REAL ESTATE CREDIT INVESTMENTS LIMITED

formerly Real Estate Credit Investments PCC Limited

CONDENSED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

Contents

About the Company

Real Estate Credit Investments Limited is a non-cellular company incorporated in Guernsey, having converted from a protected cell company called Real Estate Credit Investments PCC Limited on 25 October 2016. The Company is regulated as an authorised, closed-ended investment scheme by the Guernsey Financial Services Commission.

The Company's real estate debt strategy focuses on secured residential and commercial debt in the UK and Western Europe, seeking to exploit opportunities in publicly traded securities and real estate loans. The Company has 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") or ("Investment Manager"), Cheyne Capital Management (UK) LLP ("Cheyne").

The RECI Ordinary Shares (ticker RECI) reflect the performance of the Company's Core real estate debt strategy. The RECI Ordinary Shares are currently listed on the premium segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange plc. RECI Ordinary Shares offer investors a levered exposure to a portfolio of real estate credit investments and aim to pay a quarterly dividend. Such leverage is provided by the RECI Preference Shares (ticker RECP) which confer the right to a preferential cumulative preference dividend of 8 per cent per annum payable quarterly on each Payment Date. The RECP Preference Shares are currently listed on the standard segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange plc.

Website and Share Price Information
The Company has a dedicated website, which may be found at www.recreditinvest.com which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy, investor contacts and information on the Board.

Chairman's Statement

Financial performance

Despite a background of market uncertainty, Real Estate Credit Investments Limited ("RECI" or the "Company") has reported another period of positive performance in the financial half-year ended 30 September 2016.

Net asset value ("NAV") at 30 September 2016 was £1.628 per RECI ordinary share ("Ordinary Share"), compared to £1.632 per Ordinary Share as at 31 March 2016. The movement in NAV combined with the total Ordinary Share dividends declared for the half year of 5.4p per share, gives a NAV total return for Ordinary Shareholders of 3.1% over the period.

Total net profit for the half year ended 30 September 2016 was £4.3 million, compared with £4.1 million in the half year ended 30 September 2015.

A dividend of 2.7p per Ordinary Share has been declared on 29 November 2016 for the quarter ended 30 September 2016. Total Ordinary Share dividends declared in respect of the financial half year will therefore be 5.4p per Ordinary Share, returning £3.9 million to Ordinary Shareholders.

Total preference share dividends declared in respect of the period were 4.0p per Preference Share, returning £1.7 million to Preference Shareholders. A further dividend of 2.0p per Preference Share has been declared on 29 November for the quarter ending 31 December 2016.

During the financial half year, the Company received two repayments and one material partial repayment on its loan portfolio, realising a weighted average IRR of 14% on these positions.

Conversion and Name Change

Following shareholders' approval at the Company's Annual General Meeting in September, the Company announced on 25 October 2016 that it had converted from a closed-ended protected cell company, incorporated in Guernsey, to a closed-ended non-cellular company. Consequently, the name of the Company was changed to "Real Estate Credit Investments Limited".

Board Update

The Company's programme of refreshing the Board has continued during the financial half year. On 1 July 2016, Mark Burton stood down and I was pleased to welcome Sarah Evans to the Board. As also announced on that date, Chris Spencer did not stand for re-election and retired from the Board upon conclusion of the Company's AGM on 16 September 2016; with John Hallam succeeding him as Chairman of the Audit Committee from that date.

Outlook

The Company and its Manager continue to operate against a background of political, economic and market uncertainty. Nevertheless, the impact of this uncertainty upon the real estate sector and the withdrawal of banks and other lenders from the market will continue to provide attractive opportunities for RECI and our Manager's flexible investment approach. The Board is encouraged by the pipeline of investment opportunities that Cheyne is currently considering and will continue to ensure that a disciplined approach is maintained in securing appropriate investment opportunities.

Bob Cowdell
Chairman

29 November 2016

Financial Highlights / Key Performance Indicators

RECI Key Financial Data	Period ended (being 6 months ended) 30 Sept 2016	Year ended (being 12 months ended) 31 Mar 2016
Gross Assets	£163.3m	£163.8m
Investment Portfolio	£133.3m	£152.8m
Cash	£26.0m	£5.3m
Operating Income	£6.8m	£17.7m
Fair Value Gains/(Losses) on Investment Portfolio	£0.7m	£(2.6)m
Net Profit	£4.3m	£8.5m
Number of Loans	17	17
Loans	£101.4m	£113.2m
Weighted average life of Loans	1.8 years	1.8 years
Weighted average LTV of Loan portfolio	70.4%	71.5%
Weighted average yield of Loan portfolio	12.3%	12.4%
Loan (commitments as a % of GAV)	68.2%	73.2%
Loans (commitments)	£111.4m	£119.6m
Number of Bonds	28	34
Bonds	£31.9m	£39.6m
Nominal Face Value of Bond portfolio	£40.5m	£48.4m
Net Asset Value per RECI Ordinary Share	£1.628	£1.632
Profit per ordinary share	£0.059	£0.117
Dividends per ordinary share	£0.054	£0.116

Share Price Performance

As at 30 September 2016 the NAV was £1.628 per Ordinary Share (31 March 2016: £1.632) and the share price was £1.660 per Ordinary Share (31 March 2016: £1.620).

Taking dividends into account, the NAV total return was 3.1% for the half year period to 30 September 2016 (compared to 7.2% for the full year ended 31 March 2016).

Investment Manager's Report

The flexible investment strategy of Real Estate Credit Investment Limited ("RECI") over the half year continued to deliver positive shareholder returns with stable dividend yield

RECI continues to pursue a flexible investment strategy allocating its assets to both the loan and bond markets, so that the portfolio is balanced to capture the opportunities in higher-yielding loans whilst taking advantage of the liquidity and ability to mitigate cash drag offered by the bond markets.

The drawn fair value of the loan portfolio, excluding accrued interest, has decreased from £113 million at 31 March 2016 to £101 million as at 30 September 2016 following the repayment of several loans at values at or above the balance sheet value at the time of exit. During the half year, RECI made two new loan commitments totalling £18 million. In May 2016 a new loan commitment of £4.3 million was funded, secured by a 3.7 acre residential development site in Clapham Common, London. In September 2016, a new loan commitment was made on a development comprising a 40 storey residential tower, 10 storey office and a retail building near Old Street roundabout in Shoreditch, London. The residential element is substantially pre-sold, and the office element entirely pre-let. The initial funding for this deal was £9.1 million.

