RMFunds™

RM Secured Direct Lending PLC

Annual Report & Accounts

for the year ended 31 December 2020

Responsible investing

Through active stakeholder engagement combined with the integration of environmental, social and corporate governance considerations throughout the investment process.

2020

Contents

rmdl.co.uk

About us

RM Secured Direct Lending Plc ("RMDL" or the "Company") aims to generate attractive and regular dividends through investment in secured debt instruments. Loans in which the Company invests will be predominantly secured against assets such as real estate or plant and machinery and/or income streams such as account receivables.

As at 31 December 2020 the portfolio was invested in 14 sectors and 19 sub-sectors of which 98% was allocated to private debt. Since inception in December 2016 to December 2020 the Company has declared or paid dividends totalling 24.225 pence and has generated a NAV total return of 21.46%.

Company highlights (as at 31 December 2020)

6.5p
Dividend pence per share

11% of NAV
CBILS* loans

£132.8m
Gross assets

c.30%
Portfolio exposure to Social & Environmental Infrastructure sectors

1.1x
Dividend cover

3.15%
NAV Total return

*Coronavirus Business Interruption Loan Scheme

Portfolio at a glance

Operational highlights

- Diversified portfolio of £122.7 million invested across 35 loans with eight new investments totalling £26m during the year
- RM Funds was accredited by the British Business Bank as an accredited lender for the Coronavirus Business Interruption Loan Scheme ("CBILS") with RMDL as a funding partner
- 12% of the portfolio invested into partially government guaranteed CBILS eligible loans
- Approximately 30% of the portfolio invested into Social & Environmental Infrastructure sectors with strong pipeline and expectation that allocations to these areas in 2021 will significantly expand
- The Good Economy engaged to provide investors with third party assurance for ESG & Impact reporting to start in 2021
- Hotel exposure representing 27% of the portfolio exposure has performed well with interest serviced throughout the lockdown

Financial highlights

- 6.5 pence dividend for full year meeting target set at IPO
- Dividend fully covered by earnings 1.1 times
- NAV total return for the year 3.15%

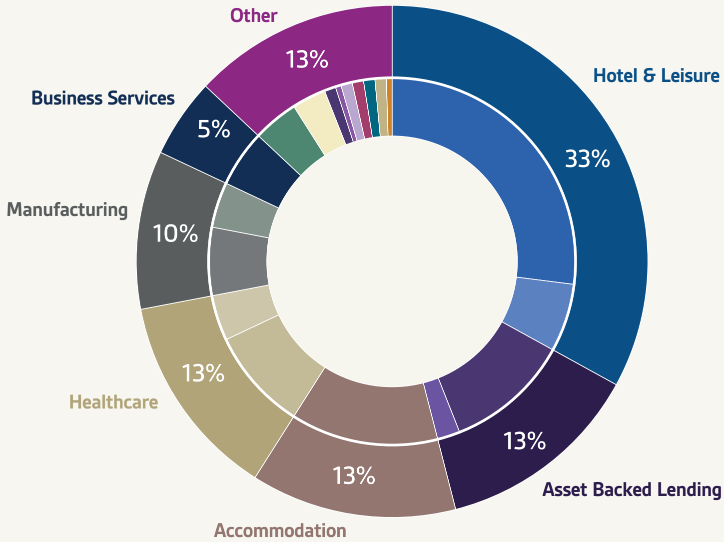
Financial information	**Group Year ended 31 December 2020**	Group Year ended 31 December 2019
Gross asset value (£'000)[1]	**£132,822**	£131,069
Net Asset Value ("NAV") (£'000)	**£110,380**	£119,528
NAV per Ordinary Share (pence)	**93.25p**	97.79p
Ordinary Share price (pence)	**87.00p**	99.50p
Ordinary Share price (discount)/premium to NAV[1]	**(6.7%)**	1.7%
Ongoing charges[1]	**1.91%**	1.77%
Gearing (net)[1]	**18.3%**	2.6%
Accrued entitlement of Zero Dividend Preference ("ZDP") Share (pence)[2]	**109.87**	106.18
Performance summary	**% change[3,5]**	% change[4,5]
Total return – Ordinary Share NAV and dividends[1]	**+3.1%**	+8.2%
Total return – Ordinary Share price and dividends[1]	**-5.3%**	+4.9%

1. These are Alternative Performance Measures ("APMs").
2. Based on the net assets attributable to the ZDP Shares as at 31 December 2019 and 2020.
3. Total returns for the year to 31 December 2020, including dividend reinvestment.
4. Total returns for the year to 31 December 2019, 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. Definitions of these APMs together with how these measures have been calculated can be found on page 81.

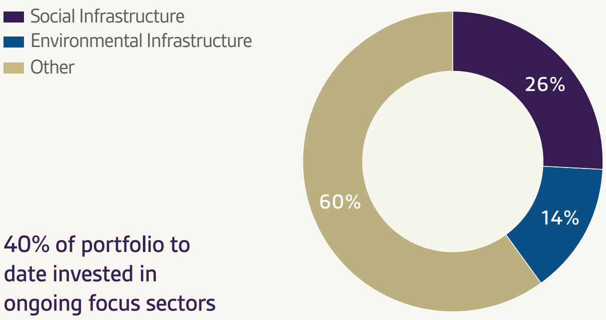
Sector breakdown (as at 31 December 2020)

Hotel & Leisure	Hotel: **27%** Gym franchise: **6%**
Asset Backed Lending	Asset finance: **11%** Invoice finance: **2%**
Accommodation	Student accommodation: **13%**
Healthcare	Diversified healthcare operator: **9%** Care home: **4%**
Manufacturing	Auto-parts manufacturer: **6%** Manufacturing: **4%**
Business Services	HR payroll services: **5%**
Other	Construction: **4%** Food manufacturing: **3%** Restaurant: **1%** Retail: **0.5%** Bridging loans: **1%** Forecourt operator: **1%** Ports business: **1%** Renewable heat incentive: **1%** Energy efficiency: **0.5%**



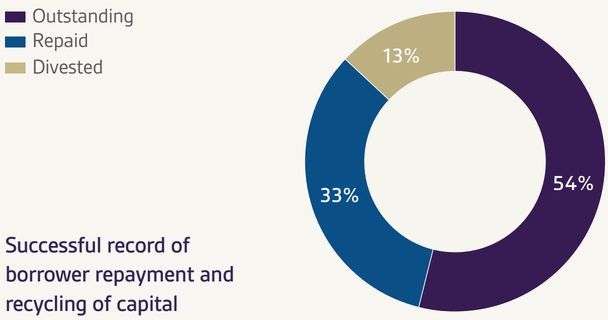
Fund performance since inception

Investment portfolio since inception



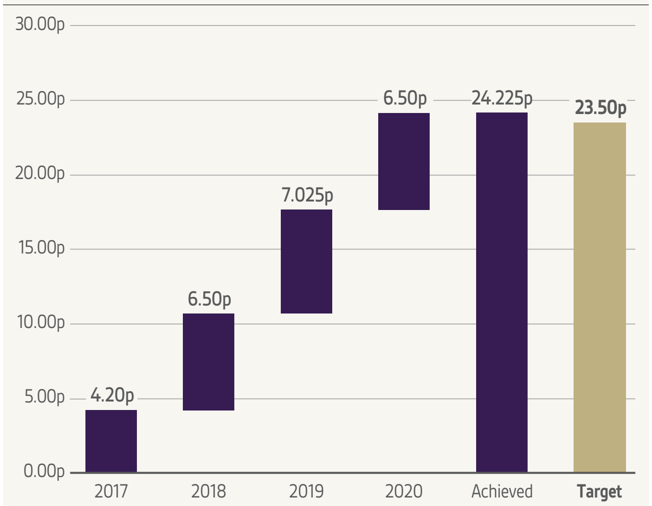
40% of portfolio to date invested in ongoing focus sectors

Investment type

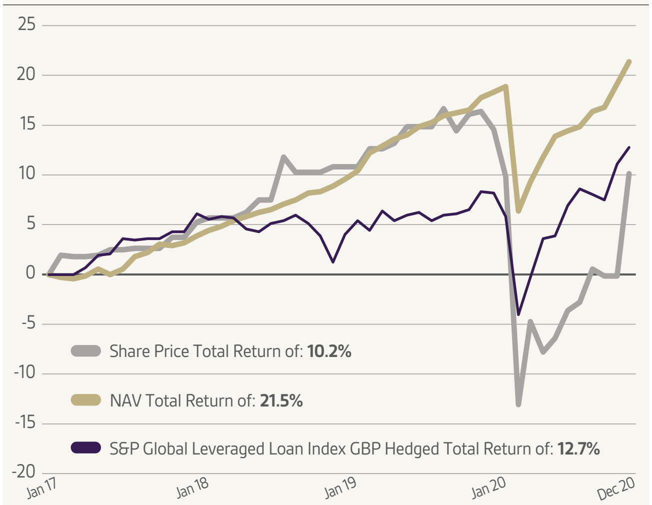


Successful record of borrower repayment and recycling of capital

Distribution record



% Total returns to date



Portfolio at a glance

continued

Portfolio (as at 31 December 2020)

Largest 10 loans by drawn amounts across the entire portfolio

Business activity	Investment type (Private/Public/Bond)	Valuation† £'000	Percentage of gross asset (%)
Asset finance	Private loans	9,990	7.5
Hotel	Private loans	8,079	6.1
Automotive parts manufacturing	Private loans	6,840	5.1
Gym franchise	Private loans	6,247	4.7
Hotel	Private loans	6,166	4.6
Student accommodation	Private loans	5,782	4.4
HR and payroll services	Private loans	5,740	4.3
Healthcare	Private loans	5,294	4.0
Student accommodation	Private loans	5,029	3.8
Hotel	Private loans	5,000	3.8
Ten largest holdings		**64,167**	**48.3**
Other private loan investments		55,843	42.0
Bond investments		2,695	2.1
Total holdings		**122,705**	**92.4**
Other net current assets		10,117	7.6
Gross assets*		**132,822**	**100.0**

* *The Group's gross assets comprise the net asset values of the Group's Ordinary Shares, accrued capital entitlement of the ZDP Shares and the Bank loan, calculation can be found on page 81.*
† *Valuation conducted by external Valuation Agent.*

35
Number of loans

£122.7m
Total invested

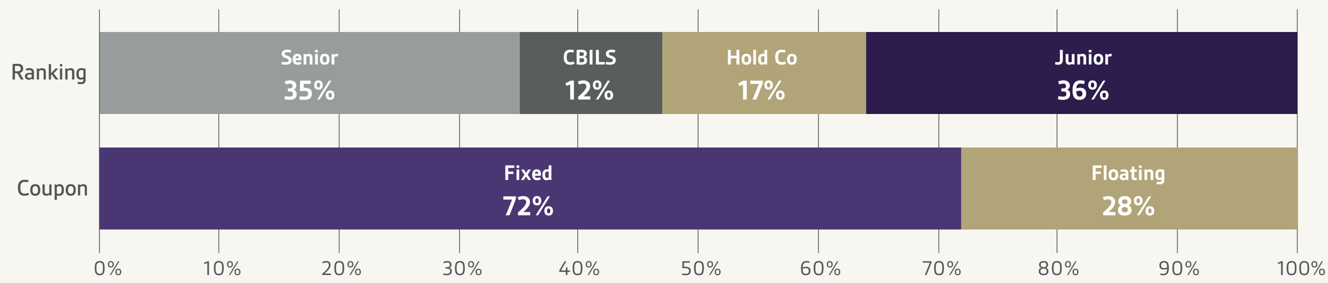
72
New care beds funded

7,500
Accommodation: student beds as at February 2021

c.90Gyms
Health & Leisure: c.100,000 members

2,500
Asset finance: Real assets funded

Portfolio statistics (as at 31 December 2020)

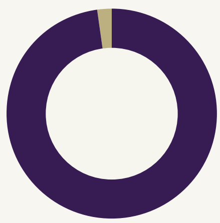


Portfolio analysis (as at 31 December 2020)

Portfolio focused on relatively short dated high yielding fixed rate loans with 95% of the portfolio loan tenor sub 5 years. In addition, the majority of the portfolio borrowers are sponsor backed with borrower revenues <£75m.

Instrument type

- Private: **98%**
- Bonds: **2%**

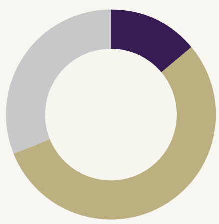


Coupon type

- Fixed: **72%**
- Floating: **28%**

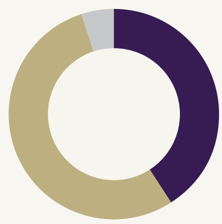
Annualised yield

- < 7.5% yield: **14%**
- 7.5-9.5% yield: **55%**
- > 9.5% yield: **31%**



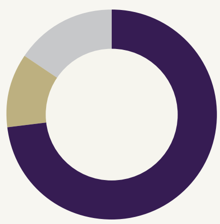
Weighted average life

- 0-3 years: **41%**
- 3-5 years: **54%**
- > 5 years: **5%**



Size of borrower, split by revenues

- < £75m: **73.3%**
- £75-150m: **11.4%**
- £150+: **15.3%**



Ownership profile of borrowers

- Private Sponsor-Backed: **68.3%**
- Private Non-Sponsor: **31.7%**

Market

Market environment

The year was dominated by Covid-19 as the benign and calm credit conditions, which had persisted since the eurozone debt crisis, were replaced by large volatility within the equity and credit markets during late February and into March. As the depth of government support measures became understood by the market credit spreads stabilised and by year-end were back to near pre-Covid levels. Sectors that lagged the market were those affected specifically by the pandemic such as Travel and Leisure and Hospitality. As we look into 2021, there is optimism that those sectors which underperformed during 2020 will perform with the scheduled easing of restrictions and as the vaccine roll-out continues.

Markit iTraxx Europe Crossover index

The Markit iTraxx Europe Crossover index comprises 75 equally weighted credit default swaps on the most liquid sub-investment grade European corporate entities. This is the most liquid reference point for high yield credit in Europe.

Spreads opened the year at 204bp and rose dramatically during March to peak at 707bp on the 18th March before retracing throughout the rest of the year to close at 247bp in December.

Market opportunities

The Investment Manger ("RM" or "RM Funds") is seeing an excellent pipeline of opportunities within the two focus investment areas and six sectors. The business targeted typically have complex lending needs, are often overlooked by their banking relationships with funding requirements that are too small for the larger direct lending businesses yet offer excellent security and return profiles.RM funds have demonstrated the ability to originate and transact in such deals over last four years and have a developed pipeline for sourcing such transactions.

In addition, there is an attractive opportunity for credit enhancements. RM Funds is an accredited lender under the Coronavirus Business Interruption Loan Scheme ("CBILS") and RMDL is the funding partner, thus giving RMDL access to high quality loans with a material credit enhancement. CBILS provides financial support to smaller businesses ("SMEs") across the UK that are losing revenue, and seeing their cash flow disrupted, as a result of the Covid-19 outbreak. The scheme is a part of a wider package of government support for UK businesses and employees and is administered by the British Business Bank. CBILS gives the lender a partially government-backed guarantee for the loan repayments in order to encourage more lending. At year-end 12% of the portfolio had been invested into CBILS eligible loans.

