**RM SECURED DIRECT LENDING PLC**

(the ''Company'' or "RMDL")

**FINAL RESULTS**

**CONTINUED PERFORMANCE AND PORTFOLIO GROWTH**

RMDL, an investment trust specialising in providing tailored debt solutions, announces its results for the year ended 31 December 2018.

**HIGHLIGHTS**

- Total dividend of 6.5p announced or paid for the period, in line with targets. Next year's dividend expected to be covered and maintained at similar levels
- The Company's return per Ordinary Share, based on the weighted average number of Ordinary Shares in issue during the period, was 6.9p
- Total loan investments of £102m (2017: £76.9m) with an increased average yield of 8.55% (2017: 8.23%)
    - Well-diversified portfolio with 35 debt investments (2017: 23 investments) across 14 sectors (2017: 11 sectors)
    - Robust loan book with 66% of portfolio senior secured
    - Weighted average life: 3.42 years
    - Largest loan repayment generated an IRR of c.9.25% from Exterion Media
- Underlying credit quality remained firm, with no defaults
- Two successful capital raises via £11.3m issued in C Shares (converted July 2018) and £10.9m through Zero Dividend Preference shares ('ZDP').

| | **Period ended 31 December 2018** | **Period ended 31 December 2017** |
|---|---|---|
| Net asset value ("NAV") (£'000) | £95,720 | £56,269 |
| Net Asset Value ("NAV") per Ordinary Share (IFRS calculation) | 96.96p | 98.2p |
| Ordinary Share price | 101.50p | 101.5p |
| Ordinary Share premium to NAV | 4.7% | 3.0% |
| Total return – Ordinary Share NAV and dividends | +5.5% | +2.8% |

**POST-YEAR-END**

- The Ordinary Share NAV as at 28 February 2019 was 98.38p per share
- Deployed all available cash for investment and £10m Revolving Credit Facility ("RCF") utilised
- Successful capital raise of 13.5m new Ordinary Shares at a price of 100p per share allows RMDL to repay the drawn element of the RCF and invest into existing commitments
- Three new investments and one divestment

**OUTLOOK**

- Strong pipeline of attractive opportunities in sectors less exposed to the business cycle and uncorrelated to wider equity markets
- Board remains committed to generating attractive shareholder returns, with target dividend of 6.50p per Ordinary share.

**Norman Crighton, Chairman of the Company, said:**

"The Board is pleased to report another year of growth for RMDL. This is reflected in our increased average portfolio yield of over 8% and total dividend of 6.5p. During the period we successfully raised new capital, which has successfully deployed by the Investment Manager, with a further fund raise post year end. Since our IPO in 2016, the fund has continued to grow, with 35 investments across 14 sectors and we are pleased with both the rate at which we have allocated our capital and the pipeline of opportunities identified.

"In the current volatile market, our direct lending strategy offers shareholders capacity to preserve capital, guard against inflation and rising rates, while generating attractive risk-adjusted returns. The Board remains confident in the long-term future of RMDL and believes the foundations are firmly in place for the portfolio to deliver strong and sustainable performance for our shareholders."

https://rmdl.co.uk/investor-centre/investor-relations/

LEI: 213800RBRIYICC2QC958

**For further information, please contact:**


| | |
|---|---|
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**About RM Secured Direct Lending**

RM Secured Direct Lending Plc is a closed-ended investment trust established to invest in a portfolio of secured debt instruments. The Company aims to generate attractive and regular dividends through loans sourced or originated by the Investment Manager with a degree of inflation protection through index-linked returns where appropriate. Loans in which the Company invests are predominantly secured against assets such as real estate or plant and machinery and/or income streams such as account receivables.

**About RM Funds**

RM Funds is a trading name of RM Capital Markets Limited, the Investment Manager to RM Secured Direct Lending PLC and VT RM Alternative Income Fund. RM Capital is a specialist in alternative fund management, sales & trading, foreign exchange, and capital markets and advisory. Founded in 2010, with offices in Edinburgh, and London, it has transacted in excess of £50 billion of bonds and loans since its inception, and advised or originated, structured and managed the due diligence process for over £1 billion of Sterling credit transactions and approximately €700 million of Euro based transactions in each case since 2012.

# ANNUAL FINANCIAL REPORT

For the year ended 31 December 2018

LEGAL ENTITY IDENTIFIER ('LEI'): 213800RBRIYICC2QC958

# INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

## Investment objective

RM Secured Direct Lending Plc ("the Company") aims to generate attractive and regular dividends through investment in secured debt instruments of UK Small and Medium sized Enterprises ("SMEs") and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share (such debt instruments being "Loans") sourced or originated by RM Capital Markets Limited (the "Investment Manager") with a degree of inflation protection through index-linked returns where appropriate.

## Financial Information

| | Group Year ended 31 December 2018 | Company Period ended 31 December 2017 |
|---|---|---|
| Gross asset value (£'000)[1] | £106,875 | £85,700 |
| Net asset value ("NAV") (£'000) | £95,720 | £56,269 |
| NAV per Ordinary Share (pence) (IFRS calculation) | 96.96p | 98.20p |
| Ordinary Share price (pence) | 101.50p | 101.50p |
| Ordinary Share price premium to NAV[1] | 4.7% | 3.0% |
| Ongoing charges[1] | 1.93% | 1.90% |
| Accrued entitlement of Zero Dividend Preference ('ZDP') Share (pence)[2] | 102.62 | - |

## Performance Summary

| | % change[3,5] | % change[4,5] |
|---|---|---|
| Total return – Ordinary Share NAV and dividends[1] | +5.5% | +2.8% |
| Total return - Ordinary Share price and dividends[1] | +6.9% | +3.7% |

[1] These are Alternative Performance Measures ('APMs').
[2] Based on the net assets attributable to the ZDP Shares as at 31 December 2018.
[3] Total returns for the year to 31 December 2018, including dividend reinvestment.
[4] Total returns for the period to 31 December 2017, including dividend reinvestment.
[5] Source: Bloomberg.

## Alternative Performance Measures ('APMs')

The financial information and performance summary data highlighted in the footnote to the above tables are considered to represent APMs of the Group and the Company. In addition to these APMs measures have been used by the Group to assess its performance.

## Chairman's Statement

## Introduction

On behalf of the Board, I am pleased to present the Company's second annual report and financial statements for the calendar year 2018 (the "Period"). RM Secured Direct Lending plc (the "Company" or "RMDL") listed on the premium segment of the main market of the London Stock Exchange on 15 December 2016, issuing 50,300,000 Ordinary Shares at a price of 100 pence per share and to 31 December 2018, had grown via three capital raises to a share capital of 98,724,581 Ordinary Shares.

During 2018 the Company paid three interim dividends based on income received from the underlying portfolio throughout the year. 1.625p per share was declared in May, August and November. On 27 February 2019 the Company declared the fourth interim dividend for the Period of 1.625 pence per share which will be paid on 29 March 2019. The Company has paid or declared dividends in respect of the Period totalling 6.5 pence per Ordinary Share, which is in line with the Company's stated target. The Company's return per Ordinary Share, based on the weighted average number of Ordinary Shares in issue during the Period, was 6.9 pence. Primarily as a consequence of the conversion of C Shares into Ordinary Shares during the Period, a small part of the total dividend was funded from capital reserves. In the absence of unforeseen circumstances the Board and the Investment Manager expect dividends in 2019 to be covered by net income generated over the year.

In order to further enhance returns to Shareholders 10,869,950 zero dividend preference shares ("ZDPs") were issued during the Period by RM ZDP plc, a wholly owned subsidiary of the Company, which was established solely for the purpose of issuing the ZDPs. The Company and RM ZDP plc collectively form the 'Group'. The issuance of the ZDPs has allowed the Company to lock in cost effective debt funding via a loan from RM ZDP plc to the Company (Gross Redemption Yield of 3.5% excluding any additional set up or administrative costs) and this benefits Shareholders by increasing the net interest income generated by the portfolio. The ZDPs fit within the modest leverage limit of 20% outlined in the original Prospectus, thus the Company has not increased the originally marketed risk profile and there is still capacity to use the Revolving Credit Facility within this leverage limit.

In order to facilitate the above structural gearing and for it to be used for investment purposes, the Company's investment policy required amendment. The amended investment policy was approved by Shareholders at a general meeting of the Company held on 28 March 2018.

In response to investor demand, the Board was pleased to announce, on 8 March 2019, the issuance of 13.5 million new Ordinary Shares at a price of 100 pence per share. Following the issuance of these shares the Company has 112,224,581 Ordinary Shares in issue.

## Portfolio

At year end the portfolio had 35 debt investments totalling over £102 million of invested capital. The Investment Manager has focused on investing in less cyclical sectors and this focus has formed the basis for a resilient year for the portfolio against a weaker broader market backdrop. In addition to this other key statistics include;

- Average yield across the portfolio has risen over the year from 8.23% to 8.55%
- The proportion of the portfolio investments that have their coupons linked to Libor has risen from 39% to 57%

- Investments in the senior secured part of the capital structure have remained relatively steady at 66% from 69% last year.

**NAV and share price performance**

As at 31 December 2018, the net asset value ("NAV") per Ordinary Share was 96.96 pence and the share price was 101.50 pence, representing a premium of 4.66% to NAV.

**Revolving credit facility**

During, and shortly after the end of the Period, the Company utilised its revolving credit facility with OakNorth Bank for investment purposes. Aside from setup costs, there is no additional cost to maintaining the facility, unless utilised. It is expected that the Company will keep such a facility in place during 2019.

**Outlook**

The current volatility across markets supports the investment strategy adopted by the Investment Manager. The Board and the Investment Manager have the view that as we move towards the later stages of the economic cycle, investors should favour higher quality secured debt investments which produce a steady income and offer downside protection. Borrowers are also seeking lenders who can provide flexible funding solutions which are tailored to their needs. The Manager continues to demonstrate its capacity to originate and structure transactions which have attractive risk-adjusted returns, generate above average yields, with focus on appropriate sectors, covenants and stringent credit analysis and due diligence underlying each transaction. The outlook for the Company is positive with an attractive pipeline of opportunities able to generate attractive shareholder returns.