During the half year ended 30 September 2016, the Company benefitted from a number of repayments on both its loan and bond portfolios, which should allow the Company to take advantage of the opportunities the Investment Manager has identified in both the loan and structured credit markets.

The Investment Manager has undertaken a thorough review of all its investments in light of the outcome of the referendum. While the impact of Brexit has been noticeable on the real estate markets, the further withdrawal of traditional bank lenders from the sector should improve the risk and return profile of investments available to RECI. RECI's existing loan portfolio benefits from two key attributes:

- It is focused on debt, secured predominantly by UK and German real estate (with some exposure to Holland, France and Ireland). Being in this part of the capital structure, its investments have a natural protection against a drop in the value of the underlying assets.
- The underlying assets that secure its debt instruments are predominantly in core locations in the UK and Germany as opposed to assets located in secondary or tertiary cities and towns.

These strengths, combined with defensive capital characteristics and backed by well structured documentation, should ensure the portfolio remains well positioned against the further volatility in European real estate markets.

The performance of the Company's bond portfolio remains supported by the amortisation and high coupon receipts, despite the relatively disappointing performance of the wider markets during the half year ended 30 September 2016. Ultimately, the long term performance of any bond portfolio will depend on the credit recovery from the underlying assets, and in this regard, the underlying asset performance backing the Company's bond portfolio remains resilient.

Principal Risks are disclosed in the annual year-end financial statements and will be updated in the coming year-end financial statements regarding the impact of Brexit.

Investment Manager's Report (continued)

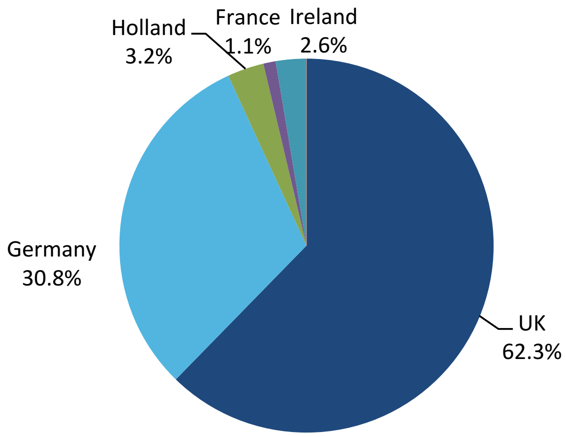
Top 10 Investment Portfolio Exposures[1] as at 30 September 2016

Market Value (£ millions)	£83.3
WA Original LTV[2]	65.0%
WA Cheyne Current LTV	71.0%
WA Effective Yield[3]	11.7%

Type	Class	Collateral Description
Commercial	Loan	Priority ranking shareholder loan against a portfolio of UK logistics and industrial properties
Commercial	Loan	Mezz loan secured on a fully let retail park in Essex
Residential	Loan	Mezz loan secured by residential land & homes under development in South East UK
Commercial	Loan	Senior loan secured on a dominant shopping centre in a residential suburb of Berlin
Residential	Loan	Mezz loan made on a 40 storey residential tower, 10 storey pre-let office and a retail building in Shoreditch, London
Commercial	Loan	Mezz loan to assist in the acquisition of major German residential development company
Commercial	Loan	Mezz loan secured against a branded London hotel development in Shoreditch
Commercial	Bond	Bond secured against government housing portfolio in the UK
Commercial	Loan	Subordinate loan secured against retirement villages in London and South-East
Residential	Loan	Whole loan secured on a 233 unit pre sold residential development in East London

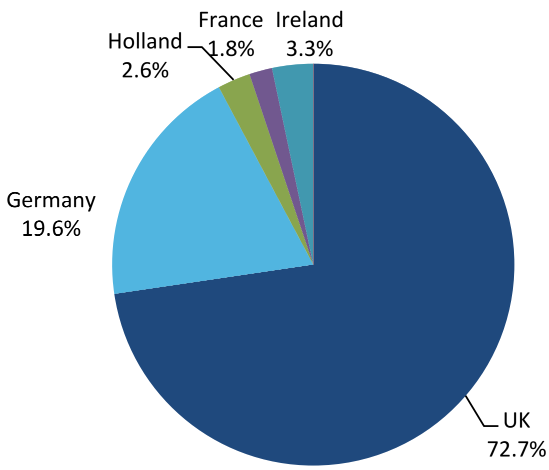
Investment Portfolio Geographical Analysis

31 March 2016



£152.8mm

30 September 2016



£133.3mm

Loan Portfolio as at 30 September 2016

Portfolio activity

The drawn fair value of the loan portfolio, excluding accrued interest, has decreased from £113 million at 31 March 2016 to £101 million as at 30 September 2016 following the repayment of several loans at values at or above the balance sheet value at the time of exit. During the half year, the Company made £18 million of new commitments over two new deals, taking total loan commitments to £111 million as at 30 September 2016. This represents 68% of Gross Asset Value ("GAV").

The average loan portfolio LTV exposure as at 30 September 2016 was 70%. The portfolio continues to provide attractive risk-adjusted returns with a weighted average yield of 12% per annum, before any back end fees, profit share or equity element contributions are taken into account.

The Investment Manager's new loan origination pipeline remains strong, more so since the referendum, with further new loans under consideration.

[1]Based on fair value of loans and bonds.

[2]The weighted average original loan to value has been calculated by reference to the original acquisition value of the relevant collateral as disclosed at the time of issue of the relevant bond or loan. The original LTV is weighted by the market value of the bonds and loans. The weighted average Cheyne current LTV has been calculated by the Investment Manager by reference to the current value ascribed to the collateral by the Investment Manager. In determining these values, the Investment Manager has undertaken its own internal valuation of the underlying collateral. Such valuations have not been subject to independent verification or review. WA LTV figures are calculated with original notional using pool factor and FX rate as at 31 March 2016.

[3]WA effective yield is based on the effective yield as at most recent purchase and is based on the Investment Manager's pricing assumptions and actual returns may differ materially from those expressed or implied herein. WA effective yield figures are calculated with original notional using pool factor and FX rate as at 31 March 2016.

Investment Manager's Report (continued)

Loan Portfolio as at 30 September 2016 (continued)

Continued focus on Europe's strongest markets

The Investment Manager's expertise in originating attractive new loans enables the Company's investments to be focussed on Europe's strongest markets – the UK and Germany. These markets offer both strong deal flows and, crucially, a lender-friendly legal framework. The Company intends to continue to avoid lending in less borrower-friendly jurisdictions such as Italy, Spain and Portugal.