Looking forward to Recovery Loan Scheme will become the new government support scheme and as with CBILS each loan comes with a partial government guarantee of a minimum of 80% of the loan balance. This scheme looks set to broaden the pipeline of opportunities as the scheme eligibility is wider and the maximum loan size will increase to £10m.

Working with
British Business Bank

Case study: Student accommodation

CROSSLANE PROPERTY GROUP

Overview

RMDL provided Crosslane Property Group ("CPG") with a corporate funding facility of £4m in February 2021. CPG is a developer and manager of Purpose-Built Student Accommodation ("PBSA"). With a track record of >10-years CPG has delivered >30 PBSA assets across seven countries and can be considered a leader in the European sector.

Full service business

As a developer and manager of assets CPG provides a fully integrated proposition to investors seeking access to this social infrastructure asset class. From sourcing and development, to management of the assets on behalf of Global Asset Managers and Real Estate Investment Trusts, this is truly an end-to-end service proposition.

"The key to the RMDL proposition was the understanding of our requirements and the timely transactional process. We are delighted to have a long-term funding partner in place who shares our vision for the growth of this asset class."

22 cities

Development – *31 assets*

>7,000 beds

Management – *23 assets*

659 beds

Under construction – *2 assets*

Company objectives

Financial

Objectives	KPI's
> **Stable income for investors:** targeting 6.5 pence per share dividend annually for investors	> 6.5 pence dividend declared or paid for full year 2020 *Total dividends paid from inception to date 24.225p versus 23.50p target*
> **Diversification:** the Company shall seek to meet its investment objective by investing into a diversified portfolio of Loans	> 35 loans across 14 sectors

Environmental, social and governance

Objectives	KPI's
> **Integrate ESG considerations into the investment processes**	> RM Funds have a Responsible Investment Policy and are signatories to the Principles for Responsible Investing ("PRI")
> **Impact Goal:** to meet the funding needs of quality businesses who make a meaningful, positive contribution towards social and environmental outcomes that are linked to specific Sustainable Development Goals ("SDGs")	> Have engaged with the Good Economy to annually report on the Impact Outcomes of the capital invested

Sector objectives

Linking ESG & Impact to Investment Sectors

Our focus

RMDL now seeks to focus on two investable impact areas with six sectors for new capital allocations in order to make positive contribution to achieving specific SDG outcomes in the UK: to date RMDL has allocated 40% of its capital to these sectors; Social infrastructure and Environmental infrastructure.

Investible impact areas

These areas are attractive from a lending perspective as they have combinations of demographic and regulatory support for their demand and in addition typically have tangible asset backing. There is no specialist debt vehicle set up to lend into these sectors and the lack of funding offers a deep opportunity.

Key sectors

Social infrastructure

Healthcare

Childcare & Education

Accommodation

Impact outcomes:

- *Improving* supply of quality, affordable housing and accommodation
- *Improving* quality and availability of childcare and education services
- *Improving* quality and accessibility of health and social care services

Environmental infrastructure

Clean Energy & Renewables

Waste Management

Energy Efficiency & Carbon Reduction

Impact outcomes:

- *Improving* availability of sustainable energy solutions
- *Improving* recycling, waste and sustainable water use solutions
- *Improving* sustainability of buildings and transport

Chair's statement

This year, the fourth year since the Company launched on the London Stock Exchange in December 2016, has been the most challenging yet, but I am delighted at the resilience the portfolio has shown.

21.46%

Inception to December 2020 / NAV Total return

24.225p

Total dividend declared or paid / inception to December 2020

93.25p

NAV December 2020

Introduction

On behalf of the Board, I am pleased to present RM Secured Direct Lending plc's ("RMDL" or the "Company") Annual Report and Accounts for the year ended 31 December 2020.

This year, the fourth year since the Company launched on the London Stock Exchange in December 2016, has been the most challenging yet, but I am delighted at the resilience the portfolio has shown. It is testament to RMDL's secured lending model, and the Investment Manager's ("RM" or "RM Funds") strong credit processes and actions taken during the year, and we are pleased to confirm total dividends of 6.5 pence per Ordinary Share for the year ended 31 December 2020, with the final quarterly dividend being paid in March 2021. The dividends for 2020 are in line with the target stated at the launch of the Company, an exceptional achievement in a difficult year.

RMDL has traditionally sought to invest in high quality businesses with loans supported by tangible security packages to generate attractive risk-adjusted returns for investors. We have always adhered to the highest standards of corporate governance and expect the same from the companies we lend to. During the last four years, social and environmental infrastructure projects have been a core focus, and the Company has allocated 40% of its capital to assets in these areas.

The Board and RM Funds now plan to concentrate the investment focus to Social & Environmental Infrastructure over the next three years and only allocate loans across six sectors:

Social Infrastructure	Environmental Infrastructure
> Healthcare	> Clean Energy & Renewables
> Childcare & Education	> Waste Management
> Accommodation	> Energy Efficiency & Carbon Reduction

In addition to enhancing the sustainability of the portfolio, the Board and the Investment Manager believe that this new focus will give investors further exposure to critical infrastructure assets which are not correlated to the broader economic cycle. These assets will have tangible asset backing and this focus we believe will further deliver attractive risk-adjusted returns. Our firm belief is that the Company is well placed to deliver strong income returns and steady NAV growth alongside an impact and sustainability framework. For this next 3-year period we have set an Impact Goal of seeking to meet the funding needs of quality UK businesses who make a meaningful, positive contribution towards social and environmental outcomes that are linked to specific UN Sustainable Development Goals; 3, 4, 7, 11, 12 & 13.

3 GOOD HEALTH AND WELL-BEING — Healthcare	4 QUALITY EDUCATION — Childcare & Education	7 AFFORDABLE AND CLEAN ENERGY — Clean Energy & Renewables
11 SUSTAINABLE CITIES AND COMMUNITIES — Accommodation	12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Waste Management	13 CLIMATE ACTION — Energy Efficiency & Carbon Reduction

The investment strategy and the investment policy remain unchanged with a narrower investment sector focus.

Income generation and NAV performance

In the four years since listing, the Company has returned to Shareholders 24.225 pence per Ordinary Share in dividends which have been entirely covered by earnings. We have been pleased to continue our track record of meeting our target income distribution and the payment of a fully covered dividend for the year ended 31 December 2020, despite the disruption caused by the pandemic. The Company has paid or declared regular dividends totalling 6.5 pence per Ordinary Share during the year.

The ability of the Company to pay dividends in excess of target during a period when our peer group has struggled is testament to the ability of the Investment Manager to structure Loans for the benefit of Shareholders, whilst maintaining strict credit controls.

This was especially important for our investors, many of whom have seen a swathe of dividend cuts across their portfolios during the course of 2020.

On the 25 February 2021 the Company declared a fourth interim dividend for the year of 1.625 pence per Ordinary Share to be paid on the 26 March 2021, the 16th consecutive dividend paid which has met or exceeded the target set at launch.

Portfolio overview

The Board and the Investment Manager were quick to anticipate and react to the effects of the pandemic, temporarily ceasing any new lending activity and focusing on capital preservation.

However, certain investments in our portfolio were directly impacted by the lockdowns and restrictions, specifically hotel, gym and student accommodation assets, alongside childcare nurseries and healthcare businesses.

The portfolio investments are valued under IFRS 13, which adopts a "mark to market" approach, and therefore RMDL saw the NAV of the Company fall at the peak of the market sell-off in March 2020, followed by a general gradual retracement in the NAV for the final three quarters as sentiment improved and government support measures worked their way through the economy.

Importantly, the asset values were adjusted lower to reflect the increased risk and they have not affected the Company's ability to pay a dividend nor necessarily the likelihood of any loss. RM Funds believe that these value reductions are largely temporary in nature; thus, as we have seen over the last number of months, the trajectory of the NAV has been promising and the Investment Manager will report on the key areas that they believe will continue to drive performance in 2021.

During the year the Company was accredited as a funding partner for Coronavirus Business Interruption Loan Scheme ("CBILS") which is administered by the British Business Bank, owned by the UK Government. This recognises the role RMDL can play in helping high quality UK based business access funding opportunities and also offers Shareholders access to Loans underwritten by 80% minimum from the UK Government. At year end 12% of the portfolio was to be underwritten by the scheme.

The Investment Manager has an attractive pipeline of loans to businesses into Social & Environmental Infrastructure which will see a relatively rapid recycling of capital into these focus sectors. There is a real opportunity to see the portfolio and the Company grow over the near to medium term as we try to match capital seeking sustainable investments delivering high impact with the borrowers seeking capital. I am delighted that we have been able to partner with the Good Economy to provide an independent reporting and assurance of the impact measurement system which the Company will be adopting.

> "The Investment Manager has an attractive pipeline of loans to businesses into Social & Environmental Infrastructure which will see a relatively rapid recycling of capital into these focus sectors."

Carefully managed credit risk and valuations

As outlined in previous years credit risk is the most important risk factor within the portfolio. This is managed carefully by the Investment Manager, the Alternative Investment Fund Manager ("AIFM") and overseen by the Board. Exposure is mitigated by having clear borrower/issuer risk limits and industry risk limits which are detailed in the Company's prospectus. These limits reflect a maximum borrower/issuer limit of 10% of the portfolio and are across a range of sectors to ensure sufficient sector diversity.

Committed to responsible investing

The Board and the Investment Manager have long been committed to high ESG standards and to responsible investing. The refreshed investment focus towards social and environmental infrastructure sectors enhances this commitment through investment in assets at the forefront of providing essential services to society. RM Funds' Responsible Investing Investment Policy ensures that these considerations are integrated into each individual investment process and the alignment of the portfolio to achieving contributions towards outcomes linked to UN Sustainable Development Goals; 3, 4,7,11,12 & 13.

Chair's statement

continued

As we look to the future the Good Economy will assist with the ESG reporting metrics for the portfolio as we strive to improve our borrower performances across core ESG Practices.

Returns to Shareholders

As at 31 December 2020, the Company had generated a NAV total return for the year of +3.1% (dividends re-invested at NAV) and since inception the NAV total return for investors has been +21.5%. The share price total return was -5.3% for the year and +10.2% since inception.

Historically RMDL had always traded at a premium to NAV, however as the pandemic took hold the share price fell to a discount to NAV. The Board and RM Funds have taken a number of steps to reduce this discount, which has been one of the drivers of the share price total return for the year. During 2020, RMDL acquired 3.86 million shares as part of share buy backs and it has been encouraging that this discount has reduced over the year since the levels seen in March 2020. The lowest price paid was 72.5 pence per Ordinary Share on 7 April 2020 and the highest price 85.0 pence per Ordinary Share on 30 December 2020. Both the Investment Manager and the Board are focused on restoring the share price to NAV rating to a premium again.

ESG Leadership for the Company, as well as for the Portfolio

I have outlined above some of the changes the Investment Manager and the Board intend to make to the loan portfolio. The reasons for these changes and the greater emphasis on ESG issues are addressed in more detail in the Investment Manager's Report. However, there is no doubt that factors represented by these three letters will be playing an increasingly crucial role in all decision making, whether operational or investment, for corporates and individuals alike. In terms of corporate governance, the G in ESG, your Company has adopted the very highest standards from the start, with measures in place to prevent value destruction caused by wide discounts to NAV, and directly aligning the interests of the Investment Manager with Shareholders, among other approaches.

Going forward, the Board will be turning its attention to the E and S factors, ensuring that your Company remains at the vanguard of putting these criteria at the core of what we do. RMDL, like every other investment trust with no premises and no employees, can have a limited direct effect on E and S issues. However, your Board believes that you as Shareholders, our most important stakeholders, expect more from us as Directors. We therefore intend to take an increasingly proactive approach and encourage our stakeholders to focus on their own mitigation strategies. We will start by asking all of RMDL's counterparties – the investment manager, broker, administrator, legal team, accountants and auditors, as well as major Shareholders and others, two questions:

(1) What ESG policies are implemented within your own organisation? and

(2) What ESG policies do you expect your stakeholders to follow?

The responses are likely to range from the very straightforward, "We recycle paper in the office" or "We buy electricity from renewable sources", to the more nuanced; "We use carbon offsets to mitigate business air travel made on behalf of our clients", which might lead us to ask, "How do you calculate the most efficient offset program?" We might ask our Shareholders what additional cost they would be willing to incur to ensure RMDL's stakeholders adopt improved ESG measures, if indeed there are additional costs? The information collected will form the basis of a full understanding of these priorities within the investment trust community. Although participation will be entirely voluntary, we anticipate a high level of engagement. Your Board will review the results, share them with the respondents and with refinements over time, develop them into a comprehensive Investment Trust ESG Policy. We are very excited to be launching this initiative and hope to have the first set of responses to share with you in the next Interim Report in six months' time.

Realisation opportunity

At the launch of the Company there was a commitment made to offer Shareholders a Liquidity Opportunity prior to the 4th AGM which will be held this year. The original intention was, if the investment objective was not achievable, that Shareholders be given the opportunity to realise their investment at close to the prevailing NAV. I am very pleased that despite a difficult year, the income objectives of the Company have been exceeded. Nonetheless, we will be canvassing Shareholders in the coming weeks to talk through their liquidity needs and structure a set of proposals that is suitable and cost effective. I sincerely hope that demand will be limited given the performance of the Company over the last few years.

Outlook

The outlook is very promising, mainly due to the Covid-19 vaccine which is being rolled out at pace. Any easing of lock-down restrictions allowing portfolio companies to start trading to their full capacity is clearly good news and one which should then have positive follow-on effects with the Company NAV and the share price.

The Board and RM Funds are excited about the future and the refreshed investment focus. These sectors offer investors appealing risk adjusted returns that all have attractive credit metrics and significantly higher yields than would be available in the public markets and are especially appealing as the credit cycle becomes stretched by Government support actions which one day will end.

The Investment Manager has noted they are seeing large increases in the volume of high-quality pipeline transactions in its target sectors, ensuring the Company is in the fortunate position of being fully deployed and needing more capital to grow.

The Board is focused on continuing to grow the portfolio of investments, and with this new concentrated focus and the deep pipeline of opportunities which the Investment Manager is pursuing, this is eminently achievable. This is a key objective for the next three years as well as continuing to distribute an attractive income and maintain and grow the NAV.

Norman Crighton
Chair

26 March 2021

Investment Manager's report

Strong and sustainable NAV & income performance

Over the course of the year, the portfolio generated a NAV total return of +3.1%, with total dividend distributions attributable to Shareholders for the year totalling 6.5 pence per Ordinary Share. Following the year end an interim dividend relating to the final quarter of the year of 1.625p per Ordinary Share was declared on 25 February 2021 and paid to Shareholders on the 26 March 2021. These dividends totalling 6.5 pence per Ordinary Share for full year 2020 bring the total distributions since the Company's launch in December 2016 to 24.225 pence per share, exceeding the 23.5 pence targeted over the first four years by the Investment Manager.

