

Real Estate Credit Investments Limited

Interim Financial Report

2024

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2024



RECI
REAL ESTATE CREDIT
INVESTMENTS

Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2024

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



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RECI continued to deliver a stable Net Asset Value ("NAV") and attractive quarterly 3 pence dividend per share

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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 2024 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 27 November 2024.

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

OVERVIEW
AS AT 30 SEPTEMBER 2024

Overview and Highlights

What We Offer

Defensive credit exposure to UK and Western European real estate credit markets

- Stable and uninterrupted dividends delivered consistently since October 2013

Granular portfolio with detailed disclosure

- 26 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

Net Assets

£321.8m

(31 March 2024: £326.4m)

NAV per Share

£1.45

(31 March 2024: £1.45)



Total Assets

£412.1m

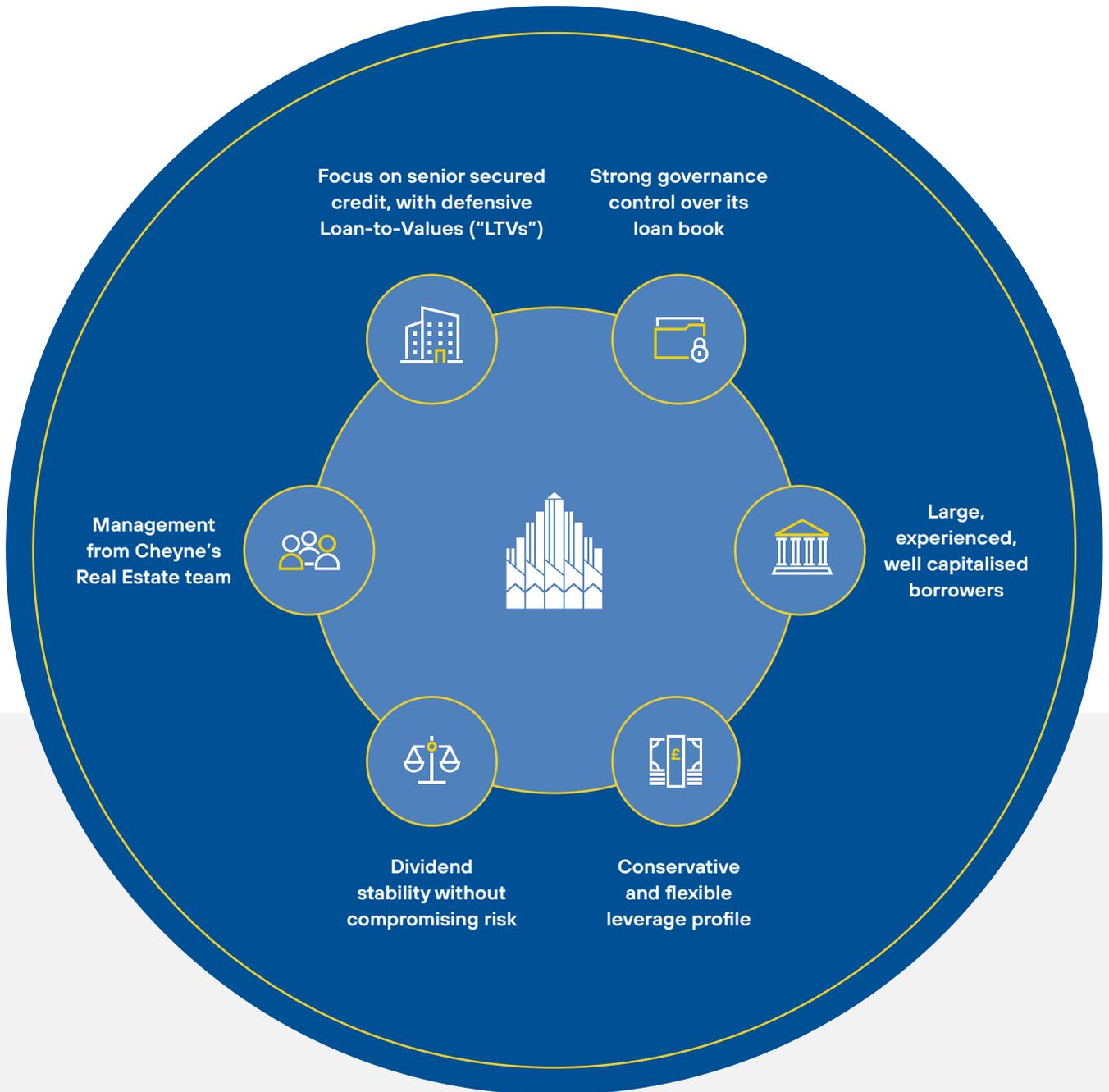
(31 March 2024: £352.3m)

Net Profit

£12.9m

(30 September 2023: £15.6m)

RECI Offers:



H1 2024 Total NAV Return (annualised)

9.0%

(30 September 2023: 9.4%)

Dividend Yield (annualised)

9.4%

(31 March 2024: 10.4%)

Share Price

£1.28

(31 March 2024: £1.15)

HY 2024 Dividends

6.0 pence

(30 September 2023: 6.0 pence)

OVERVIEW

At a Glance

Providing compelling risk-adjusted returns

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

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

Investments are Predominantly in:

Self-Originated Loans and Bonds

Predominantly bilateral senior real estate loans and bonds.