Loan Portfolio Summary as at 30 September 2016

Number of loans	17
Fair Value (£ millions)	101.4
Total Loan Commitments (£ millions)	111.4
Loans as % of GAV (drawn loan balance)	63.4%
Loans as a % of GAV (committed loan balance)	68.2%
Weighted average yield of loan portfolio	12.3%
Weighted average LTV of portfolio	70.4%
Weighted average life of portfolio (years)	1.8

Bond Portfolio

As at 30 September 2016, the bond portfolio of 28 bonds was valued at £31.9 million, with a nominal face value of £40.5 million[4]. Taking both the positive recorded interest income and the fair value losses on the bonds in the half year, the total gross return of the bond portfolio (reportable segment profit) in the half year ended 30 September 2016 was £1.9m compared to £1.5m in the half year ended 30 September 2015.

Per the latest released Fact Sheet, as at 31 October 2016, the portfolio consisted of 26 bonds with a fair value of £32.4 million and a nominal face value of £40.5 million[5].

Bond Portfolio Summary as at 30 September 2016

Number of bonds	28
Fair Value of Bond Portfolio as at 31 March 2016 (£ millions)	31.9
Nominal Face Value of Bond Portfolio as at 31 March 2016 (£ millions)	40.5

Monthly Bond Performance Summary as at 30 September 2016

	April	May	June	July	August	September
% Fair Value Change	(0.12%)	(0.16%)	(0.17%)	(0.05%)	0.58%	(0.67%)
WA Purchase Price	-	-	-	-	-	0.92
WA Purchase Yield	-	-	-	-	-	6.4

Asset Class Distribution of Bond Portfolio by Fair Value as at 30 September 2016

Bond Class[6]	UK CMBS	UK RMBS	Euro CMBS	Euro RMBS	Total[7]	Total as at 31 March 2016
A	13.9%	0.0%	0.0%	0.0%	13.9%	11.3%
B	33.8%	0.0%	8.6%	0.0%	42.4%	42.9%
C	12.9%	0.0%	3.3%	0.0%	16.2%	3.4%
D	0.0%	0.7%	5.9%	0.0%	6.6%	13.5%
E and Below	9.7%	8.3%	2.8%	0.0%	20.9%	28.9%
Total	70.4%	9.0%	20.6%	0.0%	**100.0%**	**100%**
Total as at 31 March 2015	58.6%	7.8%	33.3%	0.3%		

[4]Cost and nominal shown are calculated with original notional using pool factor and FX rate as at 31 March 2016.

[5]Cost and nominal shown are calculated with original notional using pool factor and FX rate as at 30 September 2016.

[6]Bond Class refers to the order of paypayment in the capital structure

[7]Values may not sum to 100% due to rounding differences

Investment Manager's Report (continued)

Outlook

The UK Government's plan to trigger Article 50 of the EU Act, to be reviewed in light of the High Court ruling that has increased uncertainty, will start the two year period for the official withdrawal of the UK from the European Union. The Prime Minister has outlined a hard stance on the withdrawal process. As a result, Sterling has seen a sharp sell off and gilt rates have moved upwards. A "worst case" exit scenario is beginning to be priced into UK real estate assets. Whilst long term cash-flowing and non-cyclical assets continue (with good reason) to perform well, in terms of cap rates and rents, cyclical assets have seen a material downward readjustment. An acrimonious divorce will add another dimension to the pull back of traditional lenders from the corporate and real estate lending universe in the UK. This comes on the back of increased regulation, weak European bank balance sheets, increased oversight of investment banks, and the bad debt and balance sheet issues at many European lenders. Lending markets in continental Europe, though, have not moved much following the referendum and are still relatively healthy.

Cheyne expects to close more loan transactions in the coming months, based on the Investment Manager's strong reputation of delivering financial solutions across the capital stack in innovative structures, with compelling pricing for both borrowers and investors. The Investment Manager's new loan origination pipeline is strong, and the Company also remains well-placed to participate in new issue bonds at attractive yields.

Cheyne Capital Management (UK) LLP

29 November 2016

Directors' Responsibility Statement

We confirm to the best of our knowledge:

a) the condensed unaudited interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting";
b) the interim management report (contained in the Chairman's Statement and Investment Manager's report) includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report (contained in the Chairman's Statement and Investment Manager's report) includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Director	**Director**
29 November 2016	**29 November 2016**

Independent review report to the members of Real Estate Credit Investments Limited

We have been engaged by Real Estate Credit Investments Limited (the "Company") to review the condensed unaudited financial statements in the half-yearly interim financial report for the six months ended 30 September 2016 which comprises the Condensed Unaudited Statement of Comprehensive Income, the Condensed Unaudited Statement of Financial Position, the Condensed Unaudited Statement of Changes in Equity and the Condensed Unaudited Statement of Cash Flows and related Notes 1 to 20. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed unaudited financial statements.

This report is made solely to the Company's members in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them 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.

Directors' responsibilities
The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdoms' Financial Conduct Authority.

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 International Accounting Standards Board. The condensed unaudited financial statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed unaudited financial statements in the interim financial report based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed unaudited financial statements in the interim financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands
29 November 2016

Condensed Unaudited Statement of Comprehensive Income
For the period from 1 April 2016 to 30 September 2016

	Note	RECI Company 30 Sept 2016 GBP	RECI Company 30 Sept 2015 GBP
Interest income			
- Loan interest income		5,535,617	6,325,947
- Bond interest income		1,261,384	2,624,527
- Other interest income		19,741	61,668
Net Income		6,816,742	9,012,142
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	3	726,639	(1,773,681)
		7,543,381	7,238,461
Operating expenses	4	(1,551,107)	(1,393,134)
Profit before finance costs		5,992,274	5,845,327
Finance costs	5	(1,732,217)	(1,732,367)
Net profit		**4,260,057**	**4,112,960**
Profit per Ordinary Share			
Basic	9	0.06	0.06
Diluted	9	0.06	0.06
Weighted average Ordinary Shares outstanding		**Number**	**Number**
Basic	9	72,818,496	72,818,496
Diluted	9	72,818,496	72,818,496