Resilient portfolio performance

The year ended 31 December 2020 was extremely challenging for the portfolio with the Covid-19 pandemic causing disruption both to the demand and supply side of the economy.

The Investment Manager, in conjunction with the Board, made the immediate decision to cease new lending in early March 2020 with all focus from the Investment Manager on ensuring the portfolio performed through the second and third quarters whilst awaiting news on the vaccine development. It is a testament to the credit processes, the lending model and portfolio companies themselves that the main RMDL loans were serviced through this period.

Investments within Asset Finance, Healthcare and Food Sectors have delivered robust returns throughout the year however the largest portfolio exposure is to Accommodation with Hotels (27.6%) and Student Accommodation (12.3%) investments, which were adversely affected by the national restrictions during the year. Despite the significant challenges, these Loans have generally performed well.

Total income generation for the year was £10.9 million and this was split between cash pay and PIK 82.5%. At the year end, the loan portfolio had £122.7 million (2019: £131.2 million) of investments across 35 Loans (2019: 34) well diversified by borrower and sector with investments predominantly completed within the UK.

There were eight new investments and a number of repayments and divestments that totalled £34.6 million during the year, demonstrating the successful execution of the business strategy, as the Company has resumed making loans, receiving interest and has been successfully repaid by borrowers. Overall, the gross portfolio yield increased to 9.37% as of 31 December 2020 (2019: 8.84%).

The portfolio is focused on private debt which as at 31 December 2020 represented 98% of the portfolio and we favour this asset class as the Investment Manager can document investor protections in the form of loan covenants and receive an illiquidity premium offering an enhanced yield to investors than those available in the public markets.

The portfolio is focused on defensive sectors with tangible asset backing giving high levels of protection should there be an economic downturn. Loan to value ("LTV") is limited with a blended leverage averaging 68.3% across the portfolio. 46.8% of the portfolio is either senior secured or CBILS guaranteed to give enhanced downside protection. Construction risk has increased to (two) loans totalling £8.3 million which is within the 20% of Gross Assets construction limit.

There are four investments within the portfolio that have enhanced monitoring and have opportunity for delivering NAV growth during 2021:

1. Energie Fitness

An investment in the senior loan (and equity participation) to this gym franchise business. RMDL participated in a management buyout during 2020 and owns a net 28% of the business. This loan has been marked at 85% of nominal value and reflects at this valuation 5.85% of the Companies assets. The company is well positioned to trade strongly when the lockdowns ease. The value of the equity is marked at zero.

2. Hotel development Glasgow

The Company has funded a hotel development in Glasgow which is now nearing completion – this borrower has a 5* operator Hotel Management Agreement ("HMA") in place and the scheme is scheduled to be finished later in 2021. These two loans represent 6.7% of net Company assets at their current valuation with one loan of £3.35 million marked at 73% of nominal value which is expected to move towards 100% of face value as the development is finished over the course of 2021.

3. Purpose built student accommodation ("PBSA") Coventry

An investment into a senior secured PBSA asset representing 4.53% of net Company assets valued at 81.5% of nominal value. Initially a project finance construction loan to a building completed in March 2020 at the height of the Covid-19 first wave. Post March 2020 the borrower did not provide a suitable recovery plan given the building had not been occupied and RM Funds appointed an administrator. It is expected that RMDL will own this asset after the administration process. An operator for the building has been identified with students expected to occupy the building during 2021 which will enhance the value of the asset and start generating income for the portfolio thus creating two drivers of value over the course of this year.

4. Automotive parts

This well-managed business with a high-quality sponsor responded swiftly to the initial factory close downs and the subsequent start-ups. The loan represents 6.16% of net Company assets and at the Company's year-end was valued at 85% of par value. The loan was documented at the outset to allow flexibility between the borrower paying their interest in cash or payment in kind ("PIK")for situations such as these where demand might be slower than forecast.
The valuation on this loan have been lowered to reflect the increase in risk from the current operating environment, however the strong fundamentals and as the economy starts to move out of the Q1 2021 lockdowns and the business starts to function more normally this valuation will likely be revised higher.

Investment Manager's report

continued

Coronavirus Business Interruption Loan Scheme ("CBILS")

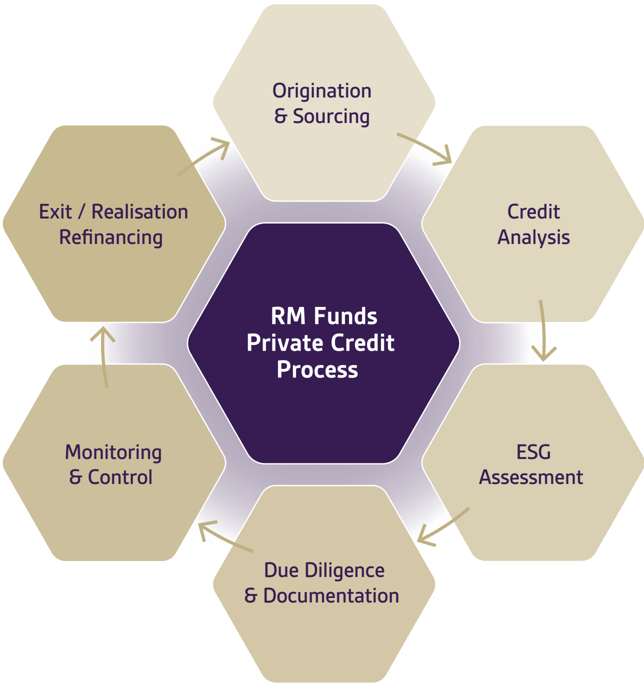
This scheme was introduced by the British Government, is administered by the British Business Bank and was designed to provide support to corporates affected by the pandemic. The support is via partial loan guarantees made to accredited lenders which assists affected corporates with obtaining debt finance. The key features are that the UK Government provides a minimum 80% guarantee to eligible loans of sizes up to £5 million and in addition, the UK Government pays the first year's interest in the form of Business Interruption Payment ("BIP"). RM Funds was accredited as a funder under the scheme and RMDL was designated as a funding partner. As at the year-end 12.0% of the portfolio was invested into CBILS eligible loans. This is material credit enhancement for the portfolio.

Market environment

Credit spreads dramatically increased in March 2020 meaning valuations on High Yield bonds and Leverage Loans were significantly lower at the end of the month. The external valuation agent uses these securities as pricing benchmarks for the monthly valuations of the level 2 assets (liquid) held by the Company and more widely when assessing the current value of the level 3 assets (illiquid). March 2020 saw a NAV total return of -10.5% due to this broader increase in credit spreads. This negative move was subsequently followed by month on month increases as the wider credit markets normalised leading to a +3.1% NAV total return for the full year. Whilst this NAV was more volatile than RMDL would typically expect it is important to note that it did not affect the ability of the Company to pay the planned dividends.

Responsible investing

RM Funds is a signatory to the Principles for Responsible Investment ("PRI"). The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance factors in investment decisions. RM Funds incorporates ESG criteria early on as part of the investment process and in addition there is active engagement wherever possible with portfolio companies to help them improve their ESG processes. In practice this is delivered by the RM Funds Responsible Investing Investment Policy which is integral to RM's business philosophy as we believe we can make a difference. This policy framework applies to all investment made by RM Funds and is governed by our principles and our commitments:



Our principles

Respect for the internationally proclaimed human rights principles, equal opportunity independent of gender, race or religion; freedom of association and the right to bargain collectively; working conditions that surpass basic health and safety standards; the conduct of good governance practices, in particular in relation to bribery and conflicts of interest; environmental responsibility and responsibility for active climate change engagement.

Our commitments

Integrate the above principles into our decision-making process, by carefully considering ESG issues associated with any potential investment during the due diligence phase; encourage portfolio companies to follow the above principles by implementing governance structures that provide appropriate level of oversight and by seeking disclosure on ESG issues; provide ESG training and support to RM employees involved in the investment process, so that they may perform their work in accordance with the above principles and with this policy; seek to be transparent in its efforts to integrate ESG considerations in investments and annually report on its progress towards implementing the above principles, comply with national and other applicable laws; help promote the implementation of the above principles; consider our alignment with other related conventions and standards set by Invest Europe, the UN Global Compact Initiative and the UN Principles for Responsible Investment; continuously strive to improve ESG performance within RM Funds and our portfolio companies.

Investment Manager aligned to investor interests

In line with the commitment to investors made at the IPO, RM Funds has continued to purchase shares of the Company during the year. The Investment Manager now owns 1,249,825 Ordinary Shares which is an increase of 50,000 shares over the year; the management team and related parties' own additional shares. Since IPO the Investment Manager has purchased 749,825 shares directly in the secondary market. This is an ongoing commitment and by purchasing RMDL shares, the Investment Manager has shown a significant alignment of its interests with Shareholders.

Share price performance

The share price performance of the Company over the year has been disappointing which was principally driven by the share price discount to NAV widening during the March Covid-19 related sell-off. This discount remained above the target level of 6.0% for much of the year. The Board and the Investment Manager are focused on reducing the discount to below the target level and took steps to make selective share purchases in order to provide liquidity into the market and assist Shareholders who were seeking to sell. At the year end the share price to NAV discount was at 6.7% and post year-end it reduced below the target 6.0% level.

Robust outlook for 2021

In the annual report for the year ended 31 December 2019, RM noted that opportunities supported by major structural or socio-demographic drivers will be the most significant areas of opportunity for RMDL.

We still believe this to be the case and over the short and medium term we will further focus our efforts on capital deployment to the key areas of Social & Environmental Infrastructure. Historically approximately 40% of RMDL's capital has been allocated to these two areas. In addition, these areas align to sustainable development goals where capital from RMDL can make an impact. RM Funds has been working with The Good Economy, a leading social advisory firm, who have helped design an impact measurement and management framework.

The Investment Objective and the Investment Policy will remain the same however going forward all new capital will be allocated to the following six sectors, see below.

The Good Economy will be retained to provide an annual external ESG & Impact report for investors.

RM Capital Markets Limited
26 March 2021

Social Infrastructure

Healthcare

Childcare & Education

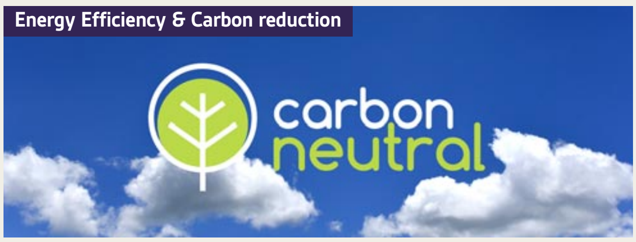
Accommodation

Environmental Infrastructure

Clean Energy & Renewables

Waste Management

Energy Efficiency & Carbon reduction



Case study: Healthcare

athena Healthcare Group

Overview

Providing modern purpose-built care lodges across the UK. All lodges are built to the most modern standards and are specially designed to promote independence. RMDL provided up to £7.8m of construction funding to part fund the build of a new 72 bed care lodge in Merseyside.

"There is an undersupply of modern purpose-built aged care accommodation which Athena Healthcare is seeking to address. Working with RMDL as a funding partner for this project allows us to deliver an additional 72 modern bedrooms and living accommodation for the people of Merseyside and their families."

72 care beds

New purpose built care lodge in Merseyside

£7.8m

Provided construction funding

Investment policy, results and other information

Investment objective

The Company aims to generate attractive and regular dividends through investment in secured debt instruments of UK SMEs and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share (such debt instruments, as further described below, being "Loans") sourced or originated by the Investment Manager with a degree of inflation protection through index-linked returns where appropriate.

Investment policy

The Company will seek to meet its investment objective by making investments in a diversified portfolio of Loans to UK SMEs and mid-market corporates, special purpose vehicles and/or to individuals. These Loans will generally be, but not limited to, senior, subordinated, unitranche and mezzanine debt instruments, documented as loans, notes, leases, bonds or convertible bonds. Such Loans shall typically have a life of 2-10 years. In certain limited cases, Loans in which the Company invests may have equity instruments attached, ordinarily any such equity interests would come in the form of warrants or options attached to a Loan. Typically the Loans will have coupons which may be fixed, index-linked or LIBOR linked.

For the purposes of this investment policy, UK SMEs include entities incorporated outside of the UK provided their assets and/ or principal operations are within the UK. The Company is permitted to make investments outside of the UK to mid-market corporates.

Loans will be directly originated or sourced by the Investment Manager who will not invest in Loans sourced via or participations through, peer-to-peer lending platforms.

Loans in which the Company invests will be predominantly secured against assets such as real estate or plant and machinery and/or income streams such as account receivables.

The Company will make Loans to borrowers in a range of Market Sectors within certain exposure limits which will vary from time to time, according to market conditions and as determined by the Board, subject to the Investment Restrictions set out below.

The Company will at all times invest and manage its assets in a manner which is consistent to the spreading of investment risk.

Investment restrictions

The following investment limits and restrictions will apply to the Company's Loans and business which, where appropriate, shall be measured at the time of investment or once the Company is fully invested:

> the amount of no single Loan shall exceed 10% of Gross Assets;

> exposure to a single borrower shall not exceed 10% of Gross Assets;

> loans will be made across not less than four Market Sectors;

> not less than 70% of Gross Assets will be represented by Loans denominated in sterling or hedged back to sterling;

> loans made to borrowers in any one Market Sector shall not exceed 40% of Gross Assets;

> loans with exposure to project development/construction assets shall not exceed 20% of Gross Assets;

> the Company will not provide Loans to borrowers whose principal business is defence, weapons, munitions or gambling;

> the Company will not provide Loans to borrowers which generate their annual turnover predominantly from tobacco, alcohol or pornography; and

> the Company will not invest in other listed closed-ended funds.

In the event of a breach of the investment guidelines and restrictions set out above, the Investment Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the Investment Manager will look to resolve the breach with the agreement of the Board.

The Company intends to conduct its affairs so as to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, and its investment activities will therefore be subject to the restrictions set out above.

Borrowing and gearing

The Company intends to utilise borrowings for investment purposes as well as for share buybacks and short-term liquidity purposes. Gearing represented by borrowings, including any obligations owed by the Company in respect of an issue of zero dividend preference shares (whether issued by the Company or any other member of its group) or any third-party borrowings, will not, in aggregate exceed 20% of Net Asset Value calculated at the time of drawdown.

Hedging and derivatives

The Company may invest in derivatives for efficient portfolio management purposes. In particular the Company can engage in interest rate hedging. Loans will primarily be denominated in sterling, however the Company may make limited Loans denominated in currencies other than sterling and the Board, at the recommendation of the Investment Manager, may look to hedge any other currency back to sterling should they see fit.

In accordance with the requirements of the UK Listing Authority, any material change to the Company's investment policy will require the approval of Shareholders by way of an ordinary resolution at a general meeting.