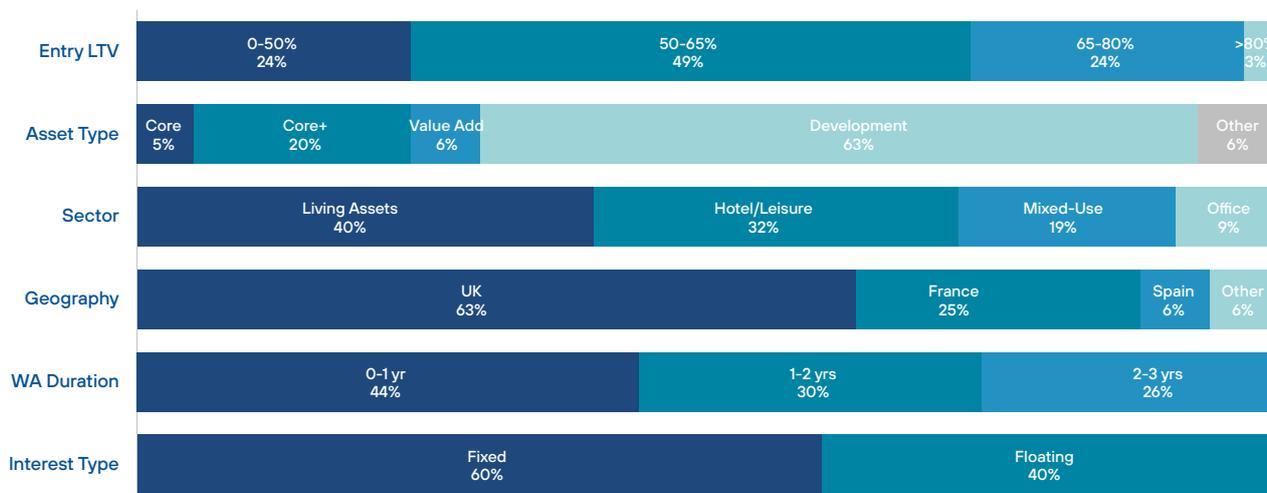
Market Bonds

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

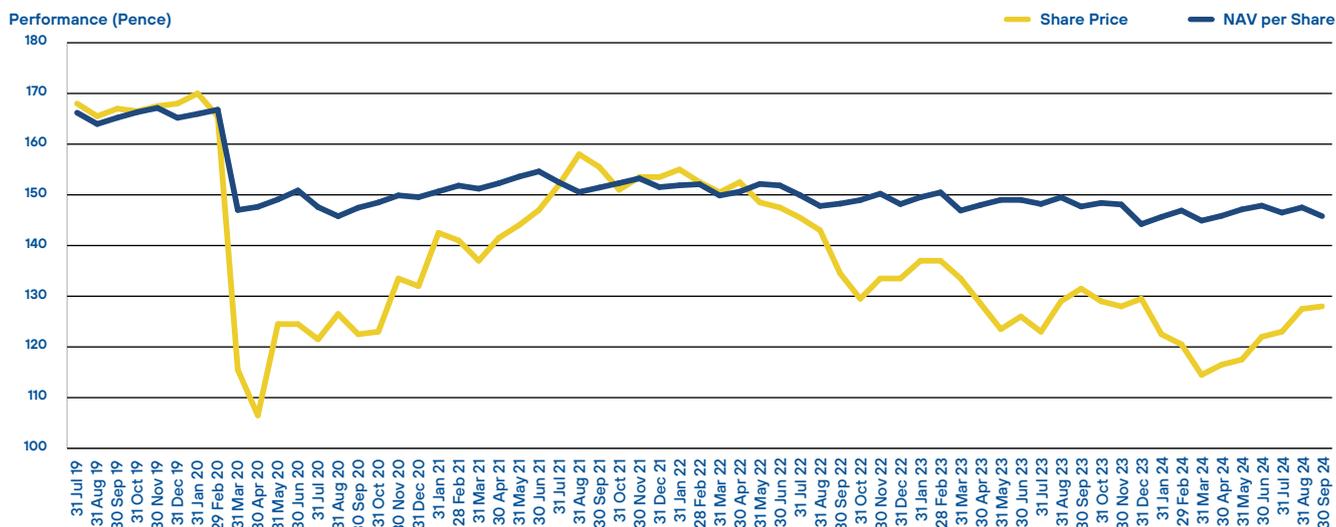
Investment Portfolio Composition

RECI's investment portfolio, a diversified book of 26 positions in real estate bonds and loans, was valued at £389.9 million, including accrued interest, as at 30 September 2024, up

from £329.4 million as at 31 March 2024. The portfolio had a weighted average levered yield of 10.2% and an average LTV ratio of 59.5% as at 30 September 2024.



Share Price vs NAV per Share



NAV and Share Price

Net Assets	£321.8m
Shares Outstanding (net of treasury shares)	221.9m
NAV (per share)	£1.45
Share Price (per share)	£1.28
Discount	(11.8)%
Dividend Yield (Annualised)	9.4%
Market Capitalisation	£284.0m

Total NAV Return¹

Financial Half Year Ended 30 September 24 (Annualised)	9.0%
Prior Financial Year End 31 March 24	7.0%
Last Three Financial Years Ended 31 March 24	21.8%
Last Five Financial Years Ended 31 March 24	30.1%

¹ The Total NAV Return measures the combined effect of any dividends paid, together with the rise or fall in the NAV per share. 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. Total NAV Return is considered an Alternative Performance Measure pursuant to ESMA Guidelines which is unaudited and outside of the scope of International Financial Reporting Standards.

OVERVIEW

Chairman's Statement

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

Andreas Tautscher
Chairman



As this is my first Chairman's statement, I would like to start by thanking my predecessor, Bob Cowdell, both for his time as Chair of RECI but also for his support during the handover and John Hallam who recently retired from the Board after nine years of service. I would also like to welcome Mark Thompson to the Board who brings a wealth of financial and board experience. I am also happy to report my other fellow Directors have helped me to get up to speed on RECI and I have had a number of good interactions with our investment manager, Cheyne and broker, Panmure Liberum.

The period since commencement of the Company's current financial year on 1 April 2024 has seen a continuation of the geopolitical and economic themes which have challenged global markets and investor sentiment. Neither of the regional confrontations in Ukraine/Russia and Israel/Gaza show any sign of abating and in many respects have only increased in intensity in the last six months. Both conflicts represent a real risk of expanding into wider regional wars.

The "Global Elections Super Cycle" is now drawing to a close, with 66 of the 74 elections now complete. Most recently, Donald Trump was emphatically re-elected as US president and it is not yet clear to what extent he will enact his campaign promises of tax cuts, immigration curbs and trade tariffs. It is highly likely though that the president-elect's policies will lead to higher inflation and interest rates in the US together with a stronger dollar. It remains to be seen whether global trade will suffer to the extent forecast. Of more immediate impact has been the move to rate cuts with the Federal Reserve ("Fed"),

Bank of England ("BoE") and European Central Bank ("ECB") cutting rates for the first time in the current cycle. Both Fed and ECB have seen inflation drop towards their 2% benchmarks. By contrast the BoE has been more conservative as UK inflation rates have proved to be more stubborn.

The move to a rate-cutting environment is welcome and it is hoped that we are finally starting to see the much predicted reversal of increases we saw in the last three years. That said many commentators (and to some extent Central Banks themselves) have managed expectations of a rapid reduction in rates to pre pandemic levels: there is still a strong expectation that we will see higher medium-term rates. The equity markets are all trading at or near highs with most outlooks remaining positive albeit with a weather eye on any further deterioration in the geopolitical tensions noted earlier. Bond markets are in a more difficult position as they try to map out where the current rate movements might lead to and how quickly.

The continuing focus on asset valuation in the alternative assets sector and the discount within the Specialist Funds Segment is potentially of greater significance to Shareholders. These factors impact RECI as there is limited differentiation by the market on our segment. That said, we feel our investment manager is well placed as their 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. It remains the case that our manager sees more opportunities than RECI is currently able to participate

in, which is something we would like to address in 2025. I would also like to highlight the success of our buyback programme which has helped to reduce our discount to 11.8% at 30 September 2024.

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 2024, the exposure to lower risk senior loans and bonds was 87.4%; the total portfolio had a Weighted Average Life ("WAL") of 1.4 years; and the weighted average entry LTV of the Company's portfolio was 59.5% (60.1% at 30 September 2023), providing significant defensive equity headroom.

Financial Performance

RECI reported a total net profit for the half year ended 30 September 2024 of £12.9 million on half year end total assets of £412.1 million, compared with a £15.6 million net profit in the half year ended 30 September 2023, on half year end total assets of £408.5 million.

The NAV as at 30 September 2024 was £1.45 per share (£1.48 per share as at 30 September 2023). The 30 September 2024 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 2024 and the first interim dividend of the current financial year, returning £13.4 million to Shareholders and providing an annualised total NAV return of 9.0% for the half year.

During the half year to 30 September 2024, the Company funded £104.2 million into existing investments, compared with £50.7 million in the previous half year. RECI received cash repayments and interest of £50.2 million compared with £72.6 million in the half year ended 30 September 2023.

Half Year Review

Reflecting RECI's robust portfolio, the Company's NAV remained stable during the half year to close at £1.45 per share at 30 September 2024.

Having commenced the half year period at a price of £1.15 per share, the Company's shares traded at an average discount to NAV of 16.5% during the financial half year to close at 30 September 2024 at £1.28 per share (a discount of 11.8%). Reflecting market sentiment, the Real Estate debt sector traded at an average discount of 20.4% (excluding RECI) over the six months to 30 September 2024 (source: Panmure 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 ("Available Cash").

On 27 September 2024, the Board of Directors announced that, having reviewed the current circumstances and assessed the Company's level and allocation of cash available for deployment, it intends to undertake a further buyback programme (the "Programme") which will run to 31 March 2025. The aggregate purchase price of all shares acquired under the Programme will be no greater than £10.0 million. The Company appointed Panmure 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. In the period from the announcement of the preceding buyback programme to 25 September 2024 the Company's NAV increased from 144.9p (as at 31 March 2024) to 147.5p (31 August 2024) and the share price increased from 114.5p to 127.5p. This resulted in a significant reduction in the share price discount to 13.6% from 20.7% at the outset.

At the beginning of the financial year on 1 April 2024, RECI had gross balance sheet leverage of £23.8 million (7.3% of NAV) and leverage net of cash was £1.0 million (0.3% of 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. To this end 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 2024, the Company's gross balance sheet leverage was £79.6 million (24.7% of NAV); its leverage net of cash was £63.2 million (19.6% of NAV); and its net effective leverage, including contingent liabilities of £3.0 million (being the partial recourse commitment, representing 25% of asset level borrowings provided to certain asset level structured finance counterparties), was £66.2 million (20.6% of NAV).