In the 2017 annual report, I noted that the Company has a diversified portfolio of secured loans generating a stable income and that the Board would like to see the Company grow with the aim of achieving the target dividend of 6.50p, spreading the Company's fixed costs and continued diversification of the portfolio. I repeat this statement for our 2019 outlook.

The AGM will be held on 1 May 2019 where the Board and Investment Manager look forward to meeting Shareholders and answering any questions you may have. If you are unable to attend but have questions for the Board or Investment Manager then please contact N+1 Singer.

The Board is grateful for the support of Shareholders and is delighted to have such a broad investor base. We would also like to thank RM Funds and the other professional advisors for their hard work and support throughout the year.

**Norman Crighton**
Chairman
26 March 2019

## INVESTMENT MANAGER'S REPORT

**Overview**

During the first half of 2018, the Company completed further equity and ZDP raise, which has enabled the Investment Manager ("the Manager" or "RM") to capitalise on available investment opportunities.

The secondary objective which is ongoing was to optimise the portfolio yield, resulting in the year end average portfolio yield increasing (by 43bps since the start of the year) to over 8.5%.

The target of a 6.5p dividend has been achieved and for the coming year the expectation is for a dividend at this level to be covered and maintained. The share price performance of the Company over the year has been stable, trading in a narrow range between 101p and 103p per share and at a premium of between 2-5% to NAV. In line with the commitment to investors made at the IPO, RM has continued to purchase shares of the Company during the period. RM now own directly 938,624 shares; the management team and related parties own additional shares in a personal capacity. By purchasing RMDL shares, the Investment Manager has aligned its interests with Shareholders and will continue to invest part of its management fee during 2019.

**The market environment**

Volatility across global markets picked up during the year and remains at elevated levels. Most stock markets finished the year in the red and corporate bond funds generally posted negative total returns for 2018. Leverage Loans were in the financial and mainstream press towards the end of the year as the market became concerned that loose lending standards over recent years combined with heavy issuance could be the next catalyst for a global market crash. Open ended loan funds, specifically in the US, consequently saw large numbers of redemptions, which put pressure on issuance and credit spreads during the fourth quarter of 2018. Overall, the Manager expects to see the continued widening of credit spreads as constructive in so far as overall borrowing costs are increasing modestly across the market.

The key risks for the wider alternative credit peer group lie in the more loosely regulated areas of the market where there has been a significant mispricing of risk over recent years. This largely sits within consumer and peer to peer lending where large capital inflows chasing borrowers have driven down returns in a number of areas. Historically, as we move towards the end of a business cycle, default rates start to increase, given the homogenous nature of the loans, with limited underlying collateral and we expect to see relatively high losses in some of these areas. The Company is not exposed to this type of lending, and both the Manager and Company have actively prohibited investments in this space as noted within the Company's prospectus.

The Company's policy is to value the Company's loan investments at fair value and has appointed Mazars to independently value the loans on a monthly basis. The valuation process has been comprehensively reviewed during the year, and is monitored by the Board, the Manager and the AIFM. The process includes quantitative and qualitative analysis, with the analysis performed on a loan-by-loan basis and the valuation of each loan taking into account the relevant risks and returns associated with that loan.

As we look at how the market environment can affect the portfolio we identify three key risks;

**Currency** – the risks here are that USD and EUR currencies depreciate and RMDL investments in local currency lose value versus our base currency in GBP. RM has mitigated this risk by using currency forwards to hedge the majority of any currency exposures within the portfolio.

**Rates** – should interest rates rise the present value of the current loans could decline as higher discount rates are used. This has been mitigated by investing predominantly in Loans that have coupons which are linked to Libor. Portfolio fixed rate investments usually have relatively short maturities to mitigate this risk.

**Credit** – the idiosyncratic credit risk is the risk attached to a specific investment rather than the broader market sentiment. In effect this is the risk that the borrower is unable to repay or service the loan. Within the portfolio this is the largest risk and is mitigated by careful due diligence, extensive initial credit work and effective ongoing monitoring. The key focus to reduce the idiosyncratic credit risk is a combination of both top-down careful sector selection (thus reduces exposure within areas which are likely to be problematic as we move through the cycle) and fundamental bottom-up credit selection, in which the investment team and our professional advisors conduct due diligence, structure and document the Company's investments.

**The portfolio**

As at year end, all of the available capital was deployed and the RCF had been partially utilised. Net interest income for 2019 is forecast to be in excess of 6.5 pence, meaning the dividend for the coming year is projected to be fully covered.

Over the period there were several loan repayments, the largest being Exterion Media which was repaid in Q4 and represented circa 8.5% of the portfolio. Nevertheless, the Manager has grown the Loan book over the period from circa £77 million of invested capital at year end 2017 to £102 million at 31 December 2018. In addition to this the average yield across the portfolio has increased to in excess of 8.5%. There are two areas where additional incremental performance can be added during 2019. The first is a reduction of the Company's ongoing charges figure which should contribute to net returns as any additional capital raises will have a meaningful effect on reducing fixed costs. The second is any exit penalties, minimum return charges, share options or share stakes in borrower companies, which can be negotiated into borrower documentations.

Whilst the average yield has increased, the quality of the loan book remains robust – 66% of the portfolio remains senior secured and the majority at 74% have robust sponsor backing. The largest component of the book is Corporate lending with 56% and then Project Finance and Asset Finance being relatively evenly split at 20% and 24% respectively. This gives an excellent spread of risk.

| | *31 December 2018* | *31 December 2017* |
|---|---:|---:|
| | | |
| Number of investments | 35 | 23 |
| Number of sectors | 14 | 11 |
| Weighted average life (years) | 3.42 | 3.48 |
| Net asset value | £95.7m | £56.3m |
| Net asset value (pence per share) | 96.96 | 98.20 |
| Total investments outstanding | £102.6m | £76.9m |

| | | |
|---|---|---|
| Average yield | 8.55% | 8.23% |
| Senior secured / Junior secured / HoldCo | 66% / 18% / 16% | 72% / 28% / 0% |
| Fixed / Floating | 57% / 43% | 72% / 28% |

Whilst the Company is sector agnostic with regards to the investment parameters there has been a focus on sectors less exposed to the business cycle. One can see from the table showing sector breakdowns the focus on hard assets and sectors not directly linked to the business cycle. Given we are cautious on consumer discretionary, the investment within the Consumer Goods sector is in two market leading forecourt operators which we believe are not directly linked to the business cycle. See Annual Report for sector breakdown and loan to value charts.

**Outlook**

The Investment Management team have a strong pipeline of opportunities to deploy capital in 2019. The RM house view is that we are moving into the latter stages of the credit cycle – to this end it is our intention to keep the focus on similar sectors which are currently within the portfolio. The weaker credit markets globally have allowed returns to increase and we also expect greater levels of investor protections to be included within lending documents as liquidity and credit starts to flow out of the market.

**RM Capital Markets Limited**

26 March 2019

## Principal risks and uncertainties

Together with the issues discussed in the Chairman's Statement and the Investment Manager's Report, the Board considers that the principal risks and uncertainties faced by the Group fall into the following main categories:

### (i) Market risks

*Availability of appropriate investments*

There is no guarantee that loans will be made in a timely manner.

Before the Group is able to make or acquire loans, the Investment Manager is required to complete necessary due diligence and enter into appropriate legal documentation. In addition the Group may become subject to competition in sourcing and making investments. Some of the Group's competitors may have greater financial, technical and marketing resources or a lower cost of capital and the Group may not be able to compete successfully for investments. Competition for investments may lead to the available interest coupon on investments decreasing, which may further limit the Group's ability to generate its desired returns.

If the Investment Manager is not able to source a sufficient number of suitable investments within a reasonable time frame whether by reason of lack of demand, competition or otherwise, a greater proportion of the Group's assets will be held in cash for longer than anticipated and the Group's ability to achieve its investment objective will be adversely affected. To the extent that any investments to which the Group is exposed prepay, mature or are sold it will seek to reinvest such proceeds in further investments in accordance with the Group's investment policy.

*Market sectors*

Loans will be made to borrowers that operate in different market sectors each of which will have risks that are specific to that particular market sector.

*UK exit from the European Union*

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU ("Brexit"). The extent of the impact on the Group will depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. In addition, the macroeconomic effect of a Brexit on the value of investments in the lending market and, by extension, the value of investments in the portfolio is unknown. As such, it is not possible to state the impact that Brexit will have on the Group and its investments. It could also potentially make it more difficult for the Group to raise capital in the EU and/or increase the regulatory compliance burden on the Group. This could restrict the Group's future activities and thereby negatively affect returns.

*Management of risks*

The Group has appointed an experienced investment Manager who directly sources loans. The Group is investing in a wide range of loan types and sectors and therefore benefits from diversification. Investment restrictions are relatively flexible giving the advisor ability to take advantage of diverse loan opportunities.

The Investment Manager, AIFM, Broker and the Board review market conditions on an ongoing basis.

**(ii) Risks associated with meeting the Group's investment objective or target dividend yield**

The Group's investment objective is to generate attractive and regular dividends through investment in loans sourced or originated by the Investment Manager and to generate capital appreciation by virtue of the fact that the returns on some loans will be index-linked. The declaration, payment and amount of any future dividends by the Group will be subject to the discretion of the Directors and will depend upon, amongst other things, the Group successfully pursuing the investment policy and the Group's earnings, financial position, cash requirements, level and rate of borrowings and availability of profit, as well the provisions of relevant laws or generally accepted accounting principles from time to time.

*Management of risks*

The Investment Manager has a target portfolio yield which covers the level of dividend targeted by the Group. The Board reviews the position at board meetings.

**(iii) Financial risks**

The Group's investment activities expose it to a variety of financial risks which include liquidity, currency, leverage, interest rate and credit risks.

Further details on financial risks and the management of those risks can be found in note 17 to the financial statements.

**(iv) Corporate governance and internal control risks (including cyber security)**

The Group has no employees and the directors have all been appointed on a non-executive basis. The Group must therefore rely upon the performance of third party service providers to perform its executive functions. In particular, the AIFM, the Investment Manager, the Administrator, the Group Secretary, the Registrar and their respective delegates, if any, will perform services that are integral to the Group's operations and financial performance.

Poor performance of the above service providers could lead to various consequences including the loss of the Group's assets, inadequate returns to shareholders and loss of investment trust status. Cyber security risks could lead to breaches of confidentiality, loss of data records and inability to make investment decisions.