RM ZDP plc

RM ZDP plc ("RM ZDP"), a public limited company incorporated under the laws of England and Wales was incorporated on 21 February 2018. RM ZDP is a wholly owned subsidiary of the Company. RM ZDP was established solely for the purpose of issuing zero dividend preference shares of GBP 0.01 each ("ZDP Shares").

Investment policy, results and other information *continued*

On 3 April 2018, RM ZDP was admitted to the standard segment of the Official List of the UK Listing Authority and its ZDP Shares were admitted to trading on the London Stock Exchange's main market for listed securities. The proceeds from the issuance of the ZDP Shares have been loaned to the Company by way of an intercompany loan agreement (the "Loan Agreement"). The Company also granted RM ZDP an undertaking to ensure that RM ZDP has sufficient assets to satisfy its obligations to the ZDP Shareholders and pay any operational costs incurred by RM ZDP.

RM ZDP raised gross proceeds of £10,869,950 through the issue of ZDP Shares.

The Board intend that RM ZDP plc be put into voluntarily liquidation through a General Meeting on 6 April 2021, for the purpose of proposing a resolution to wind up the ZDP Subsidiary voluntarily, with the assets of the RM ZDP then available for distribution.

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 in excess of 6.5% for the financial year to 31 December 2020.

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.

Results and dividend

The consolidated financial statements include the results of the Company and its subsidiary RM ZDP plc (the "Group"). The Group revenue return after tax for the year ended 31 December 2020 amounted to £7,108,000 (2019: £9,816,000). The Group made a capital loss after tax of £5,251,000 (2019: capital loss of £1,288,000). Therefore, the total return after tax for the Group was £1,857,000 (2019: £8,528,000).

The first interim dividend of 1.625p per Ordinary Share was declared on 20 April 2020 in respect of the period from January to March 2020. The second interim dividend of 1.625p per Ordinary Share for the quarter ended 30 June 2020 was declared on 5 August 2020 and the third interim dividend of 1.625p per Ordinary Share for the quarter ended 30 September 2020 was declared on 2 November 2020. On 25 February 2021, the Board declared a fourth interim dividend of 1.625 pence per Ordinary Share for the quarter to 31 December 2020.

Key performance indicators ("KPIs")

The Board measures the Group's success in attaining its investment objective by reference to the following KPIs:

(i) Dividends

The Group has paid or proposed four interim dividends totalling, in aggregate, 6.5 pence per Ordinary Share, equivalent to 6.5% based on the Ordinary Share issue price of £1 per share at Admission. The targeted annualised dividend yield of 6.5% has therefore been met during the year.

(ii) Total return

The Group's total return is monitored by the Board. The Ordinary Shares generated a NAV total return of +3.1% (2019: +8.2%) in the year ended 31 December 2020.

(iii) Discount/premium to NAV

The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The Ordinary Share price closed at a 6.7% discount (2019: premium of 1.7%) to the NAV as at 31 December 2020. To address the abnormally wide discount due to the impact of Covid-19 in 2020, 3.86 million shares were bought back during the year at prices ranging from 72.5 pence and 85 pence per shares. This added 0.422 pence per Ordinary Share to the NAV.

(iv) Control of the level of ongoing charges

The Board monitors the Group's operating costs. Based on the Group's average net assets for the year ended 31 December 2020, the Group's ongoing charges figure calculated in accordance with the AIC methodology was 1.91% (2019: 1.77%).

Risks and risk management

The Board is responsible for the management of risks faced by the Company and delegates this role to the Audit and Management Engagement Committee (the "Committee"). The Committee periodically carries out a robust assessment of principal and emerging risks and uncertainties and monitors the risks on an ongoing basis. The experience and knowledge of the Board is invaluable to these discussions, as is advice received from the Board's service providers, specifically the AIFM who is responsible for the risk and portfolio management services and outsources the portfolio management to the Investment Manager. The Committee has a dynamic risk assessment programme in place to help identify key risks in the business and oversee the effectiveness of internal controls and processes, providing a visual reflection of the Company's identified principal and emerging risks.

During the year, the Committee were particularly concerned with the risks posed by the Covid-19 pandemic which has had a significant impact in all risk categories. In addition to implementing more regular reviews of investment performance with the Investment Manager, the Committee requested and received assurances from its key service providers that they would be able to maintain high standards of service whilst working remotely. Further information on how the Committee has considered Covid-19 when assessing its effect on the Company's ability to operate as a going concern and the Company's longer-term viability can be found on pages 29 to 30.

The principal and emerging risks, together with a summary of the processes and internal controls used to manage and mitigate risks where possible are outlined in the following paragraphs.

(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.

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, Brokers 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 well-defined investment policy and process which is regularly and rigorously reviewed by the independent Board of Directors and performance is reviewed at quarterly Board meetings. The Investment Manager is experienced and employs its expertise in making investments in a diversified portfolio of loans. 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 21 to the financial statements.

Risks and risk management

continued

(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 and the Registrar, 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.

(vi) Business interruption, repayment of RM ZDP loan and the Shareholders liquidity opportunity – emerging risks

Failure in services provided by key service providers, meaning information is not processed correctly or in a timely manner, resulting in regulatory investigation or financial loss, failure of trade settlement, or potential loss of investment trust status.

The following is a description of the emerging risks that each service provider highlights to the Board on a regular basis to aid in the identification of emerging risks for the Company.

1. **Investment Manager:** the Investment Manager provides a report to the Board at least quarterly on industry trends, insight to future challenges in the sector, including the regulatory, political and economic changes likely to impact the Group. The Chair also has contact with the Investment Manager on a regular basis to discuss any pertinent issues;

2. **Alternative Investment Fund Manager:** the AIFM maintains a register of identified risks including emerging risks likely to impact the Company, which is updated quarterly following discussions with the Investment Manager other service providers. The risks are documented on a risk register, grouped in main categories: Market Risks; Risks associated with Investment Objective; Financial Risks; Corporate Governance Risks; Regulatory Risks and Emerging Risks. Any changes and amendments to the risk register are highlighted to the Board on a quarterly basis;

3. **Brokers:** provide advice periodically, specific to the Company on the Company's sector, competitors and the investment company market whilst working with the Board and Investment Manager to communicate with Shareholders;

4. **Company Secretary and Auditor:** briefs the Board on forthcoming legislation and regulatory change that might impact on the Company. The Auditor also has specific briefings at least annually;

5. **AIC:** the Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and regulatory issues.

The Covid-19 pandemic was identified as a risk early in the year. Its impact has been significant with restrictions to movement of people and disruption to business operations impacting global portfolio company valuations and returns and potentially impacting the operational resilience of the Company's service providers. The impact of Covid-19 on the markets and the Company's financial position are closely monitored by the Investment Manager and the Board. Please refer to the Chair's statements and Investment Manager's report on pages 10 to 15 for their assessment and effects it had on valuations, performance and the Company's plans going forward.

The Board intend that RM ZDP plc be put into voluntarily liquidation through a General Meeting on 6 April 2021, for the purpose of proposing a resolution to wind up the ZDP Subsidiary voluntarily, with the assets of the RM ZDP then available for distribution.

On a winding up of the ZDP Subsidiary voluntarily, the assets of the ZDP Subsidiary are available for distribution to ZDP Shareholders, in accordance with the Companies Act and shall be applied as follows:

- There shall be payment to holders of the ZDP Shares an amount equal to the initial capital entitlement of 100 pence as increased at such rate as accrues daily and compounds annually to give an entitlement to 110.91 pence on the ZDP repayment date of 6 April 2021; and
- There shall be payment to the holders of the Ordinary Shares the balance of the assets of the ZDP Subsidiary available for distribution in accordance with the Companies Act and the Articles of Association. With the entitlements of holders of ZDP Shares being rounded down to the nearest whole penny.

The Company will put forward proposals to Shareholders before the Company's fourth Annual General Meeting to realise the value of their Ordinary Shares at or near the prevailing Net Asset Value per Ordinary Share less costs before the Company's fourth Annual General Meeting on 8 June 2021. Shareholders should note that due to the nature of the assets held by the Company, any realisation is expected to take an extended period of time. The risk is that this liquidity opportunity to the Shareholders will reduce the Company to a size whereby it is not viable to operate.

Management of risks

Each service provider has business continuity policies and procedures in place to ensure that they are able to meet the Company's needs and all breaches of any nature are reported to the Board.

The Board regularly reviews the Company's risk matrix, focussing on risk mitigation and ensuring that the appropriate controls are in place. Regular review ensures that the Group operates in line with the risk management policy, prospectus and investment strategy. Emerging risks are actively discussed throughout the year to ensure that risks are identified and managed so far as practicable. The experience and knowledge of the Board is invaluable to these discussions, as is advice received from the Board's service providers.

Due to the Covid-19 pandemic and the restrictions on gatherings and travel introduced by the UK Government, the Audit and Management Engagement Committee requested assurances from the Company's key service providers that business continuity plans had been enacted where necessary, with service providers enabling remote working arrangements. This provided a satisfactory level of assurance that there had not been, and there was no anticipation of any disruption to service quality.

Details of the Directors' assessment of repayment of the RM ZDP Loan, the liquidity opportunity of Shareholders and the adequacy of the Company's resources are given on page 29.

Stakeholder engagement

Promoting the success of RM Secured Direct Lending plc

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole. This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

The Board is ultimately responsible for all stakeholder engagement, however as an externally managed investment company, the Company does not have any employees, rather it employs external suppliers to fulfil a range of functions, including investment management, secretarial, administration, custodial, broking, valuation and banking services. All these service providers help the Board to fulfil its responsibility to engage with stakeholders and it should be noted are also, in-turn, stakeholders themselves.

The Board has identified the major stakeholders in the Company's business. On an ongoing basis, the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

Key service providers

The Board believes that positive relationships with each of the Company's service providers and between service providers is important in supporting the Company's long-term success.

In order to foster strong working relationships, the Company's key service providers (the Investment Manager, AIFM, Broker, Company Secretary and Administrator) are invited to attend quarterly Board meetings to present their respective reports which enables the Board to exercise effective oversight of the Company's activities.

Separately, the Auditor is invited to attend the Audit and Management Engagement Committee meeting at least twice per year. The Audit and Management Engagement Committee Chair maintains regular contact with the Audit Partner to ensure the audit process is undertaken effectively.

The Board and advisers seek to maintain constructive relationships with the Company's suppliers on behalf of the Company through regular communications, meetings and the provision of relevant information and update meetings.

One of the most significant service provider for the Company's long-term success is the AIFM who have engaged the Investment Manager for the purpose of providing investment advisory services to the Company. The Board regularly monitors the Company's investment performance in relation to its objectives and investment policy and strategy. The Board receives and reviews regular reports and presentations from both the AIFM and Investment Manager and seeks to maintain regular contact to ensure a constructive working relationship.

On an annual basis, the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's Shareholders.

During the year, the Board appointed Peel Hunt LLP as joint corporate broker, alongside Nplus1 Singer Advisory LLP. The Board appreciates and values the Company's brokers and with joint corporate brokers, the Board can successfully market the Company to as broad a range of shareholders as possible, thereby improving the rating the shares currently trade on, increasing secondary market liquidity for existing Shareholders and spreading fixed costs across a greater asset base. This will also allow the Investment Manager to pursue their current pipeline of loans.

During the year under review, the Board sought and received reassurance that all key service providers had appropriate business continuity plans in place. All key service providers have maintained a high standard of service and demonstrated operational resilience whilst working remotely during the lockdowns caused by the Covid-19 pandemic.

Shareholders

The Company offers investors a different asset class, with a substantial yield generated on a sustainable basis from long-term assets with predictable income streams and a strong pipeline. Any lending business needs to correctly assess and manage credit. The Company has all these characteristics.

To help the Board in its aim to act as fairly as possible between the Company's members, it seeks to ensure effective communication is provided to all Shareholders. Meetings with Shareholders help the Board to better understand their needs and concerns and will inform the Board's decision making.

The Board encourages Shareholders to attend and participate in the Company's Annual General Meeting ("AGM") in normal circumstances and the Investment Manager attends, providing a presentation on the Company's performance during the year, challenges and outlook for the future. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM. In normal circumstances the Board and Investment Manager, with the help of the Company's Brokers organise an annual Capital Markets Day on an annual basis. The event includes presentations by the Company's Investment Manager and certain borrowers funded by the Company since its launch.

The Investment Manager invited Shareholders to attend an Investor call on 26 March 2020 to consider the portfolio in greater detail, including investment metrics and the Investment Manager's outlook on addressing any stress caused by the Covid-19 situation.

The Investment Manager announced on 17 March 2021 that an Investor webinar would be held on 30 March 2021 at 10 a.m. to deliver an annual update on the Company's results, along with a Q&A session.

The Board believes that Shareholders can only make informed decisions if they have access to relevant information on a timely basis. To provide transparency a variety of methods of communication are used. The Company's website https://rmdl.co.uk/ is considered an essential communication channel and information hub for Shareholders. As such, it includes full details of the investment objective, along with news, opinions, disclosures, results and key information documents. The Annual and Interim reports and accounts are published on the Company's website and available in a hard copy on request. The date of the AGM is published in advance (online and within the Annual Report) and the full Board is normally available to meet and speak with all Shareholders who attend it. Directors are also available to meet with Shareholders during the year. In addition, factsheets, providing performance information are published monthly and are also available on the Company's website.

Borrowers

The Investment Manager ensures that the Company applies the correct approach to credit, limiting the probability of default and reducing any loss in the event of default. The Company's credit risk is well controlled, significantly reducing the risk that impairments will put the dividend under pressure.

When considering prospective borrowers, the Investment Manager takes into account two credit considerations:

- **how much debt can the borrower afford to take on?** The Investment Manager will assess the maximum level of the debt the borrower can afford by using internal proprietary models. This sizing is determined by the levels of visible net cash-flows the borrower has. The Investment Manager believes that this is the most suitable metric for determining repayment by the borrower rather than simple turnover or sales-based metrics; and
- **how secure are the assets and/or the cash-flows that the Company has security over?** The Investment Manager will assess the assets of the borrower and their likely residual values and/or cash flows and their continued viability.

The Investment Manager has long standing relationships with Investment Banks, Commercial Banks, Challenger Banks, Financial Advisory Firms, Sponsors and Borrowers, providing access to investment opportunities.

Wider community and the Environment

The Investment Manager, as steward of the Company's assets engages with the portfolio companies to ensure high standards of governance. The investment strategy of the Company is predicated upon the commitment of portfolio companies to act in the interests of all stakeholders. In making investment decisions, the Investment Manager takes into account qualitative measures such as the environmental and social impact of a company as well as financial and operational measures.

In summary, the Directors are cognisant of their duties enshrined in Section 172 of the Companies Act 2006 to make decisions taking into account the long term consequences of all the Company's key stakeholders and reflect the Board's belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

Environmental, Social and Governance ("ESG")

In recognition of the need to fulfil the Company's investment objective of generating attractive and regular dividends, the Board works closely with the Investment Manager in developing its investment strategy and underlying policies, in order to fulfil its investment objective, in an effective and responsible way in the interests of Shareholders, potential investors and the wider community.