Chairman's Statement (continued)

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

Outlook

The continued uncertainty as to the future level of inflation and interest rates will likely persist 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 2025, which may be deployed into a successor to the programme and potential investments into the attractive higher yielding opportunities identified by Cheyne.

During the next few months I am looking to meet with as many Shareholders as possible to continue the active engagement of my predecessor.

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.

Andreas Tautscher
Chairman
27 November 2024

KPIs and Financial Highlights

Key Performance Indicators

	30 Sep 2024	31 Mar 2024
Balance Sheet		
NAV per share	£1.45	£1.45
Share price	£1.28	£1.15
Discount	(11.8)%	(20.7)%
Average discount in period/year ¹	(16.5)%	(14.7)%
Leverage (% of NAV) ²	24.7%	7.3%

¹ 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.

² Leverage is the recourse financing divided by the net assets.

	30 Sep 2024	30 Sep 2023
Profit, Loss and Dividends (6 months ended)		
Earnings per share	5.8p	6.8p
Dividends per share declared for the period	6.0p	6.0p
Total NAV Return (including dividends) annualised ¹	9.0%	9.4%

¹ Assumes re-investment of dividends.

Financial Highlights

	30 Sep 2024 £m	31 Mar 2024 £m
Balance Sheet		
Cash, cash equivalents and cash collateral at/due to brokers	16.4	22.8
Net assets	321.8	326.4
	30 Sep 2024 £m	30 Sep 2023 £m
Profit and Loss (6 months ended)		
Operating income	18.4	20.6
Net profit	12.9	15.6

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.

¹ Alternative Performance Measures are described in Glossary on page 48.

BUSINESS AND STRATEGY REVIEW

Investment Manager's Report

Resilience and
income through
global uncertainty

Ravi Stickney
Portfolio Manager

Managing Partner and CIO,
Cheyne Real Estate



Global Real Asset Valuations: Asset performance divergence against the backdrop of renewed capital market uncertainty

Asset Performance Remains Resilient for Select Productive Assets

This year has seen an accelerating divergence in asset-level performance between productive real estate assets and those considered obsolete. The previously prevailing low interest rate era had supported the valuations and financing capacity of obsolete assets and as interest rates have risen over the past two years, this support has effectively been withdrawn.

With terminal rates migrating upwards since late 2022 and remaining elevated, the focus on valuations has shifted to which assets are meaningfully capable of meeting a demand from society. Financial engineering (leverage and valuations) has given way to the reward of actual value creation and utility.

To take the London office sector as an example; it is now becoming accepted that tenants are no longer willing to reside in obsolete accommodation that does not present an attractive place of work for employees. The acceptance of sub-standard workspace has fallen away to be replaced by a demand for high-quality accommodation offering attractive amenities, a desirable location and strong sustainability credentials.

Occupiers, as well, are facing a growing need to leave their current sub-standard obsolete accommodation (having postponed occupational decisions since COVID). The need for new accommodation is met with a paucity of available appropriate space.

That same supply and demand imbalance can be extended to the "living" sector (multifamily, student housing, elderly housing and affordable housing), industrial (light industrial and logistics), healthcare and science-driven sectors (e.g. datacentres).

This retrenchment from obsolete assets presents an opportunity for well capitalised investors to address that imbalance.

The challenge for the creation, and retention, of much needed assets is then the valuation of assets and the availability of funding.

Valuation Yields and Funding Availability Face yet More Uncertainty

Recent downward trends in macro inflation in Western economies have reinforced hopes that central banks will be able to taper the higher level of terminal interest rates. Expectation of lower rates has caused a tightening of valuation yields and debt funding rates over the last few months.

The recent sweeping re-election of Donald Trump as US president does bring his stagflationary immigration, trade and fiscal policies promised on the campaign trail into sharper focus. Whether he is able to implement these policies to his desired extent remains to be seen but it is likely that his re-election will be negative for the US economy. Europe and the wider world will similarly face headwinds on growth and inflation.

To an extent, the UK and parts of Europe are relatively insulated from US policy. However, Germany, the largest Eurozone economy is, probably, the most exposed to an increase in tariffs and elevated inflation.

Coupled with reasonable growth and unemployment trends globally, we believe that the inflationary environment (and higher rates environment) will remain elevated for longer. This, we believe, will keep in check the yield compression assumptions for assets and also the sustainability of existing (pre 2022) debt finance.

RECI's Positioning

RECI's positioning and response to global macro fluctuations, since the Brexit vote of 2016, has been to move its focus to senior loans (with the benefit of first mortgage security, governance and covenants) and eschew legally subordinated (mezzanine) positions.

That repositioning has seen RECI demonstrate a strong degree of credit resilience in the pandemic period and also in this post 2022 higher rate cycle.

RECI's focus on new investments remains consistent with our investment thesis, and with Cheyne's wider origination focus on:

- Senior first mortgage loans in preference to mezzanine
- Supporting the creation and retention of productive, much needed assets

Challenges

Valuation declines and macro headwinds have thrown up challenges for RECI's management of its loan book. Indeed, the significant negative change in the German real estate market at the turn of the year, together with the political uncertainty arising from the recent elections in France have posed challenges. RECI's manager, Cheyne, with its large localised teams, have continued to work to maximise recovery of the positions requiring more intensive asset management as set out in the loan performance ranking table on the following page.

Earlier this year, we started presenting the RECI loan book in tranches of performance outlook, with a ranking that presents a view on our thoughts on each loan's performance and recovery potential. This ranking table can be found on the next page.

Opportunities

Given the ongoing significant gulf between the need for debt capital and its availability in Europe, along with the very high barriers to entry in the creation and operation of an alternative lender platform for real estate in Europe, Cheyne has recorded its highest origination volume in its 16 year history in 2024. Our increased senior loan origination has come with sustained spreads and risk profile.

RECI's ability to participate in that senior loan origination is constrained by the availability of its cash resources and the competing requirements of cash generated through loan income and repayments (share buybacks and dividends primarily).

Nonetheless, RECI did reinvest loan redemption proceeds from two investments repaid in June and July into one senior loan in this period, at a 65% LTV and secured by a portfolio of well performing core assets in London. The levered investment provides a net running income of 16% to RECI, assisting RECI in improving its net operating income and dividend cover.

RECI will seek to participate in further highly cash generative deals presented by its manager, while taking into consideration its competing capital requirements.

Investment Manager's Report (continued)

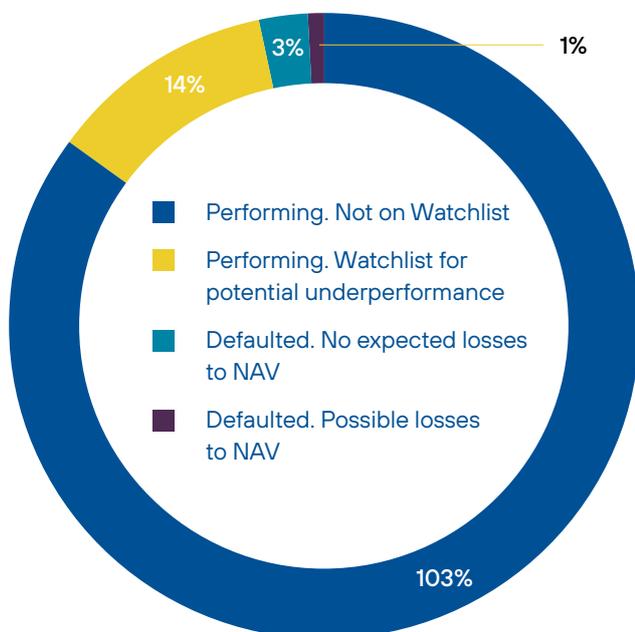
Portfolio Composition – Top 10 Assets

Deal Description	Commitment	% of NAV	Entry LTV	Investment Strategy	Sector	Country	Asset Type
1 Light industrial, office and mid-market residential portfolio in the UK	£82.1m	26%	48%	Senior Loan	Mixed-Use	United Kingdom	Development
2 Senior Loan refinance of four 4-star upscale hotels in central London	£65.6m	20%	65%	Senior Loan	Hotel	United Kingdom	Core+
3 Student accommodation development in London	£48.1m	15%	58%	Senior Loan	Student Accommodation	United Kingdom	Development
4 Residential, affordable housing and mixed-use scheme over five blocks within Greater London	£32.7m	10%	67%	Senior Loan	Residential	United Kingdom	Development
5 Refurbishment and extension of a freehold office building in Saint Ouen, Paris	£30.9m	10%	58%	Senior Loan	Office	France	Value Add/ Transitional
6 Fully operating Hotels in Nice and Paris, sale expected in Q1 2025	£22.7m	7%	80%	Senior Loan	Hotel	France	Development
7 Build-for-sale luxury villa development	£22.4m	7%	50%	Senior Loan	Residential	Spain	Development
8 Income producing residential developer in France	£20.6m	6%	36%	Senior Loan	Housebuilder	France	Development
9 Fully operating hotel in Helsinki	£20.4m	6%	65%	Senior Loan	Hotel	Finland	Core
10 Acquisition of the leasehold interest in 190 luxury assisted living units in Kensington, London	£19.7m	6%	60%	Senior Loan	Assisted Living	United Kingdom	Development