*Management of risks*

Each of the above contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Group. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis. The Group's key service providers report periodically to the Board on their procedures to mitigate cyber security risks.

**(v) Regulatory risks**

The Group and its operations are subject to laws and regulations enacted by national and local governments and government policy. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Any change in the laws, regulations and/or government policy affecting the Group or any changes to current accountancy regulations and practice in the UK may have a material adverse effect on the ability of the Group to successfully pursue its investment policy and meet its investment objective and/or on the value of the Group and the shares. In such event, the performance of the Group, the Net Asset Value, the Group's earnings and returns to Shareholders may be materially adversely affected.

*Management of risks*

The Group has contracted out relevant services to appropriately qualified professionals. The Secretary and AIFM report on compliance matters to the Board on a quarterly basis and the Board has access to the advice of its Corporate Broker on a continuing basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

## Dividend policy

Dividends are expected to be declared by the Directors in May, August, November and February of each year in respect of the preceding quarter with dividends being paid in June, September, December and March.

The last dividend in respect of any financial year is declared prior to the relevant annual general meeting. Therefore, it is declared as a fourth interim dividend and no final dividend is payable. The Board understands that this means that Shareholders will not be given the opportunity to vote on the payment of a final dividend. However, the Board believe that the payment of a fourth interim dividend as opposed to a final dividend is in the best interests of Shareholders as it provides them with regularity on the frequency of dividend payments and avoids the delay to payment which would result from the declaration of a final dividend. A resolution will be put forward at the Annual General Meeting to approve the policy of declaring and paying all dividends of the Company as interim dividends.

The Company targeted an annualised dividend yield of 6.5% (on the Issue Price at the Company's initial listing) for the financial year to 31 December 2018, an increase from the target dividend yield of 4% for the period from Admission to 31 December 2017.

Investors should note that the targeted annualised dividend yields are targets only and not profit forecasts and there can be no assurance that either will be met or that any dividend growth will be achieved.

## Portfolio

**Largest 10 loans by drawn amounts across the entire portfolio as at 31 December 2018**

| | | **Valuation** | **Percentage of net asset** |
|---|---|---:|---:|
| **Business Activity** | **Instrument type (Private/Public/Bond)** | **£'000** | **%** |
| Forecourt Operator | Private Loan | 8,523 | 8.0 |
| Telecommunications | Private Loan | 6,787 | 6.4 |
| Business Services | Private Loan | 6,749 | 6.3 |
| Automotive Parts Manufacturing | Private Loan | 6,690 | 6.3 |
| Healthcare | Bond | 6,482 | 6.1 |
| Asset Finance | Private Loan | 6,194 | 5.8 |
| Healthcare | Private Loan | 5,850 | 5.5 |
| Childcare | Private Loan | 5,152 | 4.8 |
| Forecourt Operator | Private Loan | 4,424 | 4.1 |
| Student Accommodation | Private Loan | 4,420 | 4.1 |
| **Ten largest holdings** | | **61,271** | **57.4** |
| Other Private loan investments | | 37,769 | 35.3 |
| Bond investments | | 3,541 | 3.3 |
| **Total holdings** | | **102,581** | **96.0** |
| Other net assets* | | 4,294 | 4.0 |
| **Gross assets** | | **106,875** | **100.0** |

*The above is based on the Group's net assets before deduction of ZDP Shares capital entitlement.

## Statement of directors' responsibilities

The Directors are responsible for preparing the consolidated financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group as at the end of the year and of the net return for  In preparing these accounts, the Directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates, which are reasonable and prudent;

• Present information including accounting policies and additional disclosures as required to ensure the report is presented  in a manner that provides relevant, reliable, comparable and  understandable information;

• state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

• prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the Group's website at **https://rmdl.co.uk/** which is maintained by the Group's Investment Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' confirmation statement**

The Directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the consolidated financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

For and on behalf of the Board

**Norman Crighton**
Director

26 March 2019

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

| | | Year ended 31 December 2018 | | |
|---|---|---|---|---|
| | | **Revenue** | **Capital** | **Total** |
| | **NOTES** | **£'000** | **£'000** | **£'000** |
| Losses on investments | 3 | - | (807) | (807) |
| Income | 5 | 8,199 | - | 8,199 |
| Investment management fee | 6 | (894) | - | (894) |
| Other expenses | 7 | (978) | (156) | (1,134) |
| **Return before finance costs and taxation** | | **6,327** | **(963)** | **5,364** |
| Finance costs | 8 | (380) | (657) | (1,037) |
| **Return on ordinary activities before taxation** | | **5,947** | **(1,620)** | **4,327** |
| Taxation | 9 | (37) | 17 | (20) |
| **Return on ordinary activities after taxation** | | **5,910** | **(1,603)** | **4,307** |
| **Return per ordinary share (pence)** | 16 | **6.83p** | **(1.85p)** | **4.98p** |

There are no comparatives as the Group was formed during the year ended 31 December 2018.

The total column of this statement is the profit and loss account of the Group.

All the revenue and capital items in the above statement derive from continuing operations.

'Return on ordinary activities after taxation' is also the 'Total comprehensive income for the period'.

## Company Statement of Comprehensive Income

For the year ended 31 December 2018

| | | **Year ended 31 December 2018** | | | **Period ended 31 December 2017** | | |
|---|---|---|---|---|---|---|---|
| | | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| | **NOTES** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Losses on investments | 3 | - | (865) | (865) | - | (853) | (853) |
| Income | 5 | 8,199 | - | 8,199 | 3,586 | - | 3,586 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Investment management fee | 6 | (894) | - | (894) | (370) | - | (370) |
| Other expenses | 7 | (920) | (156) | (1,076) | (777) | - | (777) |
| **Return before finance costs and taxation** | | **6,385** | **(1,021)** | **5,364** | **2,439** | **(853)** | **1,586** |
| Finance costs | 8 | (380) | (657) | (1,037) | (32) | (174) | (206) |
| **Return on ordinary activities before taxation** | | **6,005** | **(1,678)** | **4,327** | **2,407** | **(1,027)** | **1,380** |
| Taxation | 9 | (17) | 17 | - | (44) | 44 | - |
| **Return on ordinary activities after taxation** | | **5,988** | **(1,661)** | **4,327** | **2,363** | **(983)** | **1,380** |
| **Return per ordinary share (pence)** | 16 | **6.92p** | **(1.92p)** | **5.00p** | **4.35p** | **(1.81p)** | **2.54p** |

The total column of this statement is the profit and loss account of the Company.

All the revenue and capital items in the above statement derive from continuing operations.

‘Return on ordinary activities after taxation’ is also the ‘Total comprehensive income for the period’.

## Statement of Financial Position

| | | Group | Company | Company |
|---|---|---|---|---|
| | | As at 31 December 2018 | As at 31 December 2018 | As at 31 December 2017 |
| | Notes | £'000 | £'000 | £'000 |
| **Fixed assets** | | | | |
| Investments at fair value through profit or loss | 3 | 102,581 | 102,581 | 76,957 |
| Investment in subsidiary | 4 | - | 50 | - |
| **Current assets** | | | | |
| Receivables | 10 | 2,602 | 2,543 | 1,069 |
| Cash and cash equivalents | | 8,138 | 8,120 | 15,441 |
| | | **10,740** | **10,663** | **16,510** |
| **Payables: amounts falling due within one year** | | | | |
| Payables | 11 | (6,446) | (6,399) | (7,624) |
| C Shares in issue | 14 | - | - | (29,574) |
| | | (6,446) | (6,399) | (37,198) |
| **Net current assets/(liabilities)** | | **4,294** | **4,264** | **(20,688)** |
| **Non-current liabilities** | | | | |
| Zero Dividend Preference Shares | 12 | (11,155) | - | - |
| Intercompany loan payable | 13 | - | (11,155) | - |
| **Net assets** | | **95,720** | **95,740** | **56,269** |
| **Capital and reserves: equity** | | | | |
| Share capital | 14 | 987 | 987 | 573 |
| Share premium | 15 | 47,351 | 47,351 | 6,845 |

| | | | | |
|---|---|---|---|---|
| Special reserve | | 48,304 | 48,304 | 48,502 |
| Capital reserve | | (2,586) | (2,644) | (983) |
| Revenue reserve | | 1,664 | 1,742 | 1,332 |
| **Total shareholders' funds** | | **95,720** | **95,740** | **56,269** |
| **NAV per share – Ordinary Shares (pence)** | 17 | **96.98p** | **96.98p** | **98.20p** |

There are no comparatives as the Group was formed during the year ended 31 December 2018.

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 26 March 2019.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

| | Notes | Share capital £'000 | Share premium £'000 | Special reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance as at beginning of the year | | 573 | 6,845 | 48,502 | (983) | 1,332 | 56,269 |
| Return on ordinary activities | | - | - | - | (1,603) | 5,910 | 4,307 |
| C Shares conversion to Ordinary Shares | 14 | 414 | 40,770 | - | - | - | 41,184 |
| Ordinary Shares issue costs | | - | (264) | - | - | - | (264) |
| Dividend paid | 18 | - | - | (198) | - | (5,578) | (5,776) |
| **Balance as at 31 December 2018** | | **987** | **47,351** | **48,304** | **(2,586)** | **1,664** | **95,720** |

There are no comparatives as the Group was formed during the year ended 31 December 2018.

## Company Statement of Changes in Equity

For the year ended 31 December 2018

| | Notes | Share capital £'000 | Share premium £'000 | Special reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance as at beginning of the year | | 573 | 6,845 | 48,502 | (983) | 1,332 | 56,269 |
| Return on ordinary activities | | - | - | - | (1,661) | 5,988 | 4,327 |
| C Shares conversion to Ordinary Shares | 14 | 414 | 40,770 | - | - | - | 41,184 |
| Ordinary Shares issue costs | | - | (264) | - | - | - | (264) |
| Dividend paid | 18 | - | - | (198) | - | (5,578) | (5,776) |
| **Balance as at 31 December 2018** | | 987 | 47,351 | 48,304 | (2,644) | 1,742 | 95,740 |

For the period from incorporation on 27 October 2016 to 31 December 2017

| | Notes | Share capital £'000 | Share premium account £'000 | Special reserve £'000 | Capital reserves £'000 | Revenue reserves £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance as at beginning of the period | | - | - | - | - | - | - |
| Return on ordinary activities | | - | - | - | (983) | 2,363 | 1,380 |
| C Shares conversion to Ordinary Shares | 14 | 573 | 56,815 | - | - | - | 57,388 |
| Ordinary shares issue costs | | - | (1,215) | - | - | - | (1,215) |
| Transfer to capital reserves reserve | | - | (48,755) | 48,755 | - | - | - |
| Special reserve costs | | - | - | (24) | - | - | (24) |
| Dividend paid | 18 | - | - | (229) | - | (1,031) | (1,260) |
| Balance as at 31 December 2017 | | 573 | 6,845 | 48,502 | (983) | 1,332 | 56,269 |

Distributable reserves comprise: the revenue reserve; and capital reserves attributable to realised profits including the special reserve.