The Board and the Investment Manager believe that responsible investment is important and have long been committed to high ESG standards, integrating ESG factors into the investment process and ensuring there is active engagement wherever possible with portfolio companies to help them improve their ESG processes. In practice, this is delivered by the RM Funds' Responsible Investing Investment Policy, which aligns the portfolio to achieving contributions towards UN Sustainable Development Goals 3, 4, 7, 11, 12 & 13 (https://www.un.org/sustainabledevelopment/sustainable-development-goals/). Further details outlining the principles and commitments that RM Funds are governed by are outlined in the Investment Manager's report on page 13.

In addition, the Investment Manager is a signatory to the United Nations Principles of Responsible Investment ("UN PRI"), a framework of six principles which RM Funds has incorporated into its business (https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment). The UN PRI is a network of those in the investment community who work together to ensure that ESG considerations are integrated into the investment process. Further details can be found at https://www.unpri.org/PRI. As a signatory to the Principles, the Investment Manager publicly commits to adopt and implement them, where consistent with their fiduciary responsibilities. The Board is supportive of the Investment Manager's approach.

The Company is categorised as a lower energy user under the HMRC Environmental Reporting Guidelines March 2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company's energy and carbon information is not therefore disclosed in this report.

The Group has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Stakeholder engagement

continued

Culture

A company's culture would typically be defined as the beliefs and behaviours that determine how a company's employees and management interact. As an investment trust, the Company has no employees but it recognises the importance of culture and the need to align the culture with the Company's investment policy, values and strategy. The Board's culture promotes strong governance and debate and the Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships in which it operates, mindful of the interests of all stakeholders.

Employees

The Group has no employees. As at 31 December 2020, the Company had three Directors of whom one is female and two are male. The Board's policy on diversity is contained in the Corporate Governance Report (see page 33).

Social, community and human rights issues

The Company, as an investment company, has no direct impact on social, community, environmental or human rights matters.

Modern slavery disclosure

Due to the nature of the Group's business, being a Group with no employee and does not offer goods or services directly to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Group's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk in relation to this matter.

Outlook

The outlook for the Group is discussed in the Chair's Statement on page 12.

Strategic report

The Strategic Report set out on pages 1 to 24 of this Annual Report was approved by the Board of Directors on 26 March 2021.

For and on behalf of the Board

Norman Crighton
Chair

26 March 2021

Governance

Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2020.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 24.

Corporate governance

The Corporate Governance Statement on pages 26 to 40 forms part of this report.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The manner in which the Company conducts its affairs meets the requirements for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. The Company has received approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2020 and intends to continue to do so.

Investment Manager

RM Capital Markets Limited is the Group's Investment Manager. RM Capital Markets Limited is regulated by the Financial Conduct Authority.

The Investment Manager is appointed under a contract subject to 12 months' notice with such notice not to expire prior to the third anniversary of first admission of the Ordinary Shares to trading on the London Stock Exchange.

On 12 May 2020 the Investment Management Agreement (the "IMA"), dated 30 November 2016, between the Company, the Investment Manager the AIFM was amended. Following the amendment to the IMA, the Investment Manager is entitled to a management fee calculated at the rate of:

a) 0.875 per cent. of the prevailing Net Asset Value ("NAV") in the event that the prevailing NAV is up to or equal to £250 million; or

b) 0.800 per cent. of the prevailing NAV in the event that the prevailing NAV is above £250 million but less than £500 million; or

c) 0.750 per cent. of the prevailing NAV in the event that the prevailing NAV is above £500 million.

This compares to a previous management fee calculated at the rate of 0.875 per cent. of the prevailing NAV, or in the event that the prevailing NAV was less than £75 million, the Investment Manager was entitled to a management fee calculated at the rate of 0.50 per cent. per annum of the prevailing NAV.

In addition, the term of the IMA has been extended. Initially the IMA was subject to 12 months' notice, provided such notice could not be given earlier than the third anniversary of the initial admission of RMDL's shares to trading on the London Stock Exchange's main market for listed securities which took place on 15 December 2016.

Following the amendment of the IMA, the appointment of the Investment Manager is subject to 12 months' notice provided such notice cannot be given earlier than 1 April 2023.

The Investment Manager is continuing with share purchase commitment and the IMA now provides that the Investment Manager must apply up to 10 per cent. of the Management Fee received quarterly (subject to a minimum of £10,000 being so applied) by subscribing and/or purchasing shares in RMDL. Although the IPO lock-in period has expired (as at 15 December 2019) any shares that the Investment Manager is issued as part of its management fee are locked-in for a 12 month period from the date of issue and in addition there is a 12 month period (to 15 December 2020) where any disposal of shares needs to be done through the Company's broker so as to create an orderly market in the shares.

In accordance with the Directors' policy on the allocation of expenses, 100% of the management fee payable is charged to revenue.

The Board reviews this policy on a periodic basis and confirms this allocation remains consistent with their expectations of future returns from the portfolio.

Alternative Investment Fund Manager ("AIFM")

International Fund Management Limited act as AIFM of the Company for the purposes of the Alternative Investment Fund Manager's Directive ("AIFMD") subject to the overall supervision of the Board. The AIFM has delegated responsibility for the management of the Group's portfolio to the Investment Manager through an Investment Management Agreement.

Under the terms of the AIFM Agreement and with effect from Admission, the AIFM shall be entitled to receive from the Company a fee to be calculated and accrued monthly in arrears at a rate equivalent to 0.125% of the Company's NAV subject to an annualised minimum of £85,000 applied on a monthly basis. An annual review of the minimum fee will take place on 1 May each year. The AIFM is also entitled to reimbursement of reasonable expenses incurred by it in the performance of its duties.

The AIFM Agreement is terminable by either the AIFM or the Company giving to the other not less than six months' written notice. The AIFM Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the AIFM or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The AIFM Agreement shall terminate immediately if the Investment Management Agreement is terminated for whatever reason.

The AIFM must ensure that an annual report containing certain information on the Group is made available to investors for each financial year.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Group utilising methods prescribed under AIFMD. These methods are known as the Gross Method and the Commitment Method. Under both methods the AIFM has set current maximum limits of leverage for the Group of 120%. A leverage percentage of 100% equates to nil leverage. The Group's leverage under each of these methods at the year-end is shown below:

	Gross method	Commitment method
Maximum leverage limit	120%	120%
Actual leverage at 31 December 2020	109%	111%

Management engagement

The Board has reviewed the Investment Manager's and AIFM engagement, including its management processes, risk controls and the quality of support provided to the Company and believes that its continuing appointment, on its current terms, remains in the interests of Shareholders at this time. Such a review is carried out on an annual basis. The last review was undertaken at a meeting of the Audit and Management Engagement Committee held on 18 March 2020.

Special reserve

In order to increase the distributable reserves available to facilitate the payment of future dividends, on 15 March 2017, the amount standing to the credit of the share premium account of the Company immediately following completion of the first issue of Ordinary Shares was cancelled and transferred to a Special reserve. The Group may, at the discretion of the Board, pay all or part of any future dividends out of this Special reserve, taking into account the Group's investment objective. Dividends will normally be funded through investment in Loans sourced or originated by the Investment Manager.

Share issues

The Board recommends that the Company be granted a new authority to allot up to a maximum of 11,794,478 Ordinary Shares (representing approximately 10% of the shares in issue, excluding Shares held in treasury, at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares and/or selling shares from treasury. Resolutions to this effect will be put to Shareholders at the Annual General Meeting and are contained in the Notice of Annual General Meeting.

The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares.

Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchases as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Group with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum-income) Net Asset Value per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. The Company bought back 3,860,299 Ordinary Shares during the year ended 31 December 2020.

Discount management

The Group may seek to address any significant discount to NAV at which its Ordinary Shares of the Company may be trading, through tender offers, buy-backs and the provision of a liquidity opportunity, as appropriate.

The Directors will consider repurchasing shares in the market if they believe it to be in Shareholders' interests.

The Directors may, at their absolute discretion, use available cash to purchase in the market, shares of a class in issue at any time, subject to having been granted authority to do so, should the shares of such class trade at an average discount to Net Asset Value (calculated daily in accordance with the methodology set out below) of more than 6% as measured each month over the preceding six month trading period. The average discount will be calculated by dividing the sum of the discount or premium (as the case may be) on each business day in a calendar month (adjusted for dividends) by the number of such business days. The premium or discount on any given day is to be calculated by reference to the closing share price and the Net Asset Value announced for that month.

In exercising their powers to buy back shares, the Directors have complete discretion as to the timing, price and volume of shares so purchased. No expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

The Directors have the authority to make market purchases of Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be purchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

Directors' report

Continued

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each Annual General Meeting of the Company and such a resolution will be put forward at the forthcoming Annual General Meeting. Purchases of Ordinary Shares will be made within guidelines to be established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Group. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Articles of Association, the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Since the Company's year end, the Board decided to make use of its share buyback powers as a means of correcting any imbalance between supply of and demand for the Ordinary Shares.

This year the Company began a programme of share buybacks, which began on 7 April 2020. The Company bought back a total of 3,860,299 Ordinary Shares, representing 3.2% of the opening issued share capital, at an average discount of 14.4%. The effect of these repurchases has been to enhance NAV by 0.422 pence per Ordinary Share. Since the year end the Company has bought back 419,500 Ordinary Shares, which are held in treasury.

Liquidity opportunity

Before the Company's fourth annual general meeting (8 June 2021), and at subsequent three yearly intervals, the Board intends to formulate and submit to Shareholders, proposals (which may constitute a tender offer or other method of distribution) to provide an opportunity to realise the value of their Shares at, or near, the prevailing Net Asset Value per Share less costs.

Market information

The Company's share capital is listed on the London Stock Exchange. The NAV per Share is calculated in sterling for each business month that the London Stock Exchange is open for business. The monthly NAV per Share is published through a regulatory information service.

Capital structure and voting rights

At the year end, the Company's issued share capital comprised 118,364,282 Ordinary Shares of 1 pence nominal value, excluding shares held in treasury. Each holder of Shares is entitled to one vote.

All Shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy, at the end of this document, and have been set in accordance with the Companies Act 2006.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Shares.

Therefore as at 31 December 2020, there were 118,364,282 Ordinary Shares in issue. During the year, the Company has bought 3,860,299 Ordinary Shares, which are held in treasury. Since the year end, the Company has bought 419,500 Ordinary Shares.

Significant Shareholders

As at 31 December 2020, the Directors have been formally notified of the following interests comprising 3% or more of the issued share capital of the Company:

	Ordinary Shares held	% of voting rights held*
Quilter Plc	18,674,458	15.78
CCLA Investment Management Limited	12,780,646	10.80
Hawksmoor Investment Management Limited	6,006,032	5.07
Brooks Macdonald Asset Management Limited	5,375,799	4.54
CG Asset Management	5,277,000	4.46

** Based on Ordinary Shares in issue as at 31 December 2020.*

Since the year end, the Company has not been formally notified of any changes in the above shareholdings.

Settlement of Ordinary Share transactions

Ordinary Share transactions in the Company are settled by the CREST share settlement system.

Revolving credit facility ("RCF")

The Group has a revolving credit facility with OakNorth Bank. On 5 November 2020, the Group renewed and amended its Revolving Credit Facility with OakNorth Bank. Under the terms of the amended Revolving Credit Facility, the Company may draw down loans up to an aggregate value of £10.5 million, on materially similar terms as the Company's previous RCF. During the year, the Company drew cumulative amount of £17.8 million from the revolving credit facility and repaid cumulative amount of £7.3 million. The remaining balance as at 31 December 2020 amounts to £10.5 million. The RCF facility expires on 5 November 2021.

Custodian

US Bank Global Corporate Trust Services act as the Company's custodian.

Company Secretary & Administrator

PraxisIFM Fund Services (UK) Limited is the Company Secretary and Administrator of the Company and the Group, providing administration services including calculation of its monthly Net Asset Value.

Valuation agent

Mazars LLP has been re-appointed as the Group's valuer to value the Group's loan investments in accordance with IFRS.

Anti-bribery and corruption

It is the Group's policy to conduct all of its business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Group's policy and the procedures that implement it are designed to support that commitment.

Notice of general meetings

At least 21 days' notice shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than 21 days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days has been passed, in which case a general meeting may be convened by not less than 14 days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than fourteen days.

Going concern

The Directors have adopted the going concern basis in preparing the consolidated financial statements. The following is a summary of the Directors' assessment of the going concern status of the Group, which should be read in conjunction with the viability statement.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this document. In reaching this conclusion, the Directors have considered the Group's portfolio of loan investments of £122.7 million (2019: £131.2 million) as well as its income and expense flows and the cash position of £2.2 million (2019: £8.4 million). The Group's net assets at 31 December 2020 were £110.4 million (2019: £119.5 million). The total expenses (excluding finance costs and taxation) for the year ended 31 December 2020 were £2.5 million (2019: £2.3 million), which represented approximately 1.91% (2019: 1.77%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Group has substantial operating expenses cover.

In light of the Covid-19 pandemic the Directors have fully considered each of the Group's loans. Income obligations have been met by borrowers and there is a diverse portfolio of Loan investments. However, these loans have a number of specific lender protections (such as loan to value covenants and cashflow or earnings covenants) which are being monitored. A prolonged and deep market decline could lead to falling values to the underlying business or interruptions to cashflow, however the Group currently has more than sufficient liquidity available to meet any future obligations.

Given the level of market volatility experienced since the year end due to the impact of the Covid-19 pandemic, the Investment Manager has performed stress tests on the Group's income and expenses and the Directors remain comfortable that the Group has substantial operating expenses cover and adequate liquidity.

The RM ZDP loan final capital entitlement amount of £12,055,000 is payable to RM ZDP on 6 April 2021, upon passing of the resolution for voluntary liquidation of the ZDP Subsidiary. At the date of approval of this document, it is estimated that approximately 16.0% of the value of the investments held at the year-end could be realised in two months as these are traded. Based on the expected realised value of investments and cash held, the Directors are comfortable that the Group is able to meet its final capital entitlement amount.

The Directors also considered the Group's RCF of £10.5 million to meet this obligation. As at the date of approval of this document, the undrawn amount of this facility was £9.4 million.

Prior to the Company's fourth Annual General Meeting on 8 June 2021, the Company's Shareholders will have an opportunity to realise the value of their shares at or near the prevailing NAV per Share. The Directors have also considered the liquidity opportunity and confirm that the proposals submitted to Shareholders will take into consideration the requirement to manage the Company's ability to repay existing liabilities as they fall due.

The financial statements have been prepared on the going concern basis. There are no material uncertainties that call into question the Company's ability to continue to be a going concern from the date of approval of these financial statements to 30 June 2022 and the Board is confident that the Company will be able to continue in operation and meet its liabilities as they fall due.

