015,630)	(44,425,527)	(80,441,157)
Non-segmental liabilities	–	–	(1,583,614)
Net assets			336,965,907

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

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

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

	30 Sep 2023 GBP	30 Sep 2022 GBP
Reportable segment profit	17,024,474	21,138,982
Net gains/(losses) on foreign exchange instruments and other foreign currency transactions*	3,455,676	(6,405,873)
Other income	72,986	5,483
	20,553,136	14,738,592
Operating expenses	(2,873,145)	(3,161,657)
Finance costs	(2,089,118)	(1,279,770)
Net profit	**15,590,873**	**10,297,165**

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

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

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

	30 Sep 2023 GBP	31 Mar 2023 GBP
Reportable segment assets	395,861,303	400,741,910
Cash and cash equivalents	5,405,921	14,081,343
Cash collateral at broker	7,153,937	2,383,962
Derivative financial assets	–	1,756,118
Other assets	45,360	27,345
	408,466,521	**418,990,678**

Notes to the Condensed Unaudited Interim Financial Statements (continued)

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios for the period ended 30 September 2023:

As at 30 September 2023:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Financial assets at fair value through profit or loss			
Opening fair value	49,243,187	351,498,723	400,741,910
Purchases	–	50,695,576	50,695,576
Repayments/sales proceeds	(15,600,346)	(43,720,703)	(59,321,049)
(Decrease)/increase in interest receivable	(693)	1,960,640	1,959,947
Realised (losses)/gains on sales	(886,334)	875,252	(11,082)
Net movement in unrealised gains/(losses) on investments at fair value through profit or loss	2,412,998	(616,997)	1,796,001
Closing fair value	**35,168,812**	**360,692,491**	**395,861,303**

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios for the year ended 31 March 2023:

As at 31 March 2023:

	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Total GBP
Financial assets at fair value through profit or loss			
Opening fair value	98,450,555	295,890,549	394,341,104
Purchases	–	158,644,471	158,644,471
Repayments/sales proceeds	(40,697,172)	(118,277,909)	(158,975,081)
(Decrease)/increase in interest receivable	(354,617)	2,619,692	2,265,075
Realised losses on sales	(4,547,798)	(5,408,771)	(9,956,569)
Net movement in unrealised (losses)/gains on investments at fair value through the profit or loss	(3,607,781)	18,030,691	14,422,910
Closing fair value	**49,243,187**	**351,498,723**	**400,741,910**

15. 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. As at 30 September 2023, a total of £7.2 million (31 March 2023: £2.4 million) was due from various financial institutions under the terms of the relevant arrangements. The cash held by brokers is restricted and is shown as Cash collateral at broker on the Condensed Unaudited Statement of Financial Position.

16. Material Agreements and Related Party Transactions

Loan Investments

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

Investment Manager

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

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

Management Fee

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

During the period ended 30 September 2023, the Management Fee totalled £2.1 million (30 September 2022: £2.2 million), of which £0.3 million (31 March 2023: £0.4 million) was outstanding at the period end.

Performance Fee

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

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

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

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

On 1 October 2021, the Company entered a new Performance Period which is expected to run until the end date of the quarter in which the next continuation resolution is passed. 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 period ended 30 September 2023, 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 £10,000.

During the period ended 30 September 2023, the administration fee totalled £142,064 (30 September 2022: £141,118), of which £38,666 (31 March 2023: £41,939) was outstanding at the period end.

Depositary Fee

Under the terms of the Depositary Agreement, the Depositary is entitled to receive from the Company an annual Depositary fee of 0.02% (31 March 2023: 0.02%) of the NAV of the Company. During the period ended 30 September 2023, the Depositary fee totalled £32,060 (30 September 2022: £32,209). The Company owed £54,265 (31 March 2023: £33,090) to the Depositary at the period end date.

Notes to the Condensed Unaudited Interim Financial Statements (continued)

17. Contingencies and Commitments

As at 30 September 2023, the Company had committed £523.2 million into bilateral loans and bonds of which £360.2 million had been funded (31 March 2023: £572.0 million into bilateral loans and bonds of which £367.8 million had been funded).

During the financial period ended 30 September 2023, the Company entered into some off-balance sheet financing agreements which have partial recourse to the Company. The amount of partial recourse commitment as at 30 September 2023 was £3.0 million (31 March 2023: £2.9 million).

18. Subsequent Events

In October 2023, the Company sold £25.2 million of market bonds.

The Directors declared a second interim dividend of 3 pence per share on 28 November 2023.

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

19. Foreign Exchange Rates Applied to Combined Totals Used in the Preparation of the Condensed Unaudited Interim Financial Statements

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

Currency	30 Sep 2023 GBP	31 Mar 2023 GBP
EUR	1.15	1.14
USD	1.22	1.24

20. Approval of the Condensed Unaudited Interim Financial Statements

The condensed unaudited interim financial statements of the Company were approved by the Directors on 28 November 2023.

Directors and Advisers

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Bob Cowdell (Chairman)
Susie Farnon
John Hallam
Colleen McHugh

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