Risk Ranking

Key Risk Rating	Number	Investment Portfolio Fair Value (Gross)	% of NAV
1 Performing. Not on Watchlist	21	£331.8m	103%
2 Performing. Watchlist for potential underperformance	2	£45.6m	14%
3 Defaulted. No expected losses to NAV	1	£9.9m	3%
4 Defaulted. Possible loss to NAV	2	£2.6m	1%
Total	26	£389.9m	121%

Risk Rating (Dirty FV % of NAV)



Looking Forward

The immediate priority for RECI remains the following:

- 1) Preservation of value in its existing book. The focus here is on delivering a full recovery for the remaining (albeit declining) loan book
- 2) Improving the overall net income of the loan book. This can only be achieved by reinvesting some of the proceeds of loan repayments into highly selective core income producing senior loans

Those priorities are aimed at the dual objectives of (a) reducing NAV volatility (as the loan book reduces, NAV volatility is likely to increase without further reinvestment) and (b) improving the dividend cover, without the need for cover from trading profits (i.e. looking solely to income for dividend cover through time). Expansion of the capital base would clearly help to support this dual objective.

Cheyne Capital Management (UK) LLP
27 November 2024





BUSINESS AND STRATEGY REVIEW

Sustainability Report

RECI's Approach to Sustainability

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

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

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

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

Cheyne's Partnership with Evora Global



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 Core ESG Principles

VALUE ENHANCING

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.

RISK REDUCING

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

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

ACTIVELY ENGAGED

Incorporating Sustainability into the Investment Process



Due Diligence

RECI is primarily invested in real estate loans and other real estate-based debt investments. Key factors taken into consideration, where appropriate and possible, are best-in-class environmental, design and construction standards, a focus on Building Research Establishment Environmental Assessment (“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 (since 2022) partnership with Evora Global is expected to enable Cheyne to remain at the forefront of the rapidly evolving ESG agenda and provide an independent checkpoint to challenge their ESG investment process and ensure robustness.

Cheyne 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 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 ESG credentials, utilising a consistent approach to enable aggregation across the assets within the relevant Cheyne fund.

The questionnaires are utilised by the investment analysts as part of their investment evaluation. Investment memos for all proposed investments include a mandatory section on ESG considerations, which are reviewed and discussed at the relevant Investment Committee meeting.

Standards and Guidance

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

- Building Research Establishment Environmental Assessment Method ("BREEAM")
- Carbon Risk Real Estate Monitor ("CRREM")
- EU Taxonomy
- Global Real Estate Sustainability Benchmark ("GRESB")
- Incorporating Sustainability into the Investment Process
- Minimum Energy Efficiency Standards ("MEES")
- Sustainable Finance Disclosure Regulations ("SFDR")

Cheyne's Partnership with Carbon.Climate.Certified

Cheyne has also now appointed Carbon.Climate.Certified to prepare a CRREM alignment assessment for every proposed transaction, outlining how the deal could ultimately achieve CRREM alignment, dependent on cost and viability.

Carbon.Climate.Certified will work to establish the scope for a decarbonisation pathway, determine targets, deliverable requirements and create an action plan for net zero alignment and staged gateway reporting. The collation and analysis of this data will allow Cheyne to make strategic investment decisions that align with the UK and EU's commitment to achieve a net-zero carbon economy by 2050.

This commitment reflects Cheyne's dedication to environmental stewardship, sustainability, and the well-being of the communities it serves.

Outlook and Focus Areas 2024 and Beyond

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

The continuing evolution is demonstrated through the Investment Manager in completing and implementing its ESG framework which now forms the basis of an evaluation tool to influence investment decisions from an ESG perspective for new projects.

The most recent phase of its ESG evolution has involved the engagement of a leading ESG asset level consultant to capture more defined asset level metrics and develop a decarbonisation strategy. The initial focus of the strategy is to quantify and report carbon impacts associated with each portfolio's assets. The collation and analysis of this data will allow Cheyne to make strategic investment decisions that align with the UK and EU's commitment to achieve a net-zero carbon economy by 2050. This commitment reflects the Investment Manager's dedication to environmental stewardship, sustainability, and the wellbeing of the communities it serves. As part of its involvement with this project, the Investment Manager has assessed and implemented new frameworks (e.g. CRREM) to secure its assets and reduce the risk of stranding.

The Investment Manager firmly believes that adopting this approach has:

- Enhanced the quality of the portfolio and help to protect value;
- Enabled the IM to stay ahead of investor demand to invest in sponsors that have a plausible and demonstrable ESG strategy;
- Used capital to drive/accelerate change in the Real Estate arena in regard to ESG; and
- Provided a measurable approach to understanding the ESG dynamics of our portfolio.

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

Looking ahead, one of the main focuses will be on new regulatory requirements. This year the Investment Manager advanced its reporting under the TCFD framework and produced its inaugural FCA TCFD entity report. This report outlines how Cheyne considers climate-related matters when managing assets, and sets out Cheyne's approach to Governance, Strategy and Risk Management, as well as relevant climate-related Metrics and Targets. Due to its role as Investment Manager, Cheyne also produced a FCA TCFD product-level report for RECI.

Both reports are publicly available and can be found on Cheyne's website www.cheynecapital.com/esg-responsibleinvestment

In addition, the UK's regulatory framework SDR continues to come into force in stages. As a non-UK domiciled company, the existing scope of the SDR has very little impact on RECI, with no additional reporting or product labelling requirements imposed. Nonetheless, RECI will continue to monitor the regulatory landscape as well as consider best practices as pertains to SDR and other such frameworks. Effective 31 May 2024, the Investment Manager was brought into scope of the FCA's Anti-Greenwashing Rule and continues to work closely with relevant parties to ensure that it is meeting its regulatory obligations.

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



GOVERNANCE

Directors' Responsibility Statement

Governance

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. There are no emerging risks since the publication of the annual report.

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 and Dividend Risk

The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns.