Viability statement

The Directors have assessed the viability of the Group for the five years to 31 December 2025 (the "Period'') as they consider this to be an appropriate time horizon, taking into account the long-term nature of the Group's investment strategy, and the weighted average life of the Group's loan instruments.

In their assessment of the prospects of the Group, the Directors have considered each of the principal risks and uncertainties set out above and the liquidity and solvency of the Group. The Directors have considered the Group's income and expenditure projections and believe that they meet the Group's funding requirements. Portfolio activity and market developments are discussed at each quarterly Board meeting. The internal control framework of the Group is subject to a formal review on a regular basis.

The Group's income from investments provides substantial cover to the Group's operating expenses and any other costs likely to be faced by the Group over the Period of their assessment.

The Chair's Statement and Investment Manager's Report present the positive long-term investment case for secured debt instruments which also underpins the Group's viability for the Period.

Shareholders should note that before the Company's fourth annual general meeting on 8 June 2021, and at subsequent three yearly intervals, the Board currently intends (at its discretion) to formulate and submit to Shareholders, proposals (which may constitute a tender offer or other method of distribution) to provide an opportunity to realise the value of their Shares at or near the prevailing Net Asset Value per Ordinary Share less costs. The Directors have performed an assessment to ensure that the next liquidity opportunity will not reduce the Group to a size whereby it is not viable.

Directors' report

Continued

Based on this assessment, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due in the Period.

Directors' indemnities

Details on the Directors' indemnities in place are provided in the Directors' Remuneration Report.

Annual General Meeting

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ("AGM") to be held on 8 June 2021.

Issuance of Ordinary Shares and dis-application of pre-emption rights

Resolutions 10 and 11 provide authority to issue Ordinary Shares and to dis-apply pre-emption rights.

The Directors intend to use the net proceeds of any issuance to invest in loans, predominately secured against assets such as real estate or plant and machinery, in accordance with the Company's investment objective and Investment Policy and for working capital purposes.

At the forthcoming Annual General Meeting, the Board is seeking authority to allot up to a maximum of 11,794,478 Ordinary Shares (representing approximately 10% of the Ordinary Shares in issue at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares. The authority granted under Resolutions 10 and 11 will expire at the conclusion of the Annual General Meeting to be held in 2022. The full text of resolutions 1 to 13 are set out in the Notice of Meeting on page 87.

The authority granted by Shareholders to issue Ordinary Shares will provide flexibility to grow the Company and further expand the Company's assets. Ordinary Shares issued under this authority will only be issued at a premium to the NAV (cum-income) after taking into account the costs of issue. Ordinary Share issues are at the discretion of the Board.

Authority to purchase own shares

At the Company's AGM on 27 May 2020 the Directors were granted authority to make market purchases of up to 14.99% of the Ordinary Shares in issue, equating to a maximum of 18,246,514 Ordinary Shares. During the year ended 31 December 2020, the Company bought back a total of 3,860,299 Ordinary Shares. The effect of these repurchases has been to enhance NAV by 0.422 pence per Ordinary Share. Since the year end the Company has bought back 419,500 Ordinary Shares, which are held in treasury.

The authority to make market purchases expires at the conclusion of the AGM of the Company on 8 June 2021. The Directors recommend that a new authority to purchase up to 17,679,922 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury Shares, at the date of the AGM are purchased) be granted and a resolution to that effect will be put to the AGM.

Purchases of Ordinary Shares will be made within guidelines to be established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Group. Ordinary Shares purchased by the Company may be held in treasury or cancelled. Purchases of Ordinary Shares may be made only in accordance with the Articles of Association, the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

The Companies Act 2006 permits companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This provides the Company with the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum-income) NAV per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders.

Unless otherwise authorised by Shareholders, Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and

(ii) the Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, an ordinary resolution to re-appoint Ernst & Young LLP as the Group's auditors will be put forward at the forthcoming Annual General Meeting and the Board will seek authority to determine their remuneration for the forthcoming year.

By order of the Board

Brian Smith
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary

26 March 2021

Corporate governance

Introduction

The Board of the Company has considered the Principles and Provisions of the 2019 Association of Investment Companies ("AIC") Code of Corporate Governance. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council ("FRC"), provides more relevant information to Shareholders. AIC members who report against the AIC Code and the AIC Guide fully meet their obligations under The UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

During the financial year ended 31 December 2020, the Company has complied with the recommendations of the AIC Code and the relevant provisions of The UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

(i) the role of the Chief Executive;

(ii) the appointment of a senior independent Director;

(iii) executive Directors' remuneration;

(iv) the need for an internal audit function; and

(v) the need for an internal audit function.

The Board considers that these provisions are not relevant to this externally managed investment company. The Company has no employees and all the day-to-day management and administrative functions are outsourced to third parties.

The Audit and Management Engagement Committee has considered the need for an internal audit function and deemed that it is not appropriate given the nature and circumstances of the Company but keeps the needs for an internal audit function under periodic review.

The Board

At the date of this report, the Board consists of three Non-executive Directors including the Chair, two of whom are male and one female. All the Directors have served during the entire period since their appointment on 13 November 2016.

The Directors have a broad range of relevant experience to meet the Group's requirements and their biographies are given below:

Norman Crighton (Non-executive Chair)

Norman is the Chair of Weiss Korea Opportunity Fund and AVI Japan Opportunity Trust. Norman was, until May 2011, an Investment Manager at Metage Capital Limited where he was responsible for the management of a portfolio of closed-ended funds and has 30 years' experience in closed-ended funds having worked at Olliff and Partners, LCF Edmond de Rothschild, Merrill Lynch, Jefferies International Limited and latterly Metage Capital Limited. His experience in investment banking covers analysis and research as well as sales, market making, proprietary trading and corporate finance.

Guy Heald (Non-executive Director)

Guy has spent most of his career in banking, not only specialising in markets, but also in general management positions overseeing all aspects of banking, including lending. He worked in London, New York and Tokyo and has an extensive knowledge of companies needs for financing and managing interest rate, liquidity and foreign exchange risks. During his career he worked for Brown Shipley, Chemical Bank and HSBC where he held senior positions including Head of Global Markets and Chief Executive Officer at HSBC Japan. After leaving banking in 2003 he has served as an adviser, Non-executive Director and trustee of several charities as well as starting a number of successful family companies of his own. The SME market is of particular interest to Guy, specifically the challenges facing companies in their pursuit for growth, as he invests venture and growth capital himself.

Marlene Wood (Non-executive Director and Chair of the Audit and Management Engagement Committee)

Marlene is a chartered accountant with a broad range of experience in both the private and public sector and is currently a Non-executive Director and Chair of the Audit Committee of GCP Student Living plc and Home REIT plc.

Marlene has over 20 years' experience in the commercial property sector having been finance director for Miller Developments raising finance for major property transactions both in the UK and Europe. Her experience covers governance and risk management as well as financial oversight and debt raising. Marlene is also currently Non-executive Director and treasurer for One Parent Families Scotland.

Composition

The Board believes that during the year ended 31 December 2020 its composition was appropriate for an investment company of the Group's nature and size. All of the Directors are independent of the Investment Manager and are able to allocate sufficient time to the Group to discharge their responsibilities effectively.

The Board has not appointed a Senior Independent Director ("SID"). Given the size and composition of the Board it is not felt necessary to separate the roles of Chair and SID.

Corporate governance

Continued

Tenure

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. The Board has adopted corporate governance best practice and has a succession plan in place. All Directors must stand for annual reappointment. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Investment Manager.

In accordance with the Company's Articles of Association, at each Annual General Meeting, every Director shall retire from office and offer themselves for re-election. Resolutions for the re-election of each Director will be proposed as ordinary resolutions at the Annual General Meeting of the Company to be held on 8 June 2021.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis. The Board's policy for the appointment of Non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity.

The Directors, in order to fulfil their duties, are able to take independent professional advice at the expense of the Company. A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Board committees

The Company has established an Audit and Management Engagement Committee ("Committee") which is chaired by Marlene Wood and consists of all the Directors. A report of the Audit and Management Engagement Committee is included in this Annual Report on page 38.

The Company has not established a nomination committee or a remuneration committee because all of the Directors are Independent Non-executive Directors of the Company. Therefore, the Board as a whole will consider any further Director appointments, remuneration, length of service and any other relevant matters.

The Audit and Management Engagement Committee meets at least twice a year or more often if required. The Audit and Management Engagement Committee's principal duties are to consider the appointment, independence, objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Committee also examines the effectiveness of the Company's risk management and internal control systems and receives information from the AIFM and the Portfolio Manager. In addition the terms of the appointment of the Investment Manager are annually reviewed as well as, the Investment Manager's performance and the terms of the Investment Management and AIFM Agreements. The Committee also reviews the continued appointment and performance of the Company's other service providers.

Meeting attendance

The actual number of formal meetings of the Board and Committee during the year under review is given below, together with individual Director's attendance at those meetings.

Number held	Quarterly Board	Audit and Management Engagement Committee
Norman Crighton	4	3
Guy Heald	4	3
Marlene Wood	4	3

There were also a number of other Board and committee meetings to deal with administrative matters and approval of documentation.

Division of responsibilities

The following sets out the division of responsibilities between the Chair, Board and the Committee Chair.

Role of the Chair

- Leadership to the Board;
- Ensure the Board are provided with sufficient information in order to ensure they are able to discharge their duties;
- Ensure each Board member's views are considered and appropriate action taken;
- Ensure that each Committee has the support required to fulfil their duties;
- Engage the Board in assessing and improving its performance;
- Oversee the induction and development of directors;
- Support the Investment Manager and other service providers;
- Seek regular engagement with major Shareholders in order to understand their views on governance and performance against the company's investment objective and investment policy;
- Ensure the Board as a whole has a clear understanding of the views of Shareholders;
- Ensure regular engagement with each service provider; and
- Keep up to date with key developments.

Role of Audit and Management Engagement Committee Chair

- Ensure appropriate papers are considered at the meeting;
- Ensure committee members views and opinions are appropriately considered;
- Seek engagement with Shareholders on significant matters related to their areas of responsibility; and
- Maintain relationships with advisers; and
- Consider appointing independent professional advice where deemed appropriate.

Role of the Board

> Review the Board pack ahead of the meeting;

> Provide appropriate opinion, advice and guidance to the Chair and fellow Board members;

> Support the Board, Chair and service providers in fulfilling their role; and

> Provide appropriate support at the Annual General Meeting.

Board diversity

The Group's policy is that the Board should have an appropriate level of diversity in the boardroom, taking into account relevant skills, gender, social and ethnic backgrounds, cognitive and personal strengths. Consideration is given to the recommendations of the AIC Code and the Group supports the recommendations of the Hampton-Alexander Review. The Board currently comprises one female and two male Directors.

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the Chair, the Audit and Management Engagement Committee, the Investment Manager and the Group's main service providers.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chair and discussed with the Board. A separate appraisal of the Chair was carried out by the other members of the Board and the results reported back to the Chair of the Board by the Chair of the Audit and Management Engagement Committee. The results of the performance evaluation were positive and demonstrated that the Directors showed the necessary commitment for the effective fulfilment of their duties.

Internal control

The AIC Code requires the Board to review the effectiveness of the Group's system of internal controls. The Board recognises its ultimate responsibility for the Group's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. Through these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year up to the date of this report.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Group and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Group are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Group requires and the Board monitors the internal control framework established by the Investment Manager, the AIFM, the Administrator and the Group's Custodian to provide reasonable assurance on the effectiveness of internal financial controls.

These key procedures include review of management accounts and Net Asset Value and monitoring of performance at quarterly Board meetings, valuation of loans by an independent valuer, segregation of the administrative function from that of cash, custody and investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, robust procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the consolidated financial statements is on page 40 and a Statement of Going Concern is on page 29. The Report of the Independent Auditor is on page 41.

Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Investment Manager on key operational issues. The Investment Manager and/or AIFM report in writing to the Board on all operational and compliance issues.

The Directors review management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Group. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the Investment Manager and the other key service providers enables the Board to monitor the Group's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Group's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of the Administrator's and the Registrar's internal controls report. There are no significant findings to report from the review.

Corporate governance

Continued

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report on pages 1 to 24.

Shareholder relations

The Company seeks to provide a minimum of 20 working days' notice of the Annual General Meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Under normal circumstances the Board would encourage Shareholders to attend the Company's Annual General Meeting, however in light of the continuing Covid-19 pandemic, the Company recommends that Shareholders carefully consider whether it is appropriate to attend the meeting in person. If necessary in line with Government guidelines, attendance of shareholders may be restricted or prohibited.

Shareholders are encouraged to vote their holdings using the enclosed Form of Proxy or electronically using the instructions contained in the notes to the Notice of AGM and notes to the Form of Proxy. The Notice of AGM sets out the business of the AGM and any item not of a routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Company's Brokers and Investment Manager, together with the Chair, seeks regular engagement with major Shareholders in order to understand their views on governance and performance against the Company's investment objective and investment policy.

Exercise of voting powers and stewardship code

The Group and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council, but the UK Stewardship Code has limited applicability to the Group's circumstances as the Group holds loan investments.

Directors' remuneration policy report

This policy report provides details of the remuneration for the Directors of the Company (the "Remuneration Policy"). The Remuneration Policy will be put forward for approval by Shareholders at the AGM to be held on 8 June 2021. The provisions set out in this policy apply until they are next put forward for Shareholder approval. The Remuneration Policy must be put forward for Shareholder approval at a maximum interval of three years. In the event of any proposed material variation to the policy, Shareholder approval will be sought for the proposed new policy prior to its implementation.

All the Directors are Non-executive Directors, and the Company has no employees.

Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by Shareholders, are subject to re-election by Shareholders at a maximum interval of three years.

Fees

The Directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. The Directors' fees will be paid at fixed annual rates and do not have any variable elements. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The Non-executive Directors shall be entitled to fees at such rates as determined by the Board.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

Current and future policy

Component	Director	Annual fee	Purpose of reward	Operation
Annual fee	Chair of the Board	See note 1 below	For services as Chair of a plc	Determined by the Board
Annual fee	Other Directors	See note 1 below	For services as Non-executive Directors of a plc	Determined by the Board
Additional fee	Chair of the Audit and Management Engagement Committee	See note 1 below	For additional responsibility and time commitment	Determined by the Board
Expenses	All Directors	Not Applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

1 Annual rates are determined by the Board subject to the limit set out in the Company's Articles of Association.

Statement of consideration of conditions elsewhere in the Company

As stated above the Company has no employees therefore the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Remuneration Policy

The Directors' remuneration will be reviewed on an annual basis by the Board and any changes are subject to approval by the Board. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, demands of the Company on the time to be spent by directors on the proper performance of their duties, the complexity of the Company and prevailing market rates for the investment trust sector.

Effective date

This Remuneration Policy will be put forward for Shareholder approval at the Annual General Meeting to be held on 8 June 2021 and, if approved by Shareholders, will be effective from that date.