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

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

Condensed Unaudited Statement of Financial Position
As at 30 September 2016

	Note	RECI Company 30 Sept 2016 GBP	RECI Company 31 Mar 2016 GBP
Non-current assets			
Investments at fair value through profit or loss	11	133,266,407	152,798,075
		133,266,407	152,798,075
Current assets			
Cash and cash equivalents		26,026,151	5,345,668
Derivative financial assets - options held for trading	12	1,047,517	3,166,897
Receivable for investments sold		347,112	-
Other assets	6	2,621,055	2,527,759
		30,041,835	11,040,324
Total assets		**163,308,242**	**163,838,399**
Equity and liabilities			
Equity			
Reserves		118,566,590	118,821,280
		118,566,590	118,821,280
Current liabilities			
Derivative financial liabilities - unrealised loss on forward foreign currency exchange contracts	12	116,508	495,909
Preference Shares	10	41,895,528	-
Other liabilities	7	2,729,616	2,680,682
		44,741,652	3,176,591
Non-current liabilities			
Preference Shares	10	-	41,840,528
Total liabilities		44,741,652	45,017,119
Total equity and liabilities		**163,308,242**	**163,838,399**
Shares outstanding	10	72,818,496	72,818,496
Net asset value per share		£1.628	£1.632

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

Condensed Unaudited Statement of Changes in Equity
For the period from 1 April 2016 to 30 September 2016

	Note	RECI Company GBP
Balance at 31 March 2016		**118,821,280**
Net profit for the period		4,260,057
Distributions - to the Ordinary Shareholders of the Company	8	(4,514,747)
Balance at 30 September 2016		**118,566,590**

For the period from 1 April 2015 to 30 September 2015

	Note	RECI Company GBP
Balance at 31 March 2015		**118,148,032**
Net profit/(loss) for the period		4,112,960
Distributions - to the Ordinary Shareholders of the Company	8	(3,932,199)
Balance at 30 September 2015		**118,328,793**

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

Condensed Unaudited Statement of Cash Flows
For the period from 1 April 2016 to 30 September 2016

	RECI Company 30 Sept 2016 GBP	RECI Company 30 Sept 2015 GBP
Profit before finance costs	5,992,274	5,845,327
Movement in investments at fair value through profit or loss	(4,831,211)	(1,364,437)
Net receipts from investment transactions	24,015,767	(4,321,005)
Movement in financial derivative instruments	1,739,979	388,433
Operating cash flows before movement in working capital	**26,916,809**	**548,318**
(Increase) in receivables	(93,296)	(3,660,876)
Increase/(decrease) in payables	48,934	(163,158)
Movement in working capital	**(44,362)**	**(3,824,034)**
Net cash inflow/(outflow) from operating activities	**26,872,447**	**(3,275,716)**
Financing activities		
Distributions paid to Ordinary Shareholders	(4,514,747)	(3,932,199)
Preference dividends paid	(1,677,217)	(1,676,915)
Net cash outflow from financing activities	**(6,191,964)**	**(5,609,114)**
Net increase/(decrease) in cash and cash equivalents	20,680,483	(8,884,830)
Cash and cash equivalents at the start of the period	5,345,668	10,926,970
Cash and cash equivalents at end of period	**26,026,151**	**2,042,140***

*Cash and cash equivalents at the end of the period includes cash with broker amounts in line with March 2016 presentation.

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

Notes to the Condensed Unaudited Financial Statements
For the six months ended 30 September 2016

1. General information

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

The Company is a non-cellular company, incorporated in Guernsey, having converted from a cellular company called Real Estate Credit Investments PCC Limited on 25 October 2016. The Company is, and continues to be, regulated as an authorised, closed-ended investment scheme by the Guernsey Financial Services Commission ("GFSC").

The investment objective is to invest primarily in debt secured by commercial or residential properties in Western Europe and the UK ("Real Estate Debt Investments"). The Real Estate Debt Investments may take different forms but will be likely to be: (i) secured real estate loans; and (ii) debentures or any other form of debt instrument, securitised tranches of secured real estate related debt securities, for example, Retail Mortgage Backed Securities ("RMBS") and Commercial Mortgage Backed Securities ("CMBS") (together Mortgage Backed Securities ("MBS")).

The Ordinary Shares reflect the performance of the Company's real estate debt strategy. The Ordinary Shares are listed on the premium segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange plc (ticker RECI). The Ordinary Shares offer investors a levered exposure to a portfolio of real estate credit investments and aim to pay a quarterly dividend. Such leverage is provided by the Preference Shares which confer the right to a preferential cumulative preference dividend (which is an amount equal to 8 per cent per annum of the Preference Share Notional) payable quarterly on each Payment Date. The Preference Shares are listed on the standard segment of the Official List of the UK Listing Authority and trade on the Main Market of the London Stock Exchange plc (ticker RECP), and are scheduled to be redeemed on 17 September 2017.

The real estate debt investment strategy of the Company focuses on secured residential and commercial debt in the UK and Western Europe. In making these investments the Company uses the expertise and knowledge of its investment manager, Cheyne Capital Management (UK) LLP (the "Investment Manager"), an investment management firm authorised and regulated by the UK Financial Conduct Authority. The Company has adopted a long-term strategic approach to investing and focuses on identifying value in real estate debt.

The liabilities in relation to the Preference Shares, being both quarterly Preference Dividends and the repayment of the final capital entitlement of the Preference Shares (the "Final Capital Entitlement"), are borne by the Company. The Company will continue to fulfill its obligations towards the Preference Shareholders with respect to the distribution of Preference Dividends. Such obligations are met using the income available and, if necessary, the reserves.

The Company's investment management activities are managed by the Investment Manager, who is also the Alternative Investment Fund Manager ("AIFM"). The Company has entered into an Investment Management Agreement (the "Investment Management Agreement") under which the Investment Manager manages its day-to-day investment operations, subject to the supervision of the Company's Board of Directors. The Company is an Alternative Investment Fund ("AIF") within the meaning of the Alternative Investment Fund Manager ("AIFM") Regulations and accordingly the Investment Manager has been appointed as AIFM of the Company. The Company has no direct employees. For its services, the Investment Manager receives a monthly management fee, expense reimbursements and accrues a performance fee (see Note 15).

The Company has no ownership interest in the Investment Manager. State Street (Guernsey) Limited is the Administrator and provides all administration and secretarial services to the Company in this capacity.

2. Significant accounting policies

Statement of compliance
The condensed unaudited financial statements for the period ended 30 September 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board. With the exception of those described below, the same accounting policies, presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 March 2016.

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

2. Significant accounting policies (continued)

Statement of compliance (continued)
The condensed unaudited financial statements do not contain all of 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 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The comparative information for the year ended 31 March 2016 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.