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

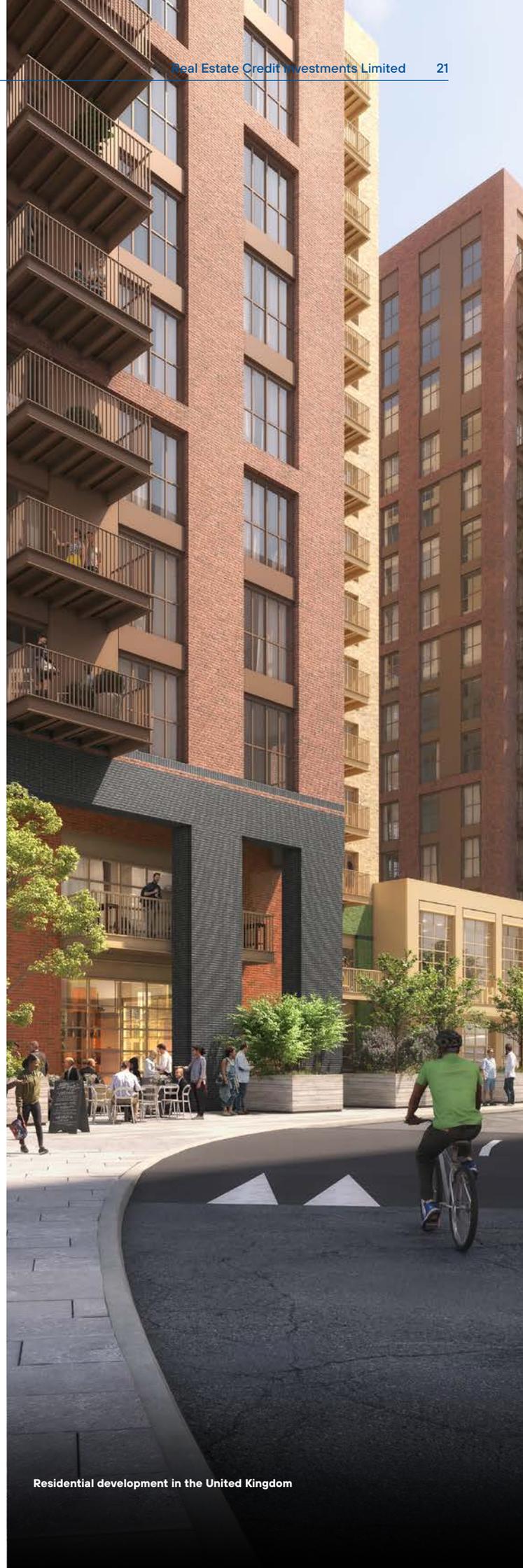
These currently include: geopolitical and macroeconomic risks including volatility, continuing higher rates, supply chain disruption, the continuing impact of the Ukraine conflict, and the effects of climate change and cyber security.

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 2024 annual report, which is available on the Company's website.

By order of the Board

Andreas Tautscher
Director
27 November 2024

Susie Farnon
Director



Condensed Unaudited Interim Financial Statements
For the six months ended 30 September 2024

Financial Statements

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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 2024 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 2024 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
27 November 2024

Condensed Unaudited Statement of Comprehensive Income

For the Six Months Ended 30 September 2024

	Note	30 Sep 2024 GBP	30 Sep 2023 GBP
Interest income	5	14,712,584	15,239,555
Net gains on financial assets and liabilities at fair value through profit or loss	3	3,439,720	5,028,184
Net foreign currency gains		242,728	212,411
Other income		37,236	72,986
Operating income		18,432,268	20,553,136
Operating expenses	4	(3,629,542)	(2,873,145)
Profit before finance costs		14,802,726	17,679,991
Finance costs	5	(1,897,862)	(2,089,118)
Net profit		12,904,864	15,590,873
Other comprehensive income		–	–
Total comprehensive income		12,904,864	15,590,873
Earnings per share			
Basic and diluted	10	5.8p	6.8p
Weighted average shares outstanding		Number	Number
Basic and diluted	10	223,863,025	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 2024

	Note(s)	30 Sep 2024 GBP	31 Mar 2024 GBP
Non-current assets			
Financial assets at fair value through profit or loss	12,14	389,886,502	329,368,799
		389,886,502	329,368,799
Current assets			
Cash and cash equivalents		16,911,500	18,289,567
Cash collateral at broker	15	930,745	4,489,272
Derivative financial assets	13	4,337,086	–
Other assets		55,201	104,298
		22,234,532	22,883,137
Total assets		412,121,034	352,251,936
Equity and liabilities			
Equity			
Share capital	11	330,950,337	331,405,039
Treasury shares	11	(9,192,906)	(5,023,350)
		321,757,431	326,381,689
Current liabilities			
Financing agreements	8	79,599,932	23,789,792
Dividends payable	9	6,656,820	–
Cash collateral due to broker	15	1,420,000	14,400
Derivative financial liabilities	13	–	87,967
Other liabilities	6	2,686,851	1,978,088
		90,363,603	25,870,247
Total liabilities		90,363,603	25,870,247
Total equity and liabilities		412,121,034	352,251,936
Shares outstanding	11	221,894,004	225,237,478
Net asset value per share		£1.45	£1.45

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

Signed on behalf of the Board of Directors by:

Andreas Tautscher
Director
27 November 2024

Susie Farnon
Director

Condensed Unaudited Statement of Changes in Equity

For the Six Months Ended 30 September 2024

	Note	Share capital GBP	Treasury shares GBP	Total equity GBP
Balance as at 31 March 2024		331,405,039	(5,023,350)	326,381,689
Total comprehensive income		12,904,864	–	12,904,864
Dividends	9	(13,359,566)	–	(13,359,566)
Treasury shares purchased	11	–	(4,169,556)	(4,169,556)
Balance as at 30 September 2024		330,950,337	(9,192,906)	321,757,431
	Note	Share capital GBP	Treasury shares GBP	Total equity GBP
Balance as at 31 March 2023		336,965,907	–	336,965,907
Total comprehensive income		15,590,873	–	15,590,873
Dividends	9	(13,759,948)	–	(13,759,948)
Balance as at 30 September 2023		338,796,832	–	338,796,832

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 2024

	Notes	30 Sep 2024 GBP	30 Sep 2023 GBP
Net profit		12,904,864	15,590,873
Purchases of investment portfolio		(97,788,622) ¹	(50,695,576)
Repayments/sales proceeds on investment portfolio		45,100,906	59,321,049
Movement in realised and unrealised losses/(gains) on investment portfolio	3	1,379,979	(1,784,919)
Net movement on derivative financial assets and liabilities		(4,425,053)	3,411,976
Interest income		(14,712,584)	(15,239,555)
Finance costs		1,897,862	2,089,118
Operating cash flows before movement in working capital		(55,642,648)	12,692,966
Decrease/(increase) in cash collateral at broker		3,558,527	(4,769,975)
Decrease/(increase) in other assets		49,097	(18,015)
Increase in cash collateral due to broker		1,405,600	–
Increase in other liabilities		708,763	219,242
Movement in working capital		5,721,987	(4,568,748)
Interest received		5,502,618 ¹	13,279,611
Net cash flow (outflow)/inflow operating activities		(44,418,043)	21,403,829
Financing activities			
Dividends paid to Shareholders	9	(6,702,746)	(6,879,974)
Payments under financing agreements	8	(52,295,011)	(154,253,212)
Proceeds under financing agreements	8	107,184,229	132,884,372
Finance costs paid	8	(976,940)	(1,830,437)
Payments on treasury shares purchased	11	(4,169,556)	–
Net cash inflow/(outflow) financing activities		43,039,976	(30,079,251)
Net decrease in cash and cash equivalents		(1,378,067)	(8,675,422)
Cash and cash equivalents at the start of the period		18,289,567	14,081,343
Cash and cash equivalents at the end of the period		16,911,500	5,405,921

¹ Excludes payment-in-kind amounting to £6,439,463 for the period ended 30 September 2024.

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 2024

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 CMP 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 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. Material Accounting Policies

Statement of Compliance

The condensed unaudited interim financial statements for the period ended 30 September 2024 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 2024.

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 2024, 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 2024 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 2024

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

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

The amendments listed above have no material impact on the financial statements of the Company.

Notes to the Condensed Unaudited Interim Financial Statements (continued)

New Standards, Amendments and Interpretations Issued but not Effective for the Financial Year Beginning 1 April 2024 and not Early Adopted.

Title	Effective for periods beginning on or after
Amendments to IAS 21 – <i>Lack of Exchangeability</i>	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments – <i>Amendments to IFRS 9 and IFRS 7</i>	1 January 2026
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

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.

Amendments to IFRS 9 and IFRS 7 respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income.

The Company did not expect these amendments to have a material impact on its operations or financial statements.

IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Company did not expect this standard to have an impact on its operations or financial statements.

IFRS 18 will replace IAS 1, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. The Company did not early adopt these amendments and the management is currently assessing the detailed implications of applying the new standard on the Company's 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 2024 and year ended 31 March 2024, 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 British Pounds ("GBP" or "£"), 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 geopolitical and 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, cash equivalents and cash collateral at/to brokers as at 30 September 2024 of £16.4 million (31 March 2024: £22.8 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 2024 was 20.6% (31 March 2024: 1.5%).