Share capital represents the nominal value of shares that have been issued. The share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

## Statement of Cash Flows

For the year ended 31 December 2018

| | Notes | Group Year ended 31 December 2018 £'000 | Company Year ended 31 December 2018 £'000 | Company Period ended 31 December 2017 £'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Return on ordinary activities before finance costs and taxation* | | 5,364 | 5,364 | 1,586 |
| Adjustment for losses on investments | | 807 | 865 | 844 |
| Increase in debtors | | (1,533) | (1,474) | (1,069) |
| Increase in creditors | | 1,023 | 938 | 691 |
| **Net cash flow from operating activities** | | **5,661** | **5,693** | **2,052** |
| **Investing activities** | | | | |
| Private loan repayments/bonds sales proceeds | | 60,111 | 60,111 | 29,676 |
| Private loan issued/bonds purchases | | (88,580) | (88,580) | (100,617) |
| Purchase of investments | | - | (50) | - |
| **Net cash flow used in investing activities** | | **(28,469)** | **(28,519)** | **(70,941)** |
| **Financing activities** | | | | |
| Finance costs paid | | (95) | (95) | - |

| | | | | |
|---|---|---|---|---|
| Zero Dividend Preference Shares issue proceeds | | 10,870 | - | - |
| Intercompany loan proceeds | | - | 10,870 | - |
| Ordinary Share issue proceeds | | - | - | 57,388 |
| Ordinary Share issue costs | | - | - | (1,215) |
| C Share issue proceeds | 14 | 11,329 | 11,329 | 30,000 |
| C Share issue costs | | (264) | (264) | (559) |
| Other costs charged to capital | | (156) | (156) | - |
| Foreign exchange losses | | (403) | (403) | - |
| Transfer to Special reserve costs | | - | - | (24) |
| Equity dividends paid | 18 | (5,776) | (5,776) | (1,260) |
| **Net cash flow from financing activities** | | **15,505** | **15,505** | **84,330** |
| **(Decrease)/increase in cash** | | (7,303) | (7,321) | 15,441 |
| **Opening balance at beginning of the period** | | 15,441 | 15,441 | - |
| **Balance at end of the year/period end** | | **8,138** | **8,120** | **15,441** |

* Cash inflow from interest on investment holdings was £7,295,000 (2017: £2,713,000).

There are no comparatives as the Group was formed during the year ended 31 December 2018.
The notes form an integral part of these financial statements.

| **Movement in financial liabilities-Group** | **Year ended 31 December 2018** | | |
|---|---|---|---|
| | **OakNorth facility £'000** | **C Shares £'000** | **ZDP Shares £'000** |
| Balance as at 1 January 2018 | - | 29,574 | - |
| Drawdowns during the year | 2,500 | - | - |
| Interests payable | 8 | - | - |
| Drawdowns interest repayments during the year | (2,508) | - | - |
| C Shares issued during the year | - | 11,329 | 10,870 |
| C Share conversions during the year | - | (41,425) | - |
| Return on C Shares conversion | - | 522 | - |
| Return on ZDP Shares during the year | - | - | 285 |
| **Balance as at 31 December 2018** | **-** | **-** | **11,155** |

| **Movement in financial liabilities-Company** | **Year ended 31 December 2018** | | |
|---|---|---|---|
| | **OakNorth facility £'000** | **C Shares £'000** | **Intercompany loan £'000** |
| Balance as at 1 January 2018 | - | 29,574 | - |
| Facility drawdowns during the year | 2,500 | - | - |
| Facility interests payable | 8 | - | - |
| Facility and interest repayments during the year | (2,508) | - | - |
| Shares issued during the year | - | 11,329 | - |
| Intercompany loan proceeds | - | - | 10,870 |
| Share conversions during the year | - | (41,425) | - |
| Return on C Shares conversion | - | 522 | - |

| | | | |
|---|---|---|---|
| Intercompany finance cost | - | - | 285 |
| **Balance as at 31 December 2018** | **-** | **-** | **11,155** |

## Notes to the financial statements

**1. General information**

RM Secured Direct Lending plc (the "Company") was incorporated in England and Wales on 27 October 2016 with registered number 10449530, as a closed-ended investment company. The Company commenced its operations on 15 December 2016. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The consolidated financial information of the Group comprises that of the Company and its subsidiary RM ZDP Plc (together referred to as the "Group") for the year ended 31 December 2018. RM ZDP was incorporated in England and Wales on 21 February 2018, with registered number 11217952 as a public company limited by shares under the Companies Act.

The Company's investment objective is to generate attractive and regular dividends through investment in secured debt instruments of UK SMEs and mid-market corporates including any loan, promissory notes, lease, bond or preference share sourced or originated by the Investment Manager with a degree of inflation protection through index-linked returns where appropriate.

The registered office is Mermaid House, 2 Puddle Dock, London, EC4V 3DB.

**2. Accounting policies**

The principal accounting policies followed by the Group and the Company are set out below:

**(a) Basis of accounting**
The financial statements have been prepared on a going concern basis in accordance with IFRS, which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect and to the extent that they have been adopted by the European Union, and in accordance with Article 4 of the IAS Regulation and the Companies Act 2006 as applicable to companies using IFRS. The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investments.

The Board has determined by having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, that sterling is the functional and reporting currency. Where presentational recommendations set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the AIC in November 2014 and updated in January 2017, do not conflict with the requirements of IFRS, the directors have prepared the financial statements on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

In accordance with the SORP, the Statement of Comprehensive Income has been analysed between a revenue return (dealing with items of a revenue nature) and a capital return (relating to items of a capital nature). Revenue returns include, but are not limited to, investment related income, operating expenses, income related finance costs and taxation (insofar as they are not allocated to capital). Net revenue returns are allocated via the revenue return to the Revenue reserve.

Capital returns include, but are not limited to, profits and losses on the disposal and the valuation of non-current investments, derivative instruments and on cash and borrowings, operating costs and finance costs (insofar as they are not allocated to revenue). Net capital returns are allocated via the capital return to Capital reserves.

Dividends on Ordinary Shares may be paid out of Revenue reserve, capital reserve and Special reserve.

**(b) Adoption of new and revised standards**

**IFRS 9 Financial Instruments**

In the current period the Group has adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

Receivables that were previously measured at amortised cost under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Therefore, such instruments continue to be measured at amortised cost under IFRS 9. The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. The Group has not designated any financial liabilities at fair value through profit or loss therefore this requirement has not had an impact on the Group. IFRS 9 requires the Group to record expected credit losses on all of its receivables, either on a 12 month or lifetime basis. As the Group has limited exposure to credit risk, this amendment has not had a material impact on the financial statements as the Group only holds receivables with no financing component that have maturities of 12 months or less. This requirement has not significantly changed the carrying amounts of the Group's financial assets under IFRS 9.

Comparative figures for the year ended 31 December 2017 have not been restated and are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 replaces IAS 18 Revenue and establishes a five -step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. There was no impact of IFRS 15 for the Group.

**Standards issued but not yet effective**

There are no standards or amendments to standards not yet effective that are relevant to the Group and should be disclosed.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial information of the Group as at the year end date. A Subsidiary is an entity over which the Company has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial information of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of the subsidiary are consistent with the policies adopted by the Company. All intra–group transactions, balances, income and expenses are eliminated on consolidation.

**(d) Going concern**

The Directors have adopted the going concern basis in preparing the financial statements. The Directors have a reasonable expectation that the Group has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

**(e) Investment entity status**

The Company meets the criteria within IFRS 10 as an investment entity and should therefore hold investments in subsidiaries at fair value rather than consolidate them, unless those subsidiaries are not themselves investment entities and their main purpose is to provide services related to the group's investment activities. The group's subsidiary, RM ZDP is not an investment entity and its main purpose is to provide finance for the group through the issue of zero dividend preference shares and therefore this subsidiary has been consolidated.

**(f) Investments**

Investments consist of private loans and bonds, which are classified as fair value through profit or loss as they are included in a group of financial assets that are managed and their performance evaluated on a fair value basis. They are initially and subsequently measured at fair value and gains and losses are attributed to the capital column of the Statement of Comprehensive Income. Investments are recognised on the date that the group becomes a party to the contractual provisions of the instrument and are derecognised when their term expires, or on the date they are sold, repaid or transferred.

**(g) Foreign currency**

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling using London closing foreign exchange rates at the period end. Any gain or loss arising from a change in exchange rates is included as an exchange gain or loss to capital or revenue in the Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Statement of Comprehensive Income within loss on investments.

**(h) Income**

Interest income is recognised in the revenue column of the Statement of Comprehensive Income on a time-apportioned basis.

All other income including deposit interest are accounted on an accrual basis and early settlement fees received are recognised upon the early repayment of the loan.

**(i) Capital reserves**

Realised and unrealised gains and losses on the Company's investments are recognised in the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

**(j) Expenses**

All expenses are accounted for on an accruals basis.

Other expenses are recognised in the revenue column of the Statement of Comprehensive Income, unless they are incurred in order to enhance or maintain capital profits.

*Management fees and finance costs*
The Company is expecting to derive its returns predominantly from interest income. Therefore, the Board has adopted a policy of allocating all management fees and finance costs (insofar as they are not allocated to capital) to the revenue column of the Statement of Comprehensive Income.