Basis of preparation
The condensed unaudited financial statements of the Company are prepared under IFRS on the historical cost or amortised cost basis modified by the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified or designated at fair value through profit or loss.

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

There are a number of new standards, amendments and interpretations issued but not effective and not early adopted as detailed below

		Effective for periods beginning on or after
IFRS 9	Financial Instruments	1 January 18
IFRS 15	Revenue from Contracts with Customers	1 January 18
IFRS 16	Leases*	1 January 19

Revised and amended standards in issue but not yet effective

IFRS 7	Financial Instruments Disclosures: Amendments resulting from September 2014 annual improvements to IFRS's	1 January 18
IFRS 10	Investment Entities: Amendments regarding the application of the Consolidation Exception	1 January 18
IFRS 11	Joint Arrangements: Amendments regarding the accounting for acquisitions of an interest in a joint operation	1 January 16
IFRS 12	Disclosure of Interest in Other Entities: Amendments regarding the application of the consolidation exemption	1 January 16
IAS 28	Investment Entities: Amendments regarding the application of the Consolidation Exception	1 January 16
IAS 1	Disclosure Initiative: Amendments to clarify IAS 1 presentation of financial statements to address impediments to preparers exercising their judgement in presenting their annual report	1 January 16
IAS 38	Intangible Assets: Amendments regarding the clarification of acceptable methods of description and amortisation	1 January 16
IAS 7	Cashflow: the amendments will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows	1 January 2017
General	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

*Early application of IFRS 16 is permitted only if the entity adopts IFRS 15

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

Going Concern
The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as, after due consideration, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Regarding the ongoing servicing and repayment of the Company's Preference Shares, the Directors have taken into account the current cash balance, the forecast cash inflows and outflows from the investments, operating expenses and the expected liquidity of bond investments.

The Directors note the cash resources available at 30 September 2016 of £26.0m, some of which will be used to pay the proposed dividend, are sufficient to cover normal operational costs and current liabilities as they fall due for the foreseeable future.

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

2. Significant accounting policies (continued)

Valuation of investments

The Company has made loans into structures to gain exposure to real estate secured debt in the UK, Ireland, France and Germany. These loans are not traded in an active market and there are no independent quotes available for these loans. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques (such as modelling). The fair value of these loans are linked directly to the value of the real estate the underlying structures invest in, which is determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates) with effective yields ranging from 8% to 26%. Adjustments in the fair value of the real estate loans are considered in light of changes in the credit quality of the borrower and underlying property collateral, and changes in the market rate on similar instruments. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess loan-to-value of the investment). In most instances the terms of the loan require periodic third party revaluations of the underlying property to check against loan-to-value covenants.

In accordance with the Company's accounting policies, the fair value of financial assets is based on quoted prices where such prices are available from a third party in a liquid market.

The bond portfolio held in the Company is valued using independent market prices (supplied by Markit) or using broker prices.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques (such as modelling).

Income recognition

The annual financial statements for the year ended 31 March 2016 describes the recognition of income using the effective interest method and there have been no changes in these accounting policies.

The Company invests in real estate loans from which it receives contractual cash flows. Interest income is accrued based on the expected cash flow projections which may differ from the contractual cash flows and which in some cases have higher coupon rates and can include deferred fees. There has been no change in the estimate used for the loan portfolio.

3. Net gains and losses on financial assets and liabilities at fair value through profit or loss

	RECI Company 30 Sept 2016 GBP	RECI Company 30 Sept 2015 GBP
Net gains/(losses)		
Net gains on investments at fair value through profit or loss	4,848,171	2,548,396
Net losses on options	(2,119,380)	(554,115)
Net losses on foreign exchange instruments and other foreign currency transactions	(2,002,152)	(3,767,962)
Net gains/(losses)	**726,639**	**(1,773,681)**

4. Operating expenses

	Note	RECI Company 30 Sept 2016 GBP	RECI Company 30 Sept 2015 GBP
Investment management, Depositary and administration fees			
Investment management fee	15	1,016,705	1,014,726
Performance fee		95,465	52,554
Administration fee		74,270	71,532
Depositary fee		27,600	27,930
		1,214,040	**1,166,742**

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

4. Operating expenses (continued)

	Note	RECI Company 30 Sept 2016 GBP	RECI Company 30 Sept 2015 GBP
Other operating expenses			
Audit fees		55,000	40,110
Directors fees		91,417	99,052
Legal fees		85,000	85,233
Other expenses		105,650	1,997*
		337,067	**226,392**
Total operating expenses		**1,551,107**	**1,393,134**

*This figure reflects the reversal of previous accruals.

5. Finance costs

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

	RECI Company 30 Sept 2016 GBP	RECI Company 30 Sept 2015 GBP
Finance costs:		
Preference Shares issuance expenses amortised	55,000	55,452
Dividends - paid to preference shareholders	1,677,217	1,676,915
Total finance costs	**1,732,217**	**1,732,367**

At 30 September 2016, there was £34,891 of capitalised Preference Shares issuance expenses that remain (30 September 2015: £144,993).

6. Other assets

	RECI Company 30 Sept 2016 GBP	RECI Company 31 Mar 2016 GBP
Loan income receivable	2,229,048	2,106,534
Bond interest receivable	392,007	415,450
Other receivables	-	5,775
	2,621,055	**2,527,759**

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

7. Other Liabilities

	RECI Company 30 Sep 2016 GBP	RECI Company 31 Mar 2016 GBP
Investment management, Depositary and administration fees payable		
Investment management fee payable	166,376	172,100
Performance fee payable	1,719,684	1,627,132
Administration fee payable	2,484	11,942
Depositary fee payable	64,454	36,854
Other expense accruals	776,618	832,654
Total liabilities	**2,729,616**	**2,680,682**

8. Dividends

6 month period ended 30 September 2016:	RECI Company 30 Sept 2016 GBP
Ordinary Share Dividends	
Fourth interim dividend for the year ending 31 March 2016 (£0.035 per ordinary share)*	2,548,648
First interim dividend for the year ending 31 March 2017 (£0.027 per ordinary share)	1,966,099
Amounts recognised as distributions to Ordinary Shareholders in the period	**4,514,747**

*The amount of £0.035 per ordinary share includes a special dividend of £0.008 per ordinary share, which was declared on 17 June 2016.