As disclosed in Note 17, as at 30 September 2024, the Company had committed £494.8 million into the loan and bond portfolio of which £409.7 million had been funded (31 March 2024: £489.0 million commitment of which £352.1 million had been funded). The Investment Manager models these expected commitments and only funds if the borrowers meet specific business plan milestones.

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

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.

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 on Financial Assets and Liabilities at Fair Value through Profit or Loss

	30 Sep 2024 GBP	30 Sep 2023 GBP
Net gains/(losses)		
Net gains on market bond portfolio	462,583	1,526,664
Net (losses)/gains on bilateral loan and bond portfolio	(3,263,343)	439,399
Net gains/(losses) on equity securities	1,420,781	(181,144)
Net gains on forward foreign exchange contracts	4,819,699	3,243,265
Net gains on financial assets and liabilities at fair value through profit or loss	3,439,720	5,028,184

Notes to the Condensed Unaudited Interim Financial Statements (continued)

4. Operating Expenses

	Note	30 Sep 2024 GBP	30 Sep 2023 GBP
Investment management, administration and depositary fees			
Investment management fees	16	2,084,951	2,139,184
Administration fees	16	141,823	142,064
Depositary fees	16	35,690	32,060
		2,262,464	2,313,308
Other operating expenses			
Deal and underwriting expenses		496,377 ¹	–
Legal fees		211,273	60,375
Directors' fees		137,510	115,775
Audit fees		67,500	56,625
Corporate Secretary fees		55,000	37,500
Fees to auditor for non-audit services		45,000	39,500
Research fees		35,136	18,450
Registration fees		30,000	30,000
Regulatory body expenses		19,247	8,733
Directors and Officers' insurance fees		9,259	10,239
Other expenses		260,776	182,640
		1,367,078	559,837
Total operating expenses		3,629,542	2,873,145

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

The ongoing charges are calculated based on the most recent Association of Investment Companies ("AIC") guidance issued in October 2024. For 30 September 2024 they are 1.78% and the restated costs, based on the most recent AIC guidance, for 30 September 2023 are 1.67%. The costs exclude legal transaction fees and financing.

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 2024 GBP	30 Sep 2023 GBP
Interest income on financial assets at fair value through profit or loss		
Real Estate Credit Investments – market bond portfolio	411,325	1,428,088
Real Estate Credit Investments – bilateral loan and bond portfolio	13,843,797	13,700,139
	14,255,122	15,128,227
Interest income on financial assets at amortised cost		
Cash and cash equivalents and cash collateral at broker	457,462	111,328
Total interest income	14,712,584	15,239,555
Finance costs		
Cost of financing agreements	(1,897,862)	(2,089,118)
Total finance costs	(1,897,862)	(2,089,118)

6. Other Liabilities

	Note	30 Sep 2024 GBP	31 Mar 2024 GBP
Investment management, depositary and administration fees payable			
Investment management fees payable	16	330,008	317,221
Depositary fees payable	16	91,804	66,708
Administration fees payable	16	58,502	37,548
		480,314	421,477
Other operating payables			
Deal and underwriting expenses payable		310,493 ¹	–
Legal fees payable		198,486	86,436
Registration fees payable		178,916	148,917
Corporate Secretary fees payable		92,500	37,500
Audit fees payable		83,067	85,375
Directors' fees payable		70,233	57,887
Research fees payable		26,070	35,144
Regulatory body fees payable		8,040	–
Other expense accruals		1,238,732	1,105,352
		2,206,537	1,556,611
Total other liabilities		2,686,851	1,978,088

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

7. Structured Entities not Consolidated

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

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

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

Notes to the Condensed Unaudited Interim Financial Statements (continued)

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 on the 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 2024 and 31 March 2024.

30 September 2024

Name	Fair value of loans ¹ GBP	Undrawn commitment GBP	Carrying value GBP	Nature and purpose of the entity	Location	Equity held	Percentage held ² %	Other exposure ³
RELF ⁴								
Fulton Road	22,696,326	10,145,896	11,705,405	To invest in Fulton Road real estate	United Kingdom	No	–	No
Kensington	16,917,751	235,920	8,099,449	To invest in Kensington real estate	United Kingdom	No	–	No
Ruby	9,474,125	279,577	4,756,613	To invest in Ruby real estate	Luxembourg	No	–	No
Sabina	14,512,114	7,918,938	9,000,342	To invest in Sabina real estate	Luxembourg	No	–	No
Cheyne French Funding Sub-Fund 3	9,899,445	3,210,513	9,899,445	To invest in Cheyne French Funding Sub-Fund 3 real estate	France	No	–	No
Cheyne French Funding Sub-Fund 8	21,952,635	5,047,924	22,319,730	To invest in Cheyne French Funding Sub-Fund 8 real estate	France	No	–	No

¹ This amount excludes interest receivables.

² RECI has interest in the structured entities through loan notes instruments and hence the equity percentage held is nil.

³ 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.

⁴ The total loan exposure on RELF will not equal the carrying value disclosed above due to financing within the RELF structure.

31 March 2024

Name	Fair value of loans ¹ GBP	Undrawn commitment GBP	Carrying value GBP	Nature and purpose of the entity	Location	Equity held	Percentage held ² %	Other exposure ³
RELF ⁴								
Fulton Road	15,261,761	17,463,239	7,887,798	To invest in Fulton Road real estate	United Kingdom	No	–	No
Kensington	17,550,039	235,920	8,035,371	To invest in Kensington real estate	United Kingdom	No	–	No
Lifestory	12,650,000	–	4,162,723	To invest in Lifestory real estate	Luxembourg	No	–	No
Ruby	8,193,829	1,559,872	4,166,958	To invest in Ruby real estate	Luxembourg	No	–	No
Sabina	15,868,950	6,562,102	8,865,264	To invest in Sabina real estate	Luxembourg	No	–	No
Cheyne French Funding Sub-Fund 3	10,371,910	3,298,879	10,371,911	To invest in Cheyne French Funding Sub-Fund 3 real estate	France	No	–	No
Cheyne French Funding Sub-Fund 8	24,477,358	5,202,294	24,709,172	To invest in Cheyne French Funding Sub-Fund 8 real estate	France	No	–	No

¹ This amount excludes interest receivables.

² RECI has interest in the structured entities through loan notes instruments and hence the equity percentage held is nil.

³ 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.

⁴ The total loan exposure on RELF will not equal the carrying value disclosed above due to financing within the RELF structure.

Notes to the Condensed Unaudited Interim Financial Statements (continued)

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 £118.6 million (31 March 2024: £39.5 million) and a weighted average cost of 7.92% (31 March 2024: 7.73%) per annum. The contractual maturity period of the repurchase arrangements is minimum of 6 months or term matched to the underlying loan (31 March 2024: 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 agreements amounting to £54.9 million (30 September 2023: £21.4 million) and finance costs paid amounting to £1.0 million (30 September 2023: £1.8 million) are shown as financing activities in the Condensed Unaudited Statement of Cash Flows.

The following table summarises movements under financing agreements as at 30 September 2024 and 31 March 2024.

	30 Sep 2024 GBP	31 Mar 2024 GBP
Balance as at 1 April	23,789,792	80,441,157
Proceeds under financing agreements	107,184,229	240,694,426
Payments under financing agreements	(52,295,011)	(297,180,747)
Finance costs	1,897,862	3,514,078
Finance costs paid	(976,940)	(3,679,122)
	79,599,932	23,789,792

During the financial period ended 30 September 2024, 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 2024 was £33.8 million (31 March 2024: £33.9 million).

During the financial period ended 30 September 2024, the Company continued to maintain an off-balance sheet financing agreement which does have partial recourse to the Company. The amount of partial recourse commitment as at 30 September 2024 was £3.6 million (31 March 2024: £3.9 million). No expected loss from providing this guarantee has been recognised in these condensed unaudited interim financial statements and no additional collateralisation has been paid as of period end.