*ZDP Shares finance cost*
The ZDP Shares are designed to provide a pre-determined capital growth from their original issue price of 100p on 3 April 2018 to a final capital entitlement of 110.91p on 6 April 2021, on which date the RM ZDP is planned to be wound up. The provision for the capital growth entitlement of the ZDP Shares is included as a finance cost and charged to revenue within the Statement of Comprehensive Income

**(k) Taxation**
The charge for taxation is based upon the net revenue for the period. The tax charge is allocated to the revenue and capital columns of the Statement of Comprehensive Income according to the marginal basis whereby revenue expenses are first matched against taxable income arising in the revenue account.

Deferred taxation will be recognised as an asset or a liability if transactions have occurred at the initial reporting date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset will not be recognised to the extent that the transfer of economic benefit is uncertain.

**(l) Financial liabilities**
Bank loans and overdrafts are initially recorded at the proceeds received net of direct issue costs and subsequently measured at amortised cost using the effective interest rate. C shares are treated as debt on issue and reclassified as equity upon conversion to the Company's Ordinary Shares. The associated costs of issuing C shares are treated as capital and amortised over the period between issue and conversion of C shares.

*Financial liabilities at amortised cost – ZDP Shares*
These are initially recognised at cost, being the fair value of the consideration received associated with the borrowing net of direct issue costs. ZDP Shares are subsequently measured at amortised cost using the effective interest method. Direct issue costs are amortised using the effective interest method and are added to the carrying amount of the ZDP Shares. The final capital entitlement to ZDP Shareholders will rank in priority to the capital entitlement of the Ordinary Shares of RM ZDP as such ZDP Shares are treated as debt on issue.

**(m) Dividends**
Interim dividends to the holders of shares are recorded in the Statement of Changes in Equity on the date that they are paid. Final dividends are recorded in the Statement of Changes in Equity when they are approved by Shareholders.

**(n) Judgements, estimates and assumptions**
The preparation of financial statements requires the directors to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

**(o) Investments in subsidiary**
The investments in subsidiary company is included in the Company's Statement of Financial Position at cost less provision for impairment.

**3. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS**

**(a) Summary of valuation**

| | Group | Company | |
|---|---|---|---|
| | As at 31 December 2018 | As at 31 December 2018 | As at 31 December 2017 |
| | £'000 | £'000 | £'000 |
| **Financial assets held:** | | | |
| Bond investments | 10,023 | 10,023 | 14,810 |
| Private Loan investments | 92,558 | 92,558 | 62,147 |
| | **102,581** | **102,581** | **76,957** |

**(b) Movements**

| | Group | Company | |
|---|---|---|---|
| | As at 31 December 2018 | As at 31 December 2018 | As at 31 December 2017 |
| | £'000 | £'000 | £'000 |
| **Opening valuation** | 76,957 | 76,957 | - |
| Opening losses on investments | 155 | 155 | - |
| Book cost at the beginning of the year | 77,112 | 77,112 | - |
| Private Loans issued/ Bonds purchases at cost | 86,417 | 86,417 | 107,477 |
| Sales: | | | |
| - private loans repayments /bonds sales proceeds | (60,111) | (60,111) | (29,676) |
| - losses on investment | (399) | (399) | (689) |
| Unrealised losses on investments | (438) | (438) | (155) |
| **Closing valuation at year/period end** | **102,581** | **102,581** | **76,957** |
| Book cost at end of the year | 103,019 | 103,019 | 77,112 |
| Unrealised losses on investment holdings at the year end | (438) | (438) | (155) |
| **Closing valuation at year/period end** | **102,581** | **102,581** | **76,957** |

| **(c) Losses on investments** | Group | Company | |
|---|---|---|---|
| | Year ended 31 December 2018 | Year ended 31 December 2018 | Period ended 31 December 2017 |
| | £'000 | £'000 | £'000 |
| Realised losses on investments | (399) | (457) | (689) |
| Unrealised losses on investments | (283) | (283) | (155) |
| Foreign exchange movement | (125) | (125) | (9) |
| Total losses on investments | **(807)** | **(865)** | **(853)** |

**Significant accounting estimates and judgements**

The Group recognises private loan and bond investments at fair value through profit or loss. The significant assumptions made at the point of valuation of loans are the discounted cash flow analysis and/or benchmarked discount/interest rates, which are deemed appropriate to reflect the risk of the underlying loan.

These assumptions are monitored to ensure their ongoing appropriateness.

## 4. INVESTMENT IN SUBSIDIARY

| | Company |
|---|---|
| | Year ended 31 December 2018 |
| | £'000 |
| Investment in subsidiary | 50 |
| **Total** | **50** |

| Subsidiary name | Effective ownership % | Country of incorporation | Principal activity |
|---|---|---|---|
| RM ZDP plc | 100 | Mermaid House, 2 Puddle Dock, London, EC4V 3DB, United Kingdom | Issuance of zero dividend preference shares |

## 5. INCOME

| | Group | Company | |
|---|---|---|---|
| | Year ended 31 December 2018 | Year ended 31 December 2018 | Period ended 31 December 2017 |
| | £'000 | £'000 | £'000 |
| **Income from investments** | | | |
| Bond and private loan interest | 7,547 | 7,547 | 2,834 |
| Bank interest | 7 | 7 | 20 |
| Arrangement fees | 354 | 354 | 142 |
| Loan redemption fees | 228 | 228 | 531 |
| Other income | 63 | 63 | 59 |
| **Total** | **8,199** | **8,199** | **3,586** |

## 6. INVESTMENT MANAGER FEE

| | Group | Company | |
|---|---|---|---|
| | Year ended 31 December 2018 | Year ended 31 December 2018 | Period ended 31 December 2017 |
| | £'000 | £'000 | £'000 |
| **Basic fee:** | | | |
| 100% charged to revenue | 894 | 894 | 370 |
| **Total** | **894** | **894** | **370** |

The Company’s Investment Manager is RM Capital Markets Limited. The Investment Manager is entitled to receive a management fee payable monthly in arrears and is at a rate of one-twelfth of 0.5% if the Company’s net assets are less than £75 million. If the Company’s net assets are in excess of £75 million then they are entitled to receive a management fee one twelfth of 0.875% per calendar month of net assets payable a month in arrears. In calculating Net Asset Value for these purposes all assets referable to the issue of ZDP Shares shall be counted as though they were assets of the Company but, for the avoidance of doubt, no liabilities referable to the issue of any ZDP Shares shall be deducted.

There is no performance fee payable to the Investment Manager.

**7. OTHER EXPENSES**

| | Group | Company | |
|---|---|---|---|
| | Year ended 31 December 2018 | Year ended 31 December 2018 | Period ended 31 December 2017 |
| | £'000 | £'000 | £'000 |
| **Basic fee charged to revenue:** | | | |
| Administration Fees | 210 | 186 | 166 |
| Auditor's remuneration*: | | | |
| Statutory audit fee | 74 | 66 | 48 |
| Non-audit fees | 27 | 27 | 24 |
| Broker Fees | 91 | 91 | 95 |
| Consultancy Fees | 72 | 72 | 66 |
| Custody Fees | 28 | 28 | 30 |
| Directors' Fees | 99 | 99 | 103 |
| AIFM fees | 146 | 144 | 95 |
| Valuation Fees | 80 | 80 | 59 |
| Other Expenses | 151 | 127 | 91 |
| **Total revenue expenses** | **978** | **920** | **777** |
| **Expenses charged to capital:** | | | |
| Prospectus issue and capital transaction costs | 156 | 156 | - |
| **Total other expenses** | **1,134** | **1,076** | **777** |

*Auditor’s remuneration includes VAT of £12,000 (2017: £8,000) on statutory audit fees and £5,000 (2017: £4,000) on non-audit fees. The non-audit fees were in relation to the C Shares conversion and issue of ZDP Shares (2017: in relation to the audit of the Company’s initial accounts during the period).

**Group**

| | Year ended 31 December 2018 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| | £'000 | £'000 | £'000 |
| Loan arrangement fees | 95 | - | 95 |
| ZDP Shares finance costs | 285 | - | 285 |
| C Share finance costs | - | 657 | 657 |
| | **380** | **657** | **1,037** |

**Company**

| | Year ended 31 December 2018 | | | Period ended 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Loan arrangement fees | 95 | - | 95 | 32 | - | 32 |
| ZDP inter-company loan finance costs | 285 | - | 285 | - | - | - |
| C Share finance costs | - | 657 | 657 | - | 174 | 174 |
| | **380** | **657** | **1,037** | **32** | **174** | **206** |

The Company have a £10 million revolving credit facility with OakNorth Bank. This will facilitate the tactical use of borrowings ahead of any known investment redemptions or capital raises. Aside from setup costs and an arrangement fee, there is no additional cost to maintaining the facility.

**9. TAXATION (Group and Company)**
**Group**

| | Year ended 31 December 2018 | | |
|---|---|---|---|
| | **Revenue** | **Capital** | **Total** |
| | **£'000** | **£'000** | **£'000** |
| **Analysis of tax charge / (credit) the year:** | | | |
| Corporation tax | 37 | (17) | 20 |
| **Total current tax charge/(credit) (see note 9 (b))** | **37** | **(17)** | **20** |

**(b) Factors Affecting the tax charge / (credit) for the year:**

| | Year ended 31 December 2018 | | |
|---|---|---|---|
| | **Revenue** | **Capital** | **Total** |
| | **£'000** | **£'000** | **£'000** |
| Return on ordinary activities before taxation | 5,947 | (1,620) | 4,327 |
| UK corporation tax at 19.00% (2017:19.28%) | 1,130 | (308) | 822 |
| **Effects of:** | | | |
| Fair value losses not deductible | - | 153 | 153 |
| Effect of management expenses not utilised/recognised | - | 20 | 20 |
| Interest distributions paid/payable | (1,147) | (38) | (1,185) |
| Finance costs not allowable | 54 | 125 | 179 |
| Management expenses not allowable | - | 31 | 31 |
| **Total tax charge/ (credit)** | **37** | **(17)** | **20** |

**(c) Deferred tax assets/(liabilities)**
The Company had no recognised or unrecognised deferred asset/liability as at the year end.