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An Ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

The Directors' Remuneration Report is put forward for approval by Shareholders on an annual basis. The result of the Shareholder resolution on the Remuneration Report is non-binding on the Company, although it gives Shareholders an opportunity to express their views, which will be taken into account by the Board.

The law requires the Group's auditor to audit certain areas of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 41.

Remuneration

The Company currently has three Non-executive Directors.

As detailed in the Company's prospectus dated 12 March 2018, Directors' fees are payable at the rate of £30,000 per annum for each Director other than the Chair, who is entitled to receive £36,000. The Chair of the Audit and Management Engagement Committee is entitled to additional fees of £3,000 per annum.

The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size and will also enable the Company to attract appropriately experienced additional Directors in the future.

The Board reviews the fees payable to the Directors on an annual basis.

Directors' service contracts

The Directors do not have service contracts with the Company and are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by Shareholders on an annual basis.

Directors' indemnities

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which a Director might otherwise be entitled, every past or present Director or officer of the Company (except the auditors) may, at the discretion of the Board, be indemnified out of the assets of the Group against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation or connection to the affairs or activities of the Group.

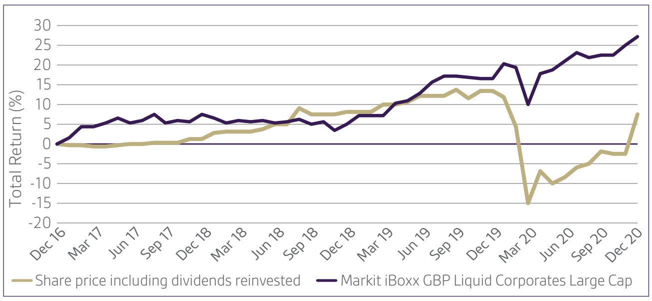
In addition, the Board has purchased and maintains insurance at the expense of the Group for the benefit of such persons indemnifying them against any liability or expenditure incurred by them for acts or omissions as a Director or Officer of the Group.

Director search and selection fees

No Director search and selection fees were incurred in the year ended 31 December 2020.

Performance

The following chart shows the performance of the Company's share price on a total return basis in comparison to the Markit iBoxx GBP Liquid Corporates Large Cap index (the Company's comparator) since the Company doesn't have a set benchmark.



Directors' emoluments for the year ended 31 December 2020 (Audited)

The Directors who served during the year received the following remuneration for qualifying services.

	Fees for the year ended 31 December 2020 £'000	Fees for the year ended 31 December 2019 £'000
Norman Crighton	36	36
Marlene Wood	33	33
Guy Heald	30	30

There are no other taxable benefits payable by the Group other than certain expenses, which may be deemed to be taxable. None of the above fees were paid to third parties.

A non-binding Ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 December 2019 was put forward at the Annual General Meeting held on 27 May 2020. The resolution was passed with 100% of the proxy votes cast (including discretionary votes) being in favour of the resolution. A non-binding ordinary resolution to approve the Directors' Remuneration Report contained in the Annual Report for the year ended 31 December 2020 will be put forward for approval at the Company's Annual General Meeting to be held on 8 June 2021.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 19 April 2018. The resolution was passed with 100% of the proxy votes cast (including discretionary votes) being in favour of the resolution. The Directors' Remuneration Policy will next be put forward for approval at the Annual General Meeting to be held in June 2021.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Group.

	2020 £'000	2019 £'000	Change £'000
Income	10,942	12,541	-1,599
Directors' fees	99	99	–
Investment management fees and other expenses	2,500	2,287	+213
Dividends paid and payable to Shareholders	7,802	8,224	-422

Directors' holdings (Audited)

The Directors had the following shareholdings at 31 December 2020 and as at the date of this report, all of which are beneficially owned.

	Ordinary Shares as at 31 December 2020	Ordinary Shares as at date of this report	Ordinary Shares as at 31 December 2019
Norman Crighton	29,982*	29,982*	29,982*
Guy Heald	20,000	20,000	20,000
Marlene Wood	20,000	20,000	20,000

**restated from previous position.*

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on the Remuneration Policy and Remuneration Report summarises, as applicable, for the financial year ended 31 December 2020:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year ended 31 December 2020; and

(c) the context in which the changes occurred and decisions have been taken.

Norman Crighton
Chair

26 March 2021

Report of the Audit and Management Engagement Committee

Role of the Audit and Management Engagement Committee

The AIC Code of Corporate Governance recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent Non-executive Directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience and the Committee as a whole has experience and knowledge relevant to the sector. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code and the terms of reference of the Audit and Management Engagement Committee are available on the Company's website.

The Audit and Management Engagement Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit and Management Engagement Committee also reviews the Company's internal financial controls and its internal control and risk management systems. In addition, the terms of the appointment of the Investment Manager are annually reviewed as well as, the Investment Manager's performance and the terms of the Investment Management and AIFM Agreements. The Committee also reviews the continued appointment and performance of the Company's other service providers.

Composition

In view of the size of the Board, all of the Directors of the Company are members of the Audit and Management Engagement Committee. The Audit and Management Engagement Committee has formal written terms of reference and copies of these are available on request from the Company Secretary. The Audit and Management Engagement Committee collectively has recent and relevant financial experience.

Meetings

There have been three Audit and Management Engagement Committee meetings in the year ended 31 December 2020. All Committee members attended these meetings.

Financial statements and significant accounting matters

The Audit and Management Engagement Committee considered the following significant accounting issues in relation to the Group's Consolidated Financial Statements for the year ended 31 December 2020.

Valuation and existence of bonds and private loan investments

The Group holds assets in bonds and private loan investments. The valuation and existence of these bonds and private loan investments are the most material matter in the production of the financial statements. The bonds and private loan investments are valued by an independent valuer and the valuations at year end were agreed to the valuer's report. 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. The Audit and Management Engagement Committee reviewed valuation reports and also the procedures in place for ensuring accurate valuation and existence of investments and recommended these to the Board for review and approval.

Valuation of ZDP Shares and intercompany loan

The Audit and Management Engagement Committee reviewed the methodology to account for financial instruments recognised at amortised cost.

Recognition of income

Income may not be accrued in the correct period. The Audit and Management Engagement Committee reviewed the Administrator's procedures for recognition of income and is comfortable that these are appropriate. The Audit and Management Engagement Committee has reviewed the internal controls report of the Group's Administrator, which includes controls in relation to the recognition of income, recoverability of income and provisions made against recoverability of income. The Audit and Management Engagement Committee also reviews investment yields on the quarterly investment manager report for variations and significant movements.

Going concern and viability statements

Having reviewed the Company's financial position, liabilities principal risks and uncertainties, the Audit and Management Engagement Committee recommended to the Directors that it was appropriate for the Directors to prepare the financial statements on the going concern basis.

The Going concern assessment and viability statements can be found on pages 29 and 30.

Conclusion with respect to the Annual Report and financial statements

The Audit and Management Engagement Committee has concluded that the consolidated financial statements for the year ended 31 December 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit and Management Engagement Committee has reported its conclusions to the Board of Directors. The Audit and Management Engagement Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the Annual Report.

Internal controls and risk management

The Directors have a dynamic risk register in place to help identify key risks and ensure there are measures in place to manage and mitigate risk; and oversee the effectiveness of internal controls and processes. The risk assessment programme provides a visual reflection of the Company's identified principal and emerging risks. The Audit and Management Engagement Committee carries out, at least annually, a robust assessment of the principal and emerging risks and uncertainties and monitors the risks on an ongoing basis.

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with most investment trusts, investment management, accounting, company secretarial, registrar and depositary services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis and the Committee receives regular reports. During the year ended 31 December 2020, committee members were particularly concerned to ensure that the internal controls environments of all third party providers remained robust during the extraordinary circumstances of the global pandemic. The Committee is satisfied that internal controls and processes remained resilient during this time of remote working, and that appropriate systems are in place.

Covid-19

The Covid-19 pandemic which has engulfed the global economy and financial markets commenced in the months prior to the Company's half year end and the Committee gave in-depth consideration to the potential effects on the Company, specifically the market and operational risks associated with the pandemic. The long term effect of the pandemic on the global economy will become clearer in time and the Committee will continue to monitor how Covid-19 develops.

Audit tenure

Ernst & Young LLP was selected as the Group's auditor at the time of the Group's launch following a competitive process and review of the Auditor's credentials. The auditors have provided this service for four years, with Sue Dawe as Audit Partner. In accordance with auditor rotation best practice and the Company's extended first accounting period, Sue Dawe will be replaced as Audit Partner this year, ahead of the 31 December 2021 audit.

The appointment of the external auditor is reviewed annually by the Audit and Management Engagement Committee and the Board and is subject to approval by Shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP in November 2017.

Effectiveness of external audit

The Audit and Management Engagement Committee is responsible for reviewing the effectiveness of the external audit process. The Audit and Management Engagement Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit and Management Engagement Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit and Management Engagement Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the Shareholders of the Company.

Provision of non-audit services

The Audit and Management Engagement Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Group if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit fees were payable to the Auditor in the year ended 31 December 2020.

Marlene Wood
Audit and Management Engagement Committee Chair

26 March 2021

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 financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with international financial reporting standards ("IFRSs") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 during and as at the end of the year. In preparing these financial statements, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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
Chair

26 March 2021

Independent Auditor's report

to the members of RM Secured Direct Lending Plc

Opinion

In our opinion:

- RM Secured Direct Lending Plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and the Parent Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RM Secured Direct Lending Plc (the 'Parent Company') and its subsidiary (together 'the Group') for the year ended 31 December 2020 which comprise:

Group	Parent company
Consolidated Statement of Financial Position as at 31 December 2020	Statement of Financial Position for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of comprehensive income for the year then ended
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Statement of cash flows for the year then ended
Related notes 1 to 22 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 22 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Group and Parent Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- We inspected the Directors' assessment of going concern, including the revenue forecast, for the period to 30 June 2022 which is at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue and expenses forecast, the Group and Parent Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have reviewed the factors and assumptions, including the impact of the Covid-19 pandemic, as applied to the revenue forecast. We considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the Group and Parent Company.
- We have considered the Group and Parent Company's ability to repay the intercompany loan liability to the subsidiary as it falls due in April 2021. Furthermore, we have considered the impact of the Board's plans for the upcoming liquidity opportunity to be held by June 2021 whereby shareholders have the opportunity to redeem their shareholding at net asset value less costs. We have made inquiries of those charged with governance, the investment manager and the broker and assessed the Parent Company's performance, expectation of shareholders and market conditions.

Independent Auditor's report

Continued

- We inspected the directors' assessment of the risk of breaching the debt covenants and gearing policy as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants and gearing policy in the scenarios assessed by the directors and performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants and gearing policy.
- We considered the mitigating factors included in the revenue forecasts that are within control of the Group and Parent Company. We reviewed the Group and Parent Company's assessment of the liquidity of investments held and evaluated the Parent Company's ability to sell those investments to cover working capital requirements of the Group and Parent Company should revenue decline significantly.
- We reviewed the Group and Parent Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of 15 months from when the financial statements are authorised for issue.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	> Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised losses. > Risk of incomplete or inaccurate revenue recognition from the investment portfolio. > Risk of incorrect accounting for financial instruments recognised at amortised cost.
Materiality	> Overall Group materiality of £1.10m which represents 1% of equity shareholders' funds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised losses *(as described on page 38 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 60).*		
The valuation of the investment portfolio at 31 December 2020 was £122.7m (2019: £131.2m) consisting primarily of unquoted private loan investments of £97.7m (2019: £87.9m). The remaining investment portfolio consists of quoted private loans and bond investments of £25.0m (2019: £43.3m). The valuation of the assets held in the investment portfolio is the key driver of the Group and Parent Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Group and Parent Company could have a significant impact on the portfolio valuation and the return generated for shareholders. Private loans and bonds are recognised at fair value through profit and loss.	We performed the following procedures: > We obtained an understanding of the processes and controls surrounding investment valuation and legal title by performing our walkthrough procedures with the Investment Manager, Independent Valuer and Administrator in order to evaluate the design and implementation of controls. > We agreed all investments held at the year-end per the accounting records to the valuation report prepared by the independent valuer. > We agreed the prices of the quoted private loans and bonds to independent market sources. > We engaged our valuation specialists to perform a detailed quantitative and qualitative review of a sample of unquoted private loans to ensure the valuation was within an expected range. > We assessed the independent valuers' valuation methodology and reviewed the loan valuation report for any anomalies. > We reviewed the depth of broker quotes as at the year-end to assess liquidity to confirm the year end price was a fair value price. > We reviewed the quoted private loans and bonds for indicators that investments were distressed by comparing Par value and the traded price. > We obtained evidence of collateral valuation reports and/or legal contracts to verify the value and existence of collateral associated with private loans, where available. > We recalculated the unrealised gains/losses on all investments as at the year-end using the bookcost reconciliation and reviewed the fair value hierarchy disclosure. > We ensured the financial statements contain appropriate disclosures regarding the valuation of investments, including those disclosures required under IFRS 13 'Fair Value Measurement'. > We agreed the investments to independent confirmations received from Custodian, Lawyer and/or Borrower as at 31 December 2020.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised losses.

Independent Auditor's report

Continued

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of incomplete or inaccurate revenue recognition from the investment portfolio *(as described on page 29 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 61)*		
The income received for the year to 31 December 2020 was £10.94m (2019: £12.54m), consisting primarily of interest income from the investment portfolio. There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or applying appropriate accounting treatment.	We performed the following procedures: > We obtained an understanding of the Administrator's processes and controls surrounding revenue recognition by reviewing their internal controls report and performing our walkthrough procedures with the Investment Manager and Administrator to evaluate the design and implementation of controls. > We agreed the recognition and accounting treatment of a sample of interest and payment in kind ('PIK') income from the income report to the coupon terms or loan agreements. We recalculated the interest amount on a time apportioned basis using exchange rates obtained from an independent data vendor and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount, where relevant. > We agreed a sample of interest payments from coupon terms available from an independent data vendor or loan agreements to the income recorded by the Parent Company to test completeness of the income recorded. > We agreed a sample of interest accrued at the year end and recalculated the accrual. We agreed the interest rates and payment dates to the loan documentation or coupon terms, agreed the principal outstanding and recalculated the interest receivable. We confirmed this was consistent with cash received as shown on post year end bank statements, where paid. > We assessed the recoverability of the accrued income to ensure that an appropriate provision is recorded against doubtful receipts. > We reviewed a sample of arrangement fees recognised, by recalculating the amount recognised with reference to the loan agreement and the agreement between the trust and the investment manager.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition from the investment portfolio.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of incorrect accounting for financial instruments recognised at amortised cost *(as described on page 38 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 61)*		
A loan agreement was entered into between the Parent Company and its subsidiary, RM ZDP PLC. RM ZDP PLC lent the Parent Company an amount of £10.87m, financed by the Gross proceeds of a Zero Dividend Preference ("ZDP") share issue by RM ZDP PLC. The intercompany loan agreement states that interest shall accrue at a rate of 2% per annum. A deed of undertaking was entered into between RM ZDP PLC and the Parent Company stating that the Parent Company will finance any additional funding required to repay the ZDP Shares. The ZDP shares have a redemption yield of 3.5% per annum. The zero dividend preference shares ("ZDPs") have a maturity date of 6 April 2021. The loan payable at 31 December 2020 was held at amortised cost totalling £11.94 million (2019: £11.54 million.) The Zero Dividend Preference share liability at 31 December 2020 was held at amortised cost in the Group Statement of Financial Position totalling £11.94 million (2019: £11.54 million).	We performed the following procedures: > We obtained an understanding of the processes and controls surrounding the accounting for financial instruments recognised at amortised cost by performing our walkthrough procedures. > We recalculated the amortisation of ZDP share issue costs and ensured these had been expensed to the Parent Company accounts in accordance with the Prospectus. > We recalculated the amortised costs recorded using the redemption yield associated to the ZDPs. > We confirmed the number of ZDP shares in issue and recalculated the Fair Value with reference to an independent market source and compared this to the disclosures made in the financial statements. > We reviewed the intercompany loan agreement and deed of undertaking to ensure that the terms were correctly reflected in the calculations of finance costs and accounted for appropriately. > We reviewed the intercompany balances and consolidation adjustments made for the purposes of the Group financial statements in relation to the subsidiary.	The results of our procedures identified no material misstatement in relation to the risk of incorrect accounting for financial instruments recognised at amortised costs.