9. Quarterly Dividends

	30 Sep 2024 GBP	30 Sep 2023 GBP
Share Dividends		
Fourth interim dividend for the year ended 31 March 2024/31 March 2023	6,702,746	6,879,974
First interim dividend for the year ending 31 March 2025/31 March 2024	6,656,820	6,879,974
Dividends announced to Shareholders during the period	13,359,566	13,759,948

The total dividends announced during the financial period ended 30 September 2024 amounted to 6.0 pence per share (30 September 2023: 6.0 pence per share).

During the financial period ended 30 September 2024, the dividends paid totalled £6.7 million (30 September 2023: £6.9 million) while £6.7 million (31 March 2024: £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 dividends approved.

10. Earnings per Share

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

	30 Sep 2024	30 Sep 2023
Net earnings attributable to shares (GBP)	12,904,864	15,590,873
Weighted average number of shares for the purposes of basic and diluted earnings per share ¹	223,863,025	229,332,478
Earnings per share		
Basic and diluted (pence)	5.8	6.8

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

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 2024, the Company had equity of £321.8 million (31 March 2024: £326.4 million).

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

Pursuant to the share buyback authority approved by the Company's Shareholders at the Annual General Meeting on 18 September 2024, the Board has granted authority to the Company's broker, Panmure Liberum Limited, to purchase the Company's shares in the market, subject to preagreed parameters. All shares purchased during the period/year are held in treasury.

The Company purchased 3.3 million (31 March 2024: 4.1 million) shares in the market during the period. The total amount paid to purchase the shares was £4.2 million (31 March 2024: £5.0 million) and this was presented as a reduction from the total equity.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders. The Company is a closed-ended listed investment company and, as such, Shareholders in the Company have no right to redeem their shares. Any redemption offered to Shareholders shall be at the discretion of the Directors of the Company.

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

Notes to the Condensed Unaudited Interim Financial Statements (continued)

There were no changes in the policies and procedures during the period ended 30 September 2024 with respect to the Company's approach to its share capital management.

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 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 2024:	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Current assets				
Forward foreign exchange contracts	–	4,337,086	–	4,337,086
Non-current assets				
Real Estate Credit Investments – market bond portfolio	–	88,463	7,817,224	7,905,687
Real Estate Credit Investments – bilateral loan and bond portfolio	–	–	366,415,923	366,415,923
Real Estate Credit Investments – equity securities	–	–	15,564,892	15,564,892
Total non-current assets	–	88,463	389,798,039	389,886,502
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(79,599,932) ¹	–	(79,599,932)
	–	(75,174,383)	389,798,039	314,623,656

¹ Includes repurchase agreements related to Level 3 investments.

As at 31 March 2024:	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Non-current assets				
Real Estate Credit Investments – market bond portfolio	–	100,405	7,793,554	7,893,959
Real Estate Credit Investments – bilateral loan and bond portfolio	–	–	305,036,801	305,036,801
Real Estate Credit Investments – equity securities	–	–	16,438,039	16,438,039
Total non-current assets	–	100,405	329,268,394	329,368,799
Current liabilities				
Real Estate Credit Investments – repurchase agreements	–	(23,789,792) ¹	–	(23,789,792)
Forward foreign exchange contracts	–	(87,967)	–	(87,967)
Total current liabilities	–	(23,877,759)	–	(23,877,759)
	–	(23,777,354)	329,268,394	305,491,040

¹ Includes repurchase agreements related to Level 3 investments.

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

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

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

The fair 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 makes loans into structures to gain exposure to real estate secured debt in the United Kingdom and Western Europe. These loans are not traded in an active market and there are no independent quotes available for these loans. Such holdings are classified as Level 3 investments. The fair value of these loans is linked directly to the value of the real estate loans that the underlying structures invests in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 6.2% to 13.2% (31 March 2024: 6.2% to 13.2%) (the unobservable input).

Fair value of the real estate loans is adjusted for changes in the credit quality of both the borrower and the underlying property collateral, and changes in the market rate on similar instruments where changes are material. No material movements on the fair value of the real estate loans have been identified and the par value of the loans was used. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess LTV of the investment). In most instances, the terms of the loan require periodic revaluation of the underlying property to check against LTV covenants. All the fees associated with the investments (arrangement fees, exit fees, etc.) are paid directly to the Company and not paid to the Investment Manager.

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

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

The following tables set out information about significant unobservable inputs used as at 30 September 2024 and 31 March 2024 in measuring financial assets categorised as Level 3:

As at 30 September 2024:	Fair value GBP	Valuation technique	Unobservable input
Market bond portfolio	7,817,224	Priced via external pricing source	Comparable set used
Bilateral loan and bond portfolio	366,415,923	Discounted cash flow	Risk-adjusted discount rate and sector-based yields
Equity securities	15,564,892	Discounted cash flow	Risk-adjusted discount rate and sector-based yields

Notes to the Condensed Unaudited Interim Financial Statements (continued)

As at 31 March 2024:	Fair value GBP	Valuation technique	Unobservable input
Market bond portfolio	7,793,554	Priced via external pricing source	Comparable set used
Bilateral loan and bond portfolio	305,036,801	Discounted cash flow	Risk-adjusted discount rate and sector-based yields
Equity securities	16,438,039	Discounted cash flow	Risk-adjusted discount rate and sector-based yields

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Changes in unobservable inputs, such as discount rates used in loans and bonds valuation and sector-based yields used in collateral valuation can have a negative or positive impact on fair value.

Sensitivities around the discount rates are discussed in detail in the interest rate risk note found in the 31 March 2024 Annual Report while sensitivity around expected future cash flows including collateral valuation is explained below. Sensitivities range from 5% to 10% for external valuations dated prior to the end of 30 September 2024. The higher percentage of 10% is applicable to office assets, which have been historically demonstrated and are expected to continue to be more sensitive (+5%) compared to other asset classes. For valuations after 30 September 2024, the sensitivities are set from 5% to 10% with the higher percentage of 10% being assigned to the office sector. This represents management's assessment of a reasonable possible change and would have a negative or positive effect on the fair value measurements for the Level 3 assets of £6,583,013 (31 March 2024: £7,212,730).

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. and RELF via separate note instruments. As and when market information, such as market prices from recognised financial data providers becomes available, the Company will assess the impact on its portfolio of loans and whether there should be any transfers between levels in the fair value hierarchy.

As at 30 September 2024, the Investment Manager has taken into account movements in market rates, any indications of impairment, significant credit events or significant negative performance of the underlying property structures, which might affect the fair value of the loans and bonds.

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 2024 GBP	Level 3 31 Mar 2024 GBP
Financial assets at fair value through profit or loss		
Opening balance	329,268,394	370,978,642
Total losses recognised in the Condensed Unaudited Statement of Comprehensive Income for the period/year	(1,379,979)	(6,381,030)
Purchases	104,228,085	95,164,446
Sales	(45,100,906)	(125,398,359)
Increase/(decrease) in interest receivable	2,782,445	(5,095,305)
Closing balance	389,798,039	329,268,394
Unrealised losses on investments classified as Level 3 at period/year end	(1,763,931)	(3,267,385)

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 2024: 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 in 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 in the Condensed Unaudited Statement of Financial Position.

Below are the derivative financial assets and liabilities by counterparty as at 30 September 2024 and 31 March 2024.

Forward Foreign Exchange Contracts

The following forward foreign exchange contracts were open as at 30 September 2024:

Counterparty	Settlement date	Buy currency	Buy amount	Sell currency	Sell amount	Unrealised gain GBP
The Bank of New York Mellon	15 November 2024	GBP	137,650,525	EUR	(159,945,000)	4,337,086
Unrealised gain on forward foreign exchange contracts						4,337,086

The following forward foreign exchange contracts were open as at 31 March 2024:

Counterparty	Settlement date	Buy currency	Buy amount	Sell currency	Sell amount	Unrealised loss GBP
The Bank of New York Mellon	16 May 2024	GBP	153,069,538	EUR	(178,830,000)	(87,967)
Unrealised loss on forward foreign exchange contracts						(87,967)

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; (ii) debentures or any other form of debt instrument, securitised tranches of secured real estate related debt securities, for example, RMBS and CMBS (together "MBS"); and (iii) equity securities. The real estate debt strategy focuses on secured residential and commercial debt in the United Kingdom and Western Europe, seeking to exploit opportunities in publicly traded securities and real estate loans.