**Company**

| | Year ended 31 December 2018 | | | Period ended 31 December 2017* | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Analysis of tax charge / (credit) the year:** | | | | | | |
| Corporation tax | 17 | (17) | - | 44 | (44) | - |
| **Total current tax charge/(credit) (see note 9 (b))** | **17** | **(17)** | **-** | **44** | **(44)** | **-** |

**(b) Factors Affecting the tax charge/(credit) for the year:**

The effective UK corporation tax rate for the period is 19.00% (2017:19.28%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

| | Year ended 31 December 2018 | | | Period ended 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Return on ordinary activities before taxation | 6,005 | (1,678) | 4,327 | 2,407 | (1,027) | 1,380 |
| UK corporation tax at 19.00% (2017:19.28%) | 1,141 | (319) | 822 | 464 | (198) | 266 |
| **Effects of:** | | | | | | |
| Intercompany income not deductible | 23 | - | 23 | - | - | - |
| Fair value losses not deductible | - | 164 | 164 | - | 164 | 164 |
| Effect of management expenses not utilised/recognised | - | 20 | 20 | - | - | - |
| Interest distributions paid/payable | (1,147) | (37) | (1,184) | (420) | (44) | (464) |
| Finance costs not allowable | - | 125 | 125 | - | - | - |
| Management expenses not allowable | - | 30 | 30 | - | 34 | 34 |
| **Total tax charge/(credit)** | **17** | **(17)** | **-** | **44** | **(44)** | **-** |

The Company is not liable to tax on capital gains due to its status as an investment trust.

**(c) Deferred tax assets/(liabilities)**

The Company had no recognised or unrecognised deferred asset/liability as at the year end.

**10. RECEIVABLES**

| | Group | Company | |
|---|---|---|---|
| | **As at 31 December 2018** | **As at 31 December 2018** | **As at 31 December 2017** |
| | **£'000** | **£'000** | **£'000** |
| **Amounts falling due within one year:** | | | |
| Repayment of investment private loans receivable | 1,525 | 1,525 | - |
| Bond and private loan interest | 904 | 904 | 873 |

| | | | |
|---|---|---|---|
| receivable | | | |
| Inter company receivable | - | 43 | - |
| Prepayments and other receivables | 173 | 71 | 196 |
| | **2,602** | **2,543** | **1,069** |

**11. PAYABLES**

| | Group | Company | |
|---|---|---|---|
| | **As at 31 December 2018** | **As at 31 December 2018** | **As at 31 December 2017** |
| | **£'000** | **£'000** | **£'000** |
| **Amounts falling due within one year:** | | | |
| Unsettled investments purchases | 4,697 | 4,697 | 6,860 |
| Taxation payable | 20 | - | - |
| Other creditors | 1,729 | 1,702 | 764 |
| | **6,446** | **6,399** | **7,624** |

**12. ZERO DIVIDEND PREFERENCE SHARES**

| | Group |
|---|---|
| | **Year ended 31 December 2018** |
| | **£'000** |
| Zero Dividend Preference Shares | 10,870 |
| ZDP Shares finance costs | 285 |
| | **11,155** |

**Authorised**

The maximum number of ZDP Shares to be issued pursuant to the Initial ZDP Placing, as disclosed in the Prospectus dated 12 March 2018, has been set at 20 million. At a general meeting of the RM ZDP held on 7 March 2018, a special resolution was passed to issue up to 60 million ZDP Shares. On 3 April 2018, the Group issued 10,869,950 ZDP Shares of a nominal value of 1 pence each at a placing price of 100 pence each to raise gross proceeds of £10,869,950, which were allotted and fully paid up.

The Parent Company incurred ZDP Share issue costs of £129,000, which has been amortised over the life of ZDP shares. Amortised cost for this year amounts to £32,000 and is included under other expenses in note 7.

**Rights attaching to the ZDP Shares**

The ZDP Shares carry no right to receive dividends or other distributions out of revenue or any other profits of the Group. The ZDP Shares will have a life of 3 years and, on that basis, a Final Capital Entitlement of £12,055,000 (110.91 pence per ZDP Share) on the ZDP Repayment Date of 6 April 2021, equivalent to a Redemption Yield of 3.5% per annum (compounded annually) on the Issue Price. Under the obligations of Loan Agreement, the Ordinary Shares and the C Shares of the Parent rank behind the ZDP Shares.

**Voting rights of ZDP Shares**

The ZDP Shareholders shall have the right to receive notice of all general meetings of RM ZDP for information purposes, but shall have no right to attend or vote at any such meeting of RM ZDP. For the avoidance of doubt:

• any resolution to alter, modify or abrogate the special rights or privileges attached to the ZDP Shares shall require separate class consent (by special resolution) at a class meeting of ZDP Shareholders convened and held in accordance with the ZDP Articles; and

• any ZDP Recommended Resolution or any resolution to approve a, ZDP Reconstruction Proposal (if required) shall only be approved by RM ZDP Ordinary Shareholders provided they have first been approved by way of a ZDP Class Consent.

**Variation of rights and Distribution on winding up**
Subject to the Companies Act, on a return of capital, on a winding-up or otherwise, ZDP Shareholders will be entitled to receive an amount equal to the Initial Capital Entitlement of 100 pence per ZDP Share, increased at such daily accrual rate as compounds annually to give a Final Capital Entitlement of 110.91 pence per ZDP Shares at the ZDP Repayment Date of 6 April 2021, which is equivalent to a Redemption Yield of 3.5% per annum (compounded annually).

The Final Capital Entitlement will rank behind any liabilities of the Group. The ZDP Shares carry no entitlement to income and the whole of their return accordingly takes the form of capital. The ZDP Shareholders are not entitled to receive any part of the revenue profits (including any accumulated revenue reserves) of the Company on a winding-up, even if the accrued capital entitlement of the ZDP Shares will not be met in full.

**13. INTERCOMPANY LOAN**

| | **Company Year ended 31 December 2018 £'000** |
|---|---|
| Intercompany loan payable to RM ZDP | 10,870 |
| Finance costs | 285 |
| | **11,155** |

*Intercompany Loan Agreement*

On 29 March 2018, the Company entered into a Loan Agreement with RM ZDP (the "ZDP Loan"). Pursuant to the Loan Agreement, RM ZDP lent the entirety of the gross proceeds of the issue of ZDP Shares on 3 April 2018 to the Company, which has been applied towards making investments in accordance with the Investment Policy and for working capital purposes.

The Loan Agreement provides that, interest will accrue on the ZDP Loan daily at a rate of 2% per annum, compounded annually on each anniversary of Admission of the ZDP Shares and will be rolled up and paid to RM ZDP along with repayment of the principal amount of the ZDP Loan on the date falling 2 Business Days before the ZDP Repayment Date of 6 April 2021, provided that the ZDP Loan shall become repayable by the Company immediately upon the passing of a winding-up resolution of RM ZDP.

*Deed of Undertaking*

The Company also entered into an undertaking with RM ZDP, pursuant to which, to the extent that the Final Capital Entitlement multiplied by the number of outstanding ZDP Shares as at the ZDP Repayment Date exceeds the aggregate principal amount and accrued interest due from the Company to RM ZDP as at the Repayment Date, the Company shall: (i) subscribe an amount equal to or greater than the additional funding requirement for RM ZDP Ordinary Shares or (ii) make a capital contribution or gift or otherwise pay an amount equal to or greater than the additional funding requirement.

Further details in relation to the ZDP Shares can be found in note 12.

Finance costs comprises £163,000 interest pursuant to the loan agreement between the Company and RM ZDP and £122,000 other finance costs in connection with the loan.

**14. SHARE CAPITAL (Group and Company)**

| | As at 31 December 2018 | | As at 31 December 2017 | |
|---|---|---|---|---|
| | **No. of Shares** | **£'000** | **No. of Shares** | **£'000** |
| **Allotted, issued & fully paid:** | | | | |
| Ordinary Shares of 1p | 98,724,581 | 987 | 57,300,000 | 573 |
| C shares of 10p | - | - | 30,000,000 | 3,000 |

**Share movement**

The table below sets out the share movement for the year ending 31 December 2018.

| | **Opening balance** | **Shares issued** | **Share conversions** | **Shares in issue at 31 December 2018** |
|---|---|---|---|---|
| Ordinary Shares | 57,300,000 | - | 41,424,581 | **98,724,581** |
| C Shares | 30,000,000 | 11,329,363 | (41,329,363) | **-** |

In response to demand from investors, on 3 April 2018 further 11,329,363 of the Company's C Shares were issued at an issue price of £1 per share.

On 19 March 2018 and 19 July 2018, the C Shares were converted into 30,115,374 and 11,309,207 respectively of new Ordinary Shares of 1p each using the Conversion Ratio as calculated in accordance with the terms set out in the Company's articles of association. Conversion Ratios of 1.00384581 and 0.99822092 Ordinary Shares of 1p each for each C Share was calculated by reference to the NAV per share attributable to the Ordinary Shareholders of the Company and the C Shareholders as at close of business on 28 February 2018 and 30 June 2018 respectively. On the basis of the Conversion Ratio, a holder of 1,000 C Shares would receive 1,003 and 998 new Ordinary Shares upon Conversion on 16 March 2018 and 18 July 2018 respectively.

The Ordinary Shares arising on Conversion rank pari passu with, and have the same rights as, the Ordinary Shares of the Company already in issue, including the right to receive dividends declared subsequent to Admission.

Since 31 December 2018, a further 13.5 million Ordinary Shares have been issued as part of the Placing Programme raising aggregate proceeds of £13.5 million.

**15. SHARE PREMIUM (Group and Company)**

| | As at 31 December 2018 | As at 31 December 2017 |
|---|---|---|
| | **£'000** | **£'000** |

| | | |
|---|---|---|
| Balance as at beginning of the year | 6,845 | |
| C Shares conversion to Ordinary shares | 30,574 | 56,815 |
| Premium arising on issue of C Shares | 10,196 | - |
| Transfer to capital reserves reserve | - | (48,755) |
| C Share conversion costs | (264) | (1,215) |
| **Balance as at 31 December 2018** | **47,351** | **6,845** |

**16. RETURN PER ORDINARY SHARE**

Total return per Company's Ordinary Share is based on the gain on ordinary activities after taxation of £4,327,000 (2017: £1,380,000).