6 month period ended 30 September 2015:	RECI Company 30 Sept 2015 GBP
Ordinary Share Dividends	
Fourth interim dividend for the year ending 31 March 2015 (£0.027 per ordinary share)	1,966,099
First interim dividend for the year ending 31 March 2016 (£0.027 per ordinary share)	1,966,100
Amounts recognised as distributions to Ordinary Shareholders in the period	**3,932,199**

Under Guernsey Law, companies can pay dividends provided they satisfy the solvency test prescribed under the Companies (Guernsey) Law, 2008. The solvency test 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 passed the solvency test for each dividend payment during the periods/years ended 30 September 2016, 31 March 2016, 30 September 2015 and 31 March 2015.

Preference Share Dividends
The Preference Shareholders are entitled to a Preference Dividend equal to 8% per annum of the Preference Share Notional Value. The Preference Dividend will be accrued at each valuation point and paid quarterly. Dividends to Preference Shareholders are shown as a Finance Cost in the Statement of Comprehensive Income using the effective interest rate method.

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

9. Profit per Ordinary Share

6 month period ended 30 September 2016:	**RECI Company 30 Sept 2016 GBP**	**RECI Company 30 Sept 2015 GBP**
The calculation of the basic earnings per share is based on the following data:		
Profit for the purposes of basic earnings per share being net profit attributable to equity holders	4,260,057	4,112,960
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	72,818,496	72,818,496
Effect of dilutive potential Ordinary Shares:		
Share options	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**72,818,496**	**72,818,496**

10. Share capital

The issued share capital of the Company consists of Ordinary Shares and Preference Shares. The Company's capital as at the period end is represented by the value of the shares issued to date. The Company does not have any externally imposed capital requirements. At 30 September 2016 the Company had capital of £118,566,590 (31 March 2016: £118,821,280).

Authorised Share Capital	**30 Sept 2016 Number of Shares**	**31 Mar 2016 Number of Shares**
Ordinary Shares of no par value each	Unlimited	Unlimited
Preference Share at par	44,962,834	44,962,834

Ordinary Shares Issued and fully paid	**30 Sept 2016 Number of Shares**	**31 Mar 2016 Number of Shares**
Balance at start of the period/year	72,818,496	72,818,496
Ordinary Shares issued during the period/year	-	-
Balance at end of the period/year	**72,818,496**	**72,818,496**

No Ordinary Shares were either bought back or cancelled during the period ended 30 September 2016 or during the year ended 31 March 2016.

Preference Shares Issued and fully paid	**30 Sept 2016 Number of Preference Shares**	**30 Sept 2016 GBP**	**31 Mar 2016 Number of Preference Shares**	**31 Mar 2016 GBP**
Preference Shares at start of the period/year	41,930,419	41,840,528	41,930,419	41,729,974
Amortised issue costs allocated to the Preference Shares	-	55,000	-	110,554
Balance at end of period/year	**41,930,419**	**41,895,528**	**41,930,419**	**41,840,528**

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

10. Share capital (continued)

The value of the Preference Shares represents an obligation on the Company to pay the Preference Shares par value on winding up of the Company or on redemption of the Preference Shares in accordance with their terms. The Preference Shares are due to be redeemed on 17 September 2017.

At 30 September 2016, 41,930,419 Preference Shares were in issue with a par value of £1 per share (31 March 2016: 41,930,419 Preference Shares). All issued Shares are fully paid.

The holders of Preference Shares are entitled to receive dividends of 8% per annum of the Preference Share Notional Value. Preference Shares do not carry the right to vote. The Preference Shares are classified as liabilities.

The Preference Shares shall be redeemed by the Company in the following circumstances:

a) at any time, by way of the on market purchase of any such Preference Shares by the Company through the London Stock Exchange; or
b) upon a change of control of the Company (defined as the acquisition by a single person or persons acting in concert of more than 50% of the voting rights attached to the Ordinary Shares), but only if a majority of Preference Shareholders attending and voting at a special class meeting of Preference Shareholders (which shall be convened within 60 days of the change of control) so resolve by way of an ordinary resolution, at a price equal to the Preference Share Notional Value increased by any accrued but unpaid Preference Dividend or any further sums payable in respect of the Preference Dividend (the “Repayment Amount”); or
c) if more than 75% of the Preference Shares have been redeemed before the expiration of the seven year period referred to under paragraph (d) below, by way of a mandatory redemption programme launched by the Company at its sole discretion, at a price equal to the higher of (i) the Repayment Amount, or (ii) the average mid-market closing price over the five Business Days prior to the announcement of the launch of such programme; or
d) if not redeemed earlier pursuant to paragraphs (a), (b) or (c) above, on a date that is seven years after their issue being 17 September 2017, at the Repayment Amount.

11. Valuation of Financial Instruments

IFRS 13 Fair Value Measurement requires disclosures surrounding the level in the fair value hierarchy in which fair value measurement inputs are categorised for assets and liabilities measured in the Statement of Financial Position. The determination of the fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2, Significant Accounting Policies. 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.
- 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.

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

11. Valuation of Financial Instruments (continued)

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

As at 30 September 2016:	Level 1 30 Sept 2016 GBP	Level 2 30 Sept 2016 GBP	Level 3 30 Sept 2016 GBP	Total 30 Sept 2016 GBP
Non-current assets				
Real Estate Debt Investments - loans	-	-	101,365,967	101,365,967
Real Estate Debt Investments – bonds	-	31,900,440	-	31,900,440
Total Non-current assets	-	31,900,440	101,365,967	133,266,407
Current assets				
Options held for trading	-	1,047,517	-	1,047,517
Cash and cash equivalents	26,026,151	-	-	26,026,151
Other assets at carrying value	-	2,968,167	-	2,968,167
Current liabilities				
Forward foreign exchange contracts	-	(116,508)	-	(116,508)
Other liabilities	-	(2,729,616)	-	(2,729,616)
Non-current liabilities				
Preference Shares	(41,895,528)	-	-	(41,895,528)
	(15,869,377)	**33,070,000**	**101,365,967**	**118,566,590**

As at 31 March 2016:	Level 1 31 Mar 2016 GBP	Level 2 31 Mar 2016 GBP	Level 3 31 Mar 2016 GBP	Total 31 Mar 2016 GBP
Non-current assets				
Real Estate Debt Investments - loans	-	-	113,242,257	113,242,257
Real Estate Debt Investments – bonds	-	39,555,818	-	39,555,818
Total Non-current assets	-	39,555,818	113,242,257	152,798,075
Current assets				
Options held for trading	-	3,166,897	-	3,166,897
Cash and cash equivalents	5,345,668	-	-	5,345,668
Other assets at carrying value	-	2,527,759	-	2,527,759
Current liabilities				
Forward foreign exchange contracts	-	(495,909)	-	(495,909)
Other liabilities at carrying value	-	(2,680,682)	-	(2,680,682)
Non-current liabilities				
Preference Shares	(41,840,528)	-	-	(41,840,528)
	(36,494,860)	**42,073,883**	**113,242,257**	**118,821,280**

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 options is their quoted market price at the reporting date. Broker marks are obtained for these positions. These are included in Level 2 of the fair value hierarchy.