The Company has three reportable segments, being the Market Bond Portfolio, Bilateral Loan and Bond Portfolio and Equity Securities.

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

Notes to the Condensed Unaudited Interim Financial Statements (continued)

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 2024:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Equity Securities GBP	Total GBP
Interest income	411,325	13,843,797	–	14,255,122
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	462,583	(3,263,343)	1,420,781	(1,379,979)
Reportable segment profit	873,908	10,580,454	1,420,781	12,875,143
Finance costs	(108,343)	(1,789,519)	–	(1,897,862)

For the six months ended 30 September 2023:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Equity Securities GBP	Total GBP
Interest income	1,428,088	13,700,139	–	15,128,227
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	1,526,664	439,399	(181,144)	1,784,919
Reportable segment profit/(loss)	2,954,752	14,139,538	(181,144)	16,913,146
Finance costs	(593,865)	(1,495,253)	–	(2,089,118)

As at 30 September 2024:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Equity Securities GBP	Total GBP
Reportable segment assets	7,905,687	366,415,923	15,564,892	389,886,502
Non-segmental assets				22,234,532
Financing agreements	(4,820,843)	(74,779,089)	–	(79,599,932)
Non-segmental liabilities				(10,763,671)
Net assets				321,757,431

As at 31 March 2024:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Equity Securities GBP	Total GBP
Reportable segment assets	7,893,959	305,036,801	16,438,039	329,368,799
Non-segmental assets				22,883,137
Financing agreements	(4,732,841)	(19,056,951)	–	(23,789,792)
Non-segmental liabilities				(2,080,455)
Net assets				326,381,689

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 reportable segment profit and net profit.

	30 Sep 2024 GBP	30 Sep 2023 GBP
Reportable segment profit	12,875,143	16,913,146
Net gains on forward foreign exchange contracts	4,819,699	3,243,265
Interest income on financial assets at amortised cost	457,462	111,328
Net foreign currency gains	242,728	212,411
Other income	37,236	72,986
	18,432,268	20,553,136
Operating expenses	(3,629,542)	(2,873,145)
Finance costs	(1,897,862)	(2,089,118)
Net profit	12,904,864	15,590,873

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

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

	30 Sep 2024 GBP	31 Mar 2024 GBP
Reportable segment assets	389,886,502	329,368,799
Cash and cash equivalents	16,911,500	18,289,567
Cash collateral at broker	930,745	4,489,272
Derivative financial assets	4,337,086	–
Other assets	55,201	104,298
Total assets	412,121,034	352,251,936

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios and Equity Securities for the period ended 30 September 2024:

As at 30 September 2024:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Equity Securities GBP	Total GBP
Financial assets at fair value through profit or loss				
Opening fair value	7,893,959	305,036,801	16,438,039	329,368,799
Transfer	–	2,311,728	(2,311,728)	–
Purchases ¹	–	104,210,285	17,800	104,228,085
Repayments/sales proceeds	(438,913)	(44,661,993)	–	(45,100,906)
(Decrease)/increase in interest receivable	(11,942)	2,782,445	–	2,770,503
Realised losses on sales	(42,780)	(70,062)	(4,789)	(117,631)
Net movement in unrealised gains/(losses)	505,363	(3,193,281)	1,425,570	(1,262,348)
Closing fair value	7,905,687	366,415,923	15,564,892	389,886,502

¹ Includes payment-in-kind amounting to £6,439,463 for the period ended 30 September 2024.

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 and Equity Securities for the year ended 31 March 2024:

As at 31 March 2024:	Market Bond Portfolio GBP	Bilateral Loan and Bond Portfolio GBP	Equity Securities GBP	Total GBP
Financial assets at fair value through profit or loss				
Opening fair value	49,243,187	341,474,617	10,024,106	400,741,910
Transfer	–	(11,650,667)	11,650,667	–
Purchases ¹	–	94,866,164	298,282	95,164,446
Repayments/sales proceeds	(42,942,292)	(112,045,599)	(259,257)	(155,247,148)
Decrease in interest receivable	(214,533)	(5,095,305)	–	(5,309,838)
Realised (losses)/gains on sales	(4,232,205)	1,337,147	(485)	(2,895,543)
Net movement in unrealised gains/(losses)	6,039,802	(3,849,556)	(5,275,274)	(3,085,028)
Closing fair value	7,893,959	305,036,801	16,438,039	329,368,799

¹ Includes payment-in-kind amounting to £13,800,493 for the year ended 31 March 2024.

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. The following table provides the cash held by various financial institutions as at 30 September 2024 and 31 March 2024. The cash held by brokers is restricted and is shown as Cash collateral at/due to broker in the Condensed Unaudited Statement of Financial Position.

	30 Sep 2024 GBP	31 Mar 2024 GBP
Cash collateral at broker		
JPMorgan Chase & Co	930,745	915,807
The Bank of New York Mellon	–	3,572,705
Deutsche Bank Securities Inc.	–	760
	930,745	4,489,272
Cash collateral due to broker		
The Bank of New York Mellon	(1,420,000)	(14,400)
	(1,420,000)	(14,400)

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., and RELF via separate note instruments. This entity has separate compartments for each loan deal which effectively ringfences each loan deal. Other funds managed by the Investment Manager may invest pari passu in these compartments.

Investment Manager

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

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

Management Fee

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

During the period ended 30 September 2024, the Management Fee totalled £2.1 million (30 September 2023: £2.1 million), of which £0.3 million (31 March 2024: £0.3 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 $((A-B) \times 20\% \times C)$ 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 2024 and 30 September 2023, there were no performance fees paid.

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 2024, the administration fee totalled £141,823 (30 September 2023: £142,064), of which £58,502 (31 March 2024: £37,548) 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 2024: 0.02%) of the NAV of the Company. During the period ended 30 September 2024, the Depositary fee totalled £35,690 (30 September 2023: £32,060). The Company owed £91,804 (31 March 2024: £66,708) to the Depositary at the period end date.

17. Contingencies and Commitments

As at 30 September 2024, the Company had committed £494.8 million into bilateral loans and bonds of which £409.7 million had been funded (31 March 2024: £489.0 million into bilateral loans and bonds of which £352.1 million had been funded).

During the financial period ended 30 September 2024, 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 2024 was £3.6 million (31 March 2024: £3.9 million). This represents a financial guarantee and the Company recognises that there's no need for provision on assets at reporting date.

Notes to the Condensed Unaudited Interim Financial Statements (continued)

18. Subsequent Events

The Directors declared a second interim dividend of 3.0 pence per share on 27 November 2024.

Bob Cowdell retired on 31 October 2024, Andreas Tautscher became Chairman on 1 November 2024, and Mark Thompson was appointed Board Director on 4 November 2024.

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 2024 GBP	31 Mar 2024 GBP
EUR	1.20	1.17
USD	1.34	1.26

20. Approval of the Condensed Unaudited Interim Financial Statements

The condensed unaudited interim financial statements of the Company were approved by the Directors on 27 November 2024.

Directors and Advisers

Directors

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

Secretary of the Company

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Registered Office

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Sub-Administrator

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Glossary

Asset Strategy definitions

Core	Assets that benefit from having long-term income.
Core +	Assets that benefit from having strong current income, but do require some measure of asset management to optimise their income profile and term.
Development De-Risked	Development assets which benefit from being substantially pre-sold or pre-let.
Development Fit-Out	Assets that have either been built from the ground up and have reached the completion of the superstructure ("topped out"), or assets which are in need of substantial refurbishment works. These typically already benefit from the requisite consent to develop.
Development Groundworks/ Superstructure	Assets that are to be built from the ground up and are in the groundworks stage or building the superstructure has commenced. These typically already benefit from the requisite consent to develop.
Real Estate Op-Co/Prop-Co Loan	Loan secured by both the operating company as well as all of the Company's real assets.
Value add/transitional	Assets that require asset management (typically refurbishment) and re-letting to secure a core income profile.

Alternative Performance Measures

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

Notes



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