Based on the weighted average of number of 86,484,141 (2017: 54,349,738) Ordinary Shares in issue for the year ended 31 December 2018, the returns per share were as follows:

| **Group** | **Year ended 31 December 2018** | | | **Period ended 31 December 2017** | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| Return per Ordinary Share | **6.83p** | **(1.85p)** | **4.98p** | - | - | - |

| **Company** | **Year ended 31 December 2018** | | | **Period ended 31 December 2017** | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | **Revenue** | **Capital** | **Total** |
| Return per Ordinary Share | **6.92p** | **(1.92p)** | **5.00p** | **4.35p** | **(1.81p)** | **2.54p** |

**17. NET ASSET VALUE PER SHARE**

The net asset value per share is based on total Group shareholders' funds of £95,720,000 (2017: Company £56,269,000), and on 98,724,581 (2017: 57,300,000) Ordinary Shares in issue at the year end.

**18. DIVIDEND (Company)**

| **Total dividends paid in the year** | **Year ended 31 December 2018** | | | | **Period ended 31 December 2017** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Pence per Ordinary Share** | **Revenue £'000** | **Capital £'000** | **Total £'000** | **Pence per Ordinary Share** | **Revenue £'000** | **Capital £'000** | **Total £'000** |
| 2017 Interim – Paid 23 Mar 2018 | 2.0000p | 1,146 | - | 1,146 | | | | |
| 2018 Interim – Paid 29 Jun 2018 (2017: 30 Jun 2017) | 1.6250p | 1,420 | - | 1,420 | 0.2000p | - | 115 | 115 |
| 2018 Interim – Paid 14 Sep 2018 (2017: 15 Sep 2017) | 1.6250p | 1,506 | 99 | 1,605 | 0.2000p | - | 114 | 114 |
| 2018 Interim – Paid 28 Dec 2018 (2017: 29 Dec 2017) | 1.6250p | 1,506 | 99 | 1,605 | 1.8000p | 1,031 | - | 1,031 |
| **Total** | **6.8750p** | **5,578** | **198** | **5,776** | **2.2000p** | **1,031** | **229** | |

| | |
|---|---|
| | **1,260** |

The dividend relating to the period ended 31 December 2018, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

| **Total dividends declared in respect of the year** | **Year ended 31 December 2018** | | | | **Period ended 31 December 2017** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Pence per Ordinary Share** | **Revenue £'000** | **Capital £'000** | **Total £'000** | **Pence per Ordinary Share** | **Revenue £'000** | **Capital £'000** | **Total £'000** |
| 2018 Interim – Paid 29 Jun 2018 (2017: 30 Jun 2017) | 1.6250p | 1,420 | - | 1,420 | 0.2000p | - | 115 | 115 |
| 2018 Interim – Paid 14 Sep 2018 (2017: 15 Sep 2017) | 1.6250p | 1,506 | 99 | 1,605 | 0.2000p | - | 114 | 114 |
| 2018 Interim – Paid 28 Dec 2018 (2017: 29 Dec 2017) | 1.6250p | 1,506 | 99 | 1,605 | 1.8000p | 1,031 | - | 1,031 |
| 2018 Interim* – Payable 29 Mar 2019 (2017: 23 Mar 2018) | 1.6250p | 1,604 | - | 1,604 | 2.0000p | 1,146 | - | 1,146 |
| **Total** | **6.5000p** | **6,036** | **198** | **6,234** | **4.20p** | **2,177** | **229** | **2,406** |

*Not included as a liability in the year ended 31 December 2018 financial statements.

On 27 February 2019, the Directors approved the payment of an interim dividend at the rate of 1.6250p per Ordinary Share. The dividend has a record date of 8 March 2019 and will be paid on 29 March 2019. The dividend will be funded from the Company's revenue reserve.

**19. RELATED PARTY TRANSACTION**

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 31 December 2018 the fee outstanding to the Investment Manager was £78,000(2017: £63,000).

Fees are payable at an annual rate of £36,000 to the Chairman, £33,000 to the Chairman of the Audit and Management Engagement Committee and £30,000 to the other Director. As at 31 December 2018, there were no Directors' fee outstanding. The Directors' fees are disclosed in Note 7 and the Directors' shareholdings are disclosed in the Directors' Remuneration Report.

During the year to 31 December 2018, the Company entered into a Loan Agreement immediately prior to Admission, between the RM ZDP (as lender) and the Company (as borrower) pursuant to which, immediately following Admission, the RM ZDP lent the Company the Gross ZDP Placing Proceeds, which has been applied by the Company towards making investments in accordance with its Investment Policy and for working capital purposes. The principal amount payable to the RM ZDP which is eliminated upon consolidation as at 31 December 2018 is £10,963,000.

Arrangement fees are paid by some borrowers to the Investment Manager. The amount the Investment Manager can retain from borrowers in most cases is capped at 1.25% and agreed with the Board. The Company receives any arrangement fees from the Investment Manager in excess of the 1.25% or otherwise agreed with the borrower. During the year to 31 December 2018, the Company received £354,000 (2017: £142,000) in arrangement fees.

As at 31 December 2018, the Investment Manager held 902,075 (2017: 602,151) Ordinary Shares in the Company.

On the 29 January 2019, the Investment Manager purchased further Ordinary Shares in the Company and as of the date of the report, the Investment Manager's total holding of Ordinary Shares is 938,624(2017: 681,609).

**20. CLASSIFICATION OF FINANCIAL INSTRUMENTS**

IFRS 13 requires the Group to classify its investments in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy under IFRS 13 are as follows:

**Level 1**
Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**
Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**
Inputs are unobservable for the asset or liability.

The classification of the Group's investments held at fair value through profit or loss is detailed in the table below:

| | **Group 31 December 2018** | | | | **Company 31 December 2017** | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Financial assets:** | | | | | | | | |
| Financial assets – Private loans and bonds | - | 44,568 | - | 44,568 | - | 36,074 | - | 36,074 |
| Financial assets - Private loans | - | - | 58,013 | 58,013 | - | - | 40,883 | 40,883 |
| Total | **-** | **44,568** | **58,013** | **102,581** | **-** | **36,074** | **40,883** | **76,957** |
| **Financial liabilities:** | | | | | | | | |
| Zero Dividend Preference Shares (market value)* | 11,142 | - | - | 11,142 | - | - | - | - |
| C Shares in issue (market value) | - | - | - | - | 30,600 | - | - | 30,600 |
| **Total financial** | **11,142** | **-** | **-** | **11,142** | **30,600** | **-** | **-** | **30,600** |

**liabilities**

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.

Level 3 holdings are valued using a discounted cash flow analysis and benchmarked discount/interest rates appropriate to the nature of the underlying loan and the date of valuation.

Interest rates are a significant input into the Level 3 valuation methodology. Interest rates used in the valuation range from 5.4% to 15% (2017: 5.5% to 12.0%).

There have been no movements between levels during the reporting period. The Company considers factors that may necessitate the transfers between levels using the definition of the levels 1, 2 and 3 above.

Reconciliation of the Level 3 classification investments during the period to 31 December 2018 is shown below:

| | **Group 31 December 2018** | **Company 31 December 2017** |
|---|---|---|
| | £'000 | £'000 |
| Balance as at beginning of the year | 40,883 | - |
| New private loans during the period | 54,743 | 60,518 |
| Private loans repayments during the period | (37,226) | (19,622) |
| Realised gains during the period | (67) | 26 |
| Unrealised gains at the period end | (320) | (39) |
| Closing balance as at 31 December | 58,013 | 40,883 |

**Sensitivity analysis**

A 5% increase or decrease in the valuation of the private loan investment portfolio at the period end would have resulted in a £4,628,000 (2017: £2,044,000) corresponding increase or decrease to the Group’s Total shareholders' funds, all other things being equal.

**21. FINANCIAL INSTRUMENT AND CAPITAL DISCLOSURES**

The Group invests in private loan and bond investments. Financial instrument and capital disclosures are only prepared on a Group basis as this is the basis on which reports are made to the decision makers. The following describes the risks involved and the applied risk management. The Investment Manager reports regularly both verbally and formally to the Board, and its relevant committees, to allow them to monitor and review all the risks noted below.

**(i) Market risks**

The Group is subject to a number of Market risks in relation to economic conditions of the investee companies. Further detail on these risks and the management of these risks are included in the Directors’ report.

The Group’s financial assets and liabilities at 31 December 2018 comprised:

| | **Group 31 December 2018** | **Company 31 December 2017** |
|---|---|---|

| Investments | Interest bearing £'000 | Non-interest bearing £'000 | Total £'000 | Interest bearing £'000 | Non-interest bearing £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| GB sterling | 80,931 | - | 80,931 | 66,433 | - | 66,433 |
| Euro | 14,253 | - | 14,253 | 8,026 | - | 8,026 |
| US dollar | 7,397 | - | 7,397 | 2,498 | - | 2,498 |
| **Total investment** | **102,581** | **-** | **102,581** | **76,957** | **-** | **76,957** |
| Cash and cash equivalent- Floating rate - £ sterling | 8,138 | - | 8,138 | 15,441 | - | 15,441 |
| Short term debtors | - | 2,602 | 2,602 | - | 1,069 | 1,069 |
| Short term creditors | - | (6,446) | (6,446) | - | (7,624) | (7,624) |
| C Shares is issue | - | - | - | | (29,574) | (29,574) |
| Zero Dividend Preference Shares | (11,155) | - | (11,155) | - | - | - |
| **Total** | **99,564** | **(3,844)** | **95,720** | **92,398** | **(36,129)** | **56,269** |

*Price risk sensitivity*

The effect on the portfolio of a 10.0% increase or decrease in the value of the private loans and bonds would have resulted in an increase or decrease of £10,258,000 (2017: £7,696,000) in the investments held at fair value through profit or loss at the period end date. This analysis assumes that all other variables remain constant.

**(ii) Credit risks**

The Group’s investments will be predominantly in the form of private loans whose revenue streams are secured against contracted, predictable medium to long-term cash flows and/or physical assets, and whose debt service payments are dependent on such cash flows and/or the sale or refinancing of the physical assets.

The key risks relating to the private loans include risks relating to residual value, counterparty default, senior debt covenant breach risk, bridge loans, delays in the receipt of anticipated cash flows, acquisition risks and borrower default, loan non-performance and collateral risks.

The Group is also exposed to the risk of default on cash held at the bank and other trade receivables. The maximum exposure to credit risk on private loan and bond, cash at bank and other trade receivables at 31 December 2018 was £102,581,000, £8,138,000 and £2,602,000 (2017: £76,957,000, £15,441,000 and £1,069,000) respectively. None of the trade receivables are considered past due and the expected credit loss on them, calculated under the simplified approach, is not material.