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

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

11. Valuation of Financial Instruments (continued)

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 Debt Instruments) and over-the-counter derivatives.

As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The Company has made loans into structures to gain exposure to real estate secured debt in the UK, Ireland, France and Germany. 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 are linked directly to the value of the real estate loans, 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 8% to 26% (the unobservable input).

Fair value of the real estate loans is adjusted for changes in the credit quality of the borrower and underlying property collateral, and changes in the market rate on similar instruments. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess loan-to-value of the investment). In most instances the terms of the loan require periodic re-valuation of the underlying property to check against loan-to-value covenants.

The majority of the the Company's investments in Loans are made though a Luxembourg based entity Stornoway Finance SARL via Loan 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 the portfolio of loans which it holds and whether there are any transfers between levels in the fair value hierarchy. There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the period ended 30 September 2016 or during the year ended 31 March 2016.

At 30 September 2016, the Investment Manager is not aware of any significant movement in the market rates, any indications of impairment, significant credit events or significant negative performance of the underlying property structures, which might affect the fair value of the loans. Accordingly, the Investment Manager has determined that amortised cost is the best estimate of the fair value of these loans. Whilst no defaults in the underlying investments are expected, a 1% decrease on the yield would decrease the fair value by £2,172,417 and decrease net profit by an equal amount; an equal change in the opposite direction would increase the equity of the loan portfolio within the Company and increase net profit by an equal amount.

Level 3 reconciliation

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

	Level 3 Company 30 Sept 2016 GBP	Level 3 RECI Company 31 Mar 2016 GBP
Financial assets designated at fair value through profit or loss		
Opening Balance	113,242,257	87,092,274
Total gains and losses recognised in the condensed unaudited statement of comprehensive income for the period/year	4,136,168	4,512,873
Purchases	20,256,205	48,808,632
Sales/Repayments	(36,268,663)	(27,171,522)
Transfer into/(out of) Level 3	-	-
Closing balance	101,365,967	113,242,257
Unrealised gain on investments classified as Level 3 at period/year end	1,926,891	1,622,453

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

12. Derivative Contracts

The Company also has credit exposure in relation to its derivative contracts. The Company was invested in derivative contracts with Goldman Sachs at 30 September 2016 and 31 March 2016 with the following credit quality:

Rating	30 Sept 2016 GBP	31 Mar 2016 GBP
Goldman Sachs – A (Derivatives)	1,047,517	3,166,897

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

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

The derivative assets and the derivative liabilities are subject to master netting agreements in place with the counterparties used by the Company.

Below are the derivative assets and liabilities by counterparty and details of the collateral received and pledged by Company as at 30 September 2016:

Options:
The following options contracts were open as at 30 September 2016:

Counterparty	Expiration	Description	Currency	Notional Amount	Strike price	Fair Value GBP
Options purchased						
Goldman Sachs	30 Jun 17	EUR Put GBP Call	GBP	30,432,500	0.870	1,047,517
Options purchased at fair value						1,047,517

Forward foreign exchange contracts
The following forward foreign exchange contracts were open as at 30 September 2016:

Counterparty	Settlement Date	Buy currency	Buy amount	Sell currency	Sell amount	Unrealised Gain/(Loss) GBP
Goldman Sachs	20 Dec 16	GBP	7,867,932	EUR	9,200,000	(107,592)
Goldman Sachs	20 Dec 16	GBP	771,298	EUR	900,000	(8,916)
Unrealised loss on forward foreign exchange contracts						(116,508)

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

12. Derivative Contracts (continued)

Options:
The following options contracts were open as at 31 March 2016:

Counterparty	Expiration	Description	Currency	Notional Amount	Strike price	Fair Value GBP
Options purchased						
Goldman Sachs	30 Jun 17	EUR Put GBP Call	GBP	30,432,500	0.870	3,166,897
Options purchased at fair value						3,166,897

Forward foreign exchange contracts:
The following forward foreign exchange contracts were open as at 31 March 2016:

Counterparty	Settlement Date	Buy currency	Buy amount	Sell currency	Sell amount	Unrealised Gain/(Loss) GBP
Goldman Sachs	20 Jun 16	GBP	31,682,340	EUR	40,500,000	(495,909)
Unrealised loss on forward foreign exchange contracts						(495,909)

13. Segmental Reporting

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

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

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

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

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

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

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

13. Segmental Reporting (continued)

6 month period ended 30 September 2016:	**Loan Portfolio GBP**	**Bond Portfolio GBP**	**Total GBP**
Reportable segment profit	9,691,526	1,973,387	11,664,913

6 month period ended 30 September 2015:	**Loan Portfolio GBP**	**Bond Portfolio GBP**	**Total GBP**
Reportable segment profit	10,092,417	1,468,121	11,560,538

As at 30 September 2016	**Loan Portfolio GBP**	**Bond Portfolio GBP**	**Total GBP**
Reportable segment assets	103,595,015	32,292,447	135,887,462

As at 31 March 2016	**Loan Portfolio GBP**	**Bond Portfolio GBP**	**Total GBP**
Reportable segment assets	115,348,791	39,971,268	155,320,059

Information regarding the basis of geographical segments is presented in the Investment Manager's Reports 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 an individual segment i.e. Loan Portfolio and Bond Portfolio. This includes gains/losses on net foreign exchange and derivative instruments, expenses and interest on borrowings.

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

	30 Sep 2016 GBP	**30 Sep 2015 GBP**
Reportable segment profit	11,664,913	11,560,538
Net losses on options	(2,119,380)	(554,115)
Net losses on foreign exchange instruments and other foreign currency transactions	(2,002,152)	(3,767,962)
	7,543,381	7,238,461
Operating expenses	(1,551,107)	(1,393,134)
Finance costs	(1,732,217)	(1,732,367)
Net profit	4,260,057	4,112,960

Certain assets and liabilities are not considered to be attributable to a particular segment i.e. Loan Portfolio and Bond Portfolio, these include, other receivables and prepayments, cash and cash equivalents and derivative financial assets.