The table below shows the Group's exposure to credit risks as the year end.

| | Group 31 December 2018 | | Company 31 December 2017 | |
|---|---|---|---|---|
| | Fair value £'000 | Maximum exposure £'000 | Fair value £'000 | Maximum exposure £'000 |
| Private Loan investments | 92,558 | 92,558 | 62,147 | 62,147 |
| Bond investments | 10,023 | 10,023 | 14,810 | 14,810 |
| Cash and cash equivalent | 8,138 | 8,138 | 15,441 | 15,441 |
| Receivables | 2,602 | 2,602 | 1,069 | 1,069 |

| | | | | |
|---|---|---|---|---|
| **Total** | **113,321** | **113,321** | **93,467** | **93,467** |

*Management of risks*

The Investment Manager reports a number of key metrics on a monthly basis to its Credit Committee including pipeline project information, outstanding loan balances, lending book performance and early warning indicators. The Investment Manager monitors ongoing credit risks in respect of the loans. Typically, the Company's Loan investments are private loans and would usually exhibit credit risk classified as "non-investment grade" if a public rating agency was referenced.

The Group's main cash balances are held with The Royal Bank of Scotland plc ("RBS"). Bankruptcy or insolvency of the bank holding cash balances may cause the Group's rights with respect to the cash held by them to be delayed or limited. The Group manages its risk by monitoring the credit quality of RBS on an ongoing basis.

**(iii) Interest rate risks**

*Private Loans*

The Group may make private loans based on estimates or projections of future interest rates because the Investment Manager expects that the underlying revenues and/or expenses of a borrower to whom the Group provides private loans will be linked to interest rates, or that the Group's returns from a private loan are linked to interest rates. If actual interest rates differ from such expectation, the net cash flows of the borrower or payable to the Group may be lower than anticipated.

*Interest rate sensitivity*

Interest Income earned by the Company is primarily derived from fixed interest rates. The interest earned from the floating element of loan and debt security investments is not significant. Based on the Group's private loan investments, bond investments secured debt instruments, cash and cash equivalents as at 31 December 2018, a 0.50% increase/(decrease) in interest rates, all other things being equal, would lead to a corresponding increase/(decrease) in the Group's income as follows.

| | **Group 31 December 2018** | | **Company 31 December 217** | |
|---|---|---|---|---|
| | **0.50% Increase £'000** | **0.50% Decrease £'000** | **0.50% Increase £'000** | **0.50% Decrease £'000** |
| Private Loans investments | 463 | (463) | 310 | (310) |
| Bond investments | 50 | (50) | 74 | (74) |
| Cash and cash equivalent | 41 | (41) | 77 | (77) |
| **Total** | **554** | **(554)** | **461** | **(461)** |

*Management of risks*

The Investment Manager's investment process takes into account interest rate risk. The investment strategy is to invest in private loans with maturities typically between 2 and 10 years. Exposure to predominantly higher yielding loans and possible floating rate investments can mitigate interest rate risk to some extent.

**(iv) Liquidity risks**

Liquidity risk is defined as the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The cash and cash equivalent balance at the year end was £8,138,000 (2017: £15,441,000).

Financial liabilities by maturity at the period end are shown below:

| | Group 31 December 2018 £'000 | Company 31 December 2017 £'000 |
|---|---|---|
| Within one month | 4,697 | 6,860 |
| Between one and three months | 925 | 365 |
| More than one year* | 12,879 | 399 |
| **Total** | **18,501** | **7,624** |

*Includes ZDP shares capital redemption value of £12,055,00

The Investment Manager manages the Group's liquidity risk by investing in a diverse portfolio of loans and secured debt instruments in line with the Investment Policy and Investment restrictions. The Investment Manager may utilise other measures such as borrowing, share issues including treasury shares for liquidity purposes.

The maturity profile of the Group's portfolio as at the year end is as follows:

| | Group 31 December 2018 £'000 | Company 31 December 2017 £'000 |
|---|---|---|
| Within one month | - | 8,626 |
| Between one and three months | 1,306 | 15,929 |
| Between three months and one year | 11,547 | 22,750 |
| More than one year | 89,728 | 29,652 |
| **Total** | **102,581** | **76,957** |

**(v) Foreign currency risks**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group invests in bond investments that are denominated in currencies other than sterling. Accordingly, the value of the Group's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Group will necessarily be subject to foreign exchange risks.

Based on the financial assets and liabilities at 31 December 2018 and all other things being equal, if sterling had weakened against the local currencies by 10%, the impact on the Group's net assets at 31 December 2018 would have been as follows:

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| Euro | 64 | 9 |
| US dollar | 32 | 97 |
| **Total** | **96** | **106** |

**Foreign currency risk profile**

| | Group | Company |
|---|---|---|

| | 31 December 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | **Investment exposure*** | **Net monetary exposure** | **Total currency exposure** | **Investment exposure** | **Net monetary exposure** | **Total currency exposure** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Euro | 380 | 261 | **641** | - | 85 | **85** |
| US dollar | 312 | 12 | **324** | 775 | 190 | **965** |
| **Total** | **692** | **273** | **965** | **775** | **275** | **1,050** |

*As at the year end, the Group held forward instruments, which has reduced the foreign exchange exposure to investment in euros and US dollars by the equivalent of £13,873,000 and £7,085,000 respectively.

*Management of currency risks*

The Group's Investment Manager monitors the currency risk of the Group's portfolio on a regular basis. Foreign currency exposure is regularly reported to the Board by the Investment Manager. The Investment Manager may hedge any currency back to sterling as they see fit.

**Fair values of financial assets and liabilities**

All financial assets and liabilities are recognised in the financial statements at fair value, with the exception of short term assets and liabilities, which are held at nominal value that approximates to fair value.

**Capital management**

The Company considers its capital to consist of its share capital of Ordinary Shares of 1 pence each and Zero Dividend Preference Shares £1.00 each as disclosed in Note 11, its distributable reserves, which comprise Revenue reserve, Capital reserve and the Special reserve. In accordance with IFRS, the Company's Ordinary Shares are considered to be equity and ZDP Shares considered to be financial liability.

The Company has a stated discount control policy. The Investment Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings. Further details on share issues during the year and the Company's policies for issuing further shares and buying back shares (including the Company's discount management) can be found in the Directors' Report.
The Company did not buy back Ordinary Shares and had no shares in treasury during the period.

The Company's policy on borrowing is detailed in the Directors' Report.

The Company has entered into a £10m revolving credit facility with OakNorth Bank. During the year the Company drew down £2.5million from the credit facility which was subsequently fully repaid before the year end.

**22. POST BALANCE SHEET EVENTS(Group and Company**

Subsequent to the year end, the Group made following drawdowns from OakNorth Bank credit facility.

- On 3 January 2019, £2.4 million which was subsequently repaid on 13 March 2019
- On 14 January 2019, £4.0 million which was subsequently repaid on 7 February 2019.

As at the date of this report, there are no amounts drawn down from the OakNorth credit facility.

On 8 March 2019, the Company announced the issuance of 13.5 million new Ordinary Shares at a price of 100 pence per Ordinary Share. Following the issuance of these shares the Company has 112,224,581 Ordinary Shares in issue.

There are no other post balance sheet events other than as disclosed in this Annual Report.

## ALTERNATIVE PERFORMANCE MEASURES ('APMs')

**Gross assets**

The Group's gross assets comprise the net asset values of the Group's Ordinary Shares and the accrued capital entitlement of the ZDP Shares, with the breakdown as follows:

| As at 31 December 2018 | | £'000 | Per Share (Pence) |
|---|---|---|---|
| Ordinary Shares – NAV | **a** | 95,720 | 96.96 |
| RM ZDP plc – Accrued entitlement | **b** | 11,155 | 102.62 |
| **Gross asset value** | **a+b** | **106,875** | **n/a** |

**Ongoing charges**

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company in accordance with the AIC methodology.

| Year end 31 December 2018 | | |
|---|---|---|
| Average NAV (£'000) | a | 97,043 |
| Annualised recurring expenses* (£'000) | b | 1,872 |
| | **b÷a** | **1.93%** |

*Consists of investment management fees of £894,000 and other recurring expenses of £978,000. Prospectus issue and capital transactions are not considered to be recurring costs and therefore have not been included.

**Premium**

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per share.

| As at 31 December 2018 | | |
|---|---|---|
| NAV per Ordinary Share (p) | **a** | 96.96 |
| Share price (p) | **b** | 101.5 |
| **Premium** | **(b/a)-1** | **4.7%** |

**Total return**

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Group into its Ordinary Shares on the ex-dividend date.

| As at 31 December 2018 | | NAV | Share Price |
|---|---|---|---|
| Opening at 1 January 2018 (p) | **a** | 98.60** | 101.50 |
| Closing at 31 December 2018 (p) | **b** | 96.96 | 101.50 |
| Dividend adjustment factor | **c** | 1.073 | 1.0693 |

| | | | |
|---|---|---|---|
| Adjusted closing (d = b x c) | d | 104.04 | 108.53 |
| **Total return** | **(d/a)-1** | **5.5%** | **6.9%** |

** Adjusted. See 2017 Annual Report.

## 17. FINANCIAL INFORMATION

This announcement does not constitute the Company's statutory accounts. The financial information is derived from the statutory accounts, which will be delivered to the registrar of companies and will be put forward for approval at the Company's Annual General Meeting. The statutory accounts for the period ended 31 December 2017 have been delivered to the registrar of companies. The auditors have reported on the accounts for the year ended 31 December 2018 and the period ended 31 December 2017, their reports were unqualified and did not include a statement under Section 498(2) or (3) of the Companies Act 2006.

The Annual Report for the year ended 31 December 2018 was approved on 26 March 2019. It will be made available on the Company's website at https://rmdl.co.uk/

The Annual Report will be submitted to the National Storage Mechanism and will shortly be available for inspection at: http://www.morningstar.co.uk/uk/NSM

This announcement contains regulated information under the Disclosure Rules and Transparency Rules of the FCA.

## 18. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 1 May 2019 at 11 a.m. at the offices of Nplus1 Singer, 1 Bartholomew Lane, London, EC2N 2AX

26 March 2019

Secretary and registered office:
PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London
EC4V 3DB

For further information contact:
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