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

	30 Sep 2016 GBP	**31 Mar 2016 GBP**
Reportable segment assets	135,887,462	155,320,059
Cash and cash equivalents	26,026,151	5,345,668
Derivative financial assets - options held for trading	1,047,517	3,166,897
Receivable for investments sold	347,112	-
Other assets	-	5,775
	163,308,242	163,838,399

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

13. Segmental Reporting (continued)

The following is a summary of the movements in the Company's investments analysed by the Loan and Bond Portfolios for the period ended 30 September 2016:

As at 30 September 2016:	**Loan Portfolio GBP**	**Bond Portfolio GBP**	**Total GBP**
Investments at fair value through profit or loss			
Opening fair value	113,242,257	39,555,818	152,798,075
Purchases	20,256,205	757,470	21,013,675
Sales proceeds	(36,268,663)	(8,760,779)	(45,029,442)
Realised (loss)/gain on sales	2,209,278	(173,980)	2,035,298
Net movement in unrealised gains on investments at fair value through the profit or loss	1,926,890	868,085	2,794,975
Principal repayments	-	(346,174)	(346,174)
Closing fair value	**101,365,967**	**31,900,440**	**133,266,407**

As at 31 March 2016:	**Loan Portfolio GBP**	**Bond Portfolio GBP**	**Total GBP**
Investments at fair value through profit or loss			
Opening fair value	87,092,274	59,441,393	146,533,667
Purchases	54,316,571	2,447,124	56,763,695
Sales proceeds	(35,379,555)	(21,058,150)	(56,437,705)
Realised gain on sales*	2,700,094	4,017,205	6,717,299
Net movement in unrealised gains on investments at fair value through the profit or loss*	4,512,873	(4,490,536)	22,337
Principal repayments	-	(801,218)	(801,218)
Closing fair value	**113,242,257**	**39,555,818**	**152,798,075**

*Excludes effective interest adjustment of £2,092,912 relating to the bond portfolio for the year ended 31 March 2016, which has been included in the Interest income in the Statement of Comprehensive Income.

14. Collateral

The Company held £500,000 (31 March 2016, the Company pledged: £1,038,948) as cash collateral for financial derivative instruments transactions undertaken with Goldman Sachs. This collateral also represents an obligation for Goldman Sachs to repay the Company on settlement of the financial derivative instrument and is not included in the condensed unaudited Statement of Financial Position. As this amount is the minimum deemed by the brokers for collateral requirements the cash is restricted and is reported separately by means of this note only.

15. Material agreements and related party transactions

Loan investments
The Company has made, and will continue to make, certain loan investments through a Luxembourg based entity Stornoway Finance SARL via Loan Note Instruments. This entity has separate compartments for each loan deal. Other funds also managed by the Investment Manager invest pari passu in these compartments. Any loans not co-invested on a pari passu basis will be noted separately.

Investment Manager
The Company is party to an Investment Management Agreement with Cheyne Capital Management (UK) LLP (the "Investment Manager") (a related party), dated 12 March 2015, 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 their respective Boards of Directors.

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

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

15. Material agreements and related party transactions (continued)

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 net asset value, being the net asset value of the Company Ordinary Shares plus the number of preference shares in issue.

During the period ended 30 September 2016, the Management Fee totalled £1,016,705 (period ended 30 September 2015: £1,014,726), of which £166,376 (31 March 2016: £172,100) was outstanding at the period end.

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

A = the Adjusted Performance Net Asset Value ("NAV"), as defined in the updated Prospectus.
B = the NAV per Company 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 Company 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 per cent. over the period since the Starting Date ("Hurdle Assets").
C = the time weighted average number of Company Shares in issue in the period since the Starting Date.

As the Performance Period (as defined in the Prospectus) is from 11 November 2013, to the end date of the quarter in which the first Continuation Resolution is passed being the date of the annual general meeting in 2017, this has the effect of resetting the NAV on which the Hurdle Rate will be determined.

During the period ended 30 September 2016, the Performance Fee totalled £95,465 (period ended 30 September 2015: £52,554), performance fees totaling £1,719,684 (31 March 2016: £1,627,132) had been accrued up to the period end.

Administration Fee
Under the terms of the Administration Agreement, the Administrator is entitled to receive from the Company an administration fee of 0.125 % of the net asset value of the Company up to £120,000,000 and 0.0375% of the net asset value of the Company greater than £120,000,000, plus additional fees in relation to transaction fees, statutory reporting, corporate secretarial fees and other out of pocket expenses. State Street Fund Services (Ireland) Limited, the delegated administrator, is paid by the Administrator. The above is subject to a minimum monthly fee of £10,000. During the period ended 30 September 2016 the administration fee totalled £74,270 (30 September 2015: £71,532), of which £2,484 (31 March 2016: £11,942) was outstanding at the period end.

Depositary Fee
Under the terms of the Depositary Agreement, the Depositary is entitled to receive from the Company a Depositary fee of 0.02% of the net asset value of the Company. During the period ended 30 September 2016 the Depositary fee totalled £27,600 (30 September 2015: £27,930). The Company owed £64,454 to the Depositary at the period end date (31 March 2016: £36,854).

16. Contingencies and commitments

The Company has committed up to GBP 111.4 million into loans through compartments of Stornoway Finance SARL. As at 30 September 2016, it had funded GBP 101.4 million of this commitment, or GBP 103.6m taking accrued interest into account also (31 March 2016: GBP 119.6 million commitment of which GBP 115.3 million was funded).

Notes to the Condensed Unaudited Financial Statements (continued)
For the six months ended 30 September 2016

17. Subsequent events

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

18. Foreign exchange rates applied to combined totals shown in the condensed unaudited financial statements

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

Currency	30 Sept 2016	31 Mar 2016
EUR	1.1559	1.2613
US Dollar	1.2990	1.4373

19. Approval of the condensed Unaudited Financial Statements

The condensed unaudited financial statements of the Company were approved by the Directors on 29 November 2016.

Directors and Advisers

Directors
Bob Cowdell (Chairman)
John Hallam
Graham Harrison
Sarah Evans (appointed 1 July 2016)
Mark Burton (resigned 1 July 2016)
Christopher Spencer (retired 16 September 2016)

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Registrar
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Kent BR3 4TU

Delegated Administrator
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78 Sir John Rogerson’s Quay
Dublin 2
Ireland

Alternative Investment Fund Managers (“AIFM”) Directive

Additional Information on the Company, including information on the Alternative Investment Fund Managers ("AIFM") Directive, can be found either in the Annual Report or on the website at www.recreditinvest.com.