In the prior year, our auditor's report included a key audit matter in relation to the risk that the going concern assumption is incorrectly applied. The risk that the going concern assumption is incorrectly applied continued to be relevant to our audit of the Group and Parent Company and we considered this as part of our overall work on going concern which is set out under 'Conclusions relating to going concern'.

Independent Auditor's report

Continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.10 million (2019: £1.20 million), which is 1% (2019: 1%) of equity shareholders' funds. We believe that equity shareholders' funds provides us with materiality aligned to the key measurement of the Group's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £0.83m (2019: £0.90m). We have set performance materiality at this percentage due our experience of auditing the Group and no history of material misstatements.

Given the importance of the distinction between revenue and capital for the Group, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.40m (2019: £0.49m) being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of £0.06m (2019: £0.06m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic Report, Governance Report and Shareholder Information, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

> the strategic report or the Directors' Report; or

> the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit; or

> a Corporate Governance Statement has not been prepared by the company.

Corporate Governance Statement

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

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

> Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 29;

> Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate as set out on page 38;

> Directors' statement on fair, balanced and understandable as set out on page 38;

> Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 19;

> The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 33; and

> The section describing the work of the audit and management engagement committee as set out on page 38.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent Auditor's report

Continued

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are IFRS, the Companies Act 2006, Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Miscellaneous Reporting Requirements and Section 1158 of the Companies Act 2010
- We understood how RM Secured Direct Lending Plc is complying with those frameworks through discussions with the Audit and Management Engagement Committee and Company Secretary and through review of the Group's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to the incomplete or inaccurate income recognition from the investment portfolio and incorrect valuation or ownership of the unquoted private loans, and the resulting impact on unrealised losses. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Group.

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

Other matters we are required to address

- Following the recommendation from the Audit and Management Engagement Committee we were appointed by the Parent Company on 15 November 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the periods from our appointment through to the period ending 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sue Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

26 March 2021

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2019 Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	(565)	(5,106)	(5,671)	–	(1,161)	(1,161)
Income	5	10,942	–	10,942	12,541	–	12,541
Investment management fee	6	(1,088)	–	(1,088)	(1,062)	–	(1,062)
Other expenses	7	(1,267)	(145)	(1,412)	(1,080)	(145)	(1,225)
Return before finance costs and taxation		8,022	(5,251)	2,771	10,399	(1,306)	9,093
Finance costs	8	(635)	–	(635)	(541)	–	(541)
Return on ordinary activities before taxation		7,387	(5,251)	2,136	9,858	(1,306)	8,552
Taxation	9	(279)	–	(279)	(42)	18	(24)
Return on ordinary activities after taxation		7,108	(5,251)	1,857	9,816	(1,288)	8,528
Return per Ordinary Share (pence)	16	5.88p	(4.34p)	1.54p	8.85p	(1.16p)	7.69p

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 year'.

The notes on pages 59 to 79 form an integral part of these financial statements.

Company statement of comprehensive income

For the year ended 31 December 2020

		Year ended 31 December 2020			Year ended 31 December 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	3	(565)	(5,210)	(5,775)	–	(1,264)	(1,264)
Income	5	10,942	–	10,942	12,541	–	12,541
Investment management fee	6	(1,088)	–	(1,088)	(1,062)	–	(1,062)
Other expenses	7	(1,192)	(145)	(1,337)	(1,002)	(164)	(1,166)
Return before finance costs and taxation		8,097	(5,355)	2,742	10,477	(1,428)	9,049
Finance costs	8	(635)	–	(635)	(541)	–	(541)
Return on ordinary activities before taxation		7,462	(5,355)	2,107	9,936	(1,428)	8,508
Taxation	9	(246)	–	(246)	(15)	15	–
Return on ordinary activities after taxation		7,216	(5,355)	1,861	9,921	(1,413)	8,508
Return per Ordinary Share (pence)	16	5.96p	(4.43p)	1.53p	8.94p	(1.27p)	7.67p

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 year'.

The notes on pages 59 to 79 form an integral part of these financial statements.

Consolidated statement of financial position

	Notes	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Fixed assets			
Investments at fair value through profit or loss	3	122,705	131,201
Current assets			
Cash and cash equivalents		2,236	8,390
Receivables	10	10,515	2,266
		12,751	10,656
Payables: amounts falling due within one year			
Payables	11	(2,634)	(10,788)
Zero Dividend Preference Shares	12	(11,942)	–
Bank loan – Credit facility	8	(10,500)	–
		(25,076)	(10,788)
Net current liabilities		(12,325)	(132)
Non-current liabilities			
Zero Dividend Preference Shares	12	–	(11,541)
Total assets less current liabilities		110,380	119,528
Net assets		110,380	119,528
Capital and reserves: equity			
Share capital	14	1,184	1,222
Share premium	15	70,168	70,146
Special reserve		45,277	48,304
Capital reserve		(9,125)	(3,874)
Revenue reserve		2,876	3,730
Total Shareholders' funds		110,380	119,528
NAV per share – Ordinary Shares (pence)	17	93.25p	97.79p

The financial statements of the Group were approved and authorised for issue by the Board of Directors on 26 March 2021 and signed on their behalf by:

Norman Crighton
Chair

The notes on pages 59 to 79 form an integral part of these financial statements.

Company statement of financial position

	Notes	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Fixed assets			
Investments at fair value through profit or loss	3	122,705	131,201
Investments in subsidiary	4	50	50
Current assets			
Cash and cash equivalents		2,218	8,372
Receivables	10	10,498	2,210
		12,716	10,582
Payables: amounts falling due within one year			
Payables	11	(2,645)	(10,764)
Intercompany loan payable	13	(11,942)	–
Bank loan – Credit facility		(10,500)	–
		(25,087)	(10,764)
Net current liabilities		(12,371)	(182)
Non-current liabilities			
Intercompany loan payable	13	–	(11,541)
Total assets less current liabilities		110,384	119,528
Net assets		110,384	119,528
Capital and reserves: equity			
Share capital	14	1,184	1,222
Share premium	15	70,168	70,146
Special reserve		45,277	48,304
Capital reserve		(9,412)	(4,057)
Revenue reserve		3,167	3,913
Total Shareholders' funds		110,384	119,528
NAV per share – Ordinary Shares (pence)	17	93.26p	97.79p

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 26 March 2021 and signed on their behalf by:

Norman Crighton
Chair

Registered in England and Wales with registered number 10449530.

The notes on pages 59 to 79 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	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		1,222	70,146	48,304	(3,874)	3,730	119,528
Return on ordinary activities		–	–	–	(5,251)	7,108	1,857
Redemption of shares	*14*	(38)	38	(3,027)	–	–	(3,027)
Share buyback costs		–	(16)	–	–	–	(16)
Dividend paid	*18*	–	–	–	–	(7,962)	(7,962)
Balance as at 31 December 2020		1,184	70,168	45,277	(9,125)	2,876	110,380

For the year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at beginning of the year		987	47,351	48,304	(2,586)	1,664	95,720
Return on ordinary activities		–	–	–	(1,288)	9,816	8,528
Issue of shares	*14*	235	23,265	–	–	–	23,500
Share issue costs		–	(470)	–	–	–	(470)
Dividend paid	*18*	–	–	–	–	(7,750)	(7,750)
Balance as at 31 December 2019		1,222	70,146	48,304	(3,874)	3,730	119,528

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

The notes on pages 59 to 79 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2020

For the year ended 31 December 2020

	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		1,222	70,146	48,304	(4,057)	3,913	119,528
Return on ordinary activities		–	–	–	(5,355)	7,216	1,861
Redemption of shares	14	(38)	38	(3,027)	–	–	(3,027)
Share buyback costs		–	(16)	–	–	–	(16)
Dividend paid	18	–	–	–	–	(7,962)	(7,962)
Balance as at 31 December 2020		1,184	70,168	45,277	(9,412)	3,167	110,384

For the year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at beginning of the year		987	47,351	48,304	(2,644)	1,742	95,740
Return on ordinary activities		–	–	–	(1,413)	9,921	8,508
Issue of shares	14	235	23,265	–	–	–	23,500
Share issue costs		–	(470)	–	–	–	(470)
Dividend paid	18	–	–	–	–	(7,750)	(7,750)
Balance as at 31 December 2019		1,222	70,146	48,304	(4,057)	3,913	119,528

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

The notes on pages 59 to 79 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		2,771	9,093
Adjustment for losses on investments		5,357	1,161
Increase in receivables		(919)	(1,189)
Increase in payables		414	247
PIK income adjustment to the operating cash flow		(2,081)	(1,129)
Net cash flow from operating activities		5,542	8,183
Investing activities			
Private loan repayments/bonds sales proceeds		33,478	56,335
Private loans issued/bonds purchases		(44,435)	(79,392)
Net cash flow used in investing activities		(10,957)	(23,057)
Financing activities			
Finance costs		(234)	(154)
Ordinary Share issue proceeds		–	23,500
Ordinary Share issue costs		–	(470)
Ordinary Share bought back	14	(3,027)	–
Ordinary Share buyback costs		(16)	–
OakNorth loan facility drawdown		17,800	16,900
OakNorth loan facility repaid		(7,300)	(16,900)
Equity dividends paid	18	(7,962)	(7,750)
Net cash (used in)/flow from financing activities		(739)	15,126
(Decrease)/increase in cash		(6,154)	252
Opening balance at beginning of the year		8,390	8,138
Balance as at 31 December 2020		2,236	8,390

** Cash inflow from interest on investment holdings was £8,960,000 (2019: £10,680,000).*

The notes on pages 59 to 79 form an integral part of these financial statements.

Company statement of cash flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		2,742	9,049
Adjustment for losses on investments		5,357	1,239
Increase in receivables		(958)	(1,192)
Increase in payables		481	216
PIK income adjustment to the operating cash flow		(2,081)	(1,129)
Net cash flow from operating activities		5,541	8,183
Investing activities			
Private loan repayments/bonds sales proceeds		33,479	56,335
Private loans issued/bonds purchases		(44,435)	(79,392)
Net cash flow used in investing activities		(10,956)	(23,057)
Financing activities			
Finance costs		(234)	(154)
Ordinary Share issue proceeds		–	23,500
Ordinary Share issue costs		–	(470)
Ordinary Share bought back	14	(3,027)	–
Ordinary Share buyback costs		(16)	–
OakNorth loan facility drawdown		17,800	16,900
OakNorth loan facility repaid		(7,300)	(16,900)
Equity dividends paid	18	(7,962)	(7,750)
Net cash flow (used in)/ from financing activities		(739)	15,126
(Decrease)/increase in cash		(6,154)	252
Opening balance at beginning of the year		8,372	8,120
Balance as at 31 December 2020		2,218	8,372

** Cash inflow from interest on investment holdings was £8,960,000 (2019: £10,680,000).*

The notes on pages 59 to 79 form an integral part of these financial statements.

Changes in financing liabilities

Movement in financial liabilities – Group	Year ended 31 December 2020 OakNorth facility £'000	Year ended 31 December 2020 ZDP Shares £'000	Year ended 31 December 2019 OakNorth facility £'000	Year ended 31 December 2019 ZDP Shares £'000
Balance as at beginning of the year	–	11,541	–	11,155
Facility drawdowns during the year	17,800	–	16,900	–
Facility interest payable during the year	234	–	106	–
Facility and interest repayments during the year	(7,534)	–	(17,006)	–
Return on ZDP Shares during the year – non cash flow	–	401	–	386
Balance as at 31 December 2020	10,500	11,942	–	11,541

Movement in financial liabilities – Company	Year ended 31 December 2020 OakNorth facility £'000	Year ended 31 December 2020 ZDP Shares £'000	Year ended 31 December 2019 OakNorth facility £'000	Year ended 31 December 2019 ZDP Shares £'000
Balance as at beginning of the year	–	11,541	–	11,155
Facility drawdowns during the year	17,800	–	16,900	–
Facility interest payable during the year	234	–	106	–
Facility and interest repayments during the year	(7,534)	–	(17,006)	–
Intercompany finance cost – non cash flow	–	401	–	386
Balance as at 31 December 2020	10,500	11,942	–	11,541

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 Company comprises that of the Company and its subsidiary RM ZDP Plc (together referred to as the "Group") for the year ended 31 December 2020. 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 return where appropriate.

The registered office is 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

2. Accounting policies

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

(a) Basis of accounting

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 October 2019, 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 IFRS standards

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2020. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. This amendment is unlikely to have any impact on the financial statements of the Group.

Notes to the financial statements

Continued

2. Accounting policies continued

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. These amendments have no impact on the financial statements of the Group.

A number of new standards, amendments to standards and interpretations are not effective for the annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements and not expected to have a significant effect on the financial statements of the Group.

(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. In forming this opinion, the directors have considered any potential impact of the Covid-19 pandemic on the going concern and viability of the Group. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Investment Manager, have in place to maintain operational resilience particularly in light of Covid-19. Details of the Directors assessment of the going concern status of the Group, which considered repayment of the RM ZDP loan and the Shareholders liquidity opportunity, are given on page 29.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this document. In reaching this conclusion, the Directors have considered the Group's portfolio of loan investments of £122.7 million (2019: £131.2 million) as well as its income and expense flows and the cash position of £1.4 million (2019: £8.4 million). The Group's net assets at 31 December 2020 were £110.4 million (2019: £119.5 million). The total expenses (excluding finance costs and taxation) for the year ended 31 December 2020 were £2.5 million (2019: £2.3 million), which represented approximately 1.91% (2019: 1.77%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Group has substantial operating expenses cover.

The RM ZDP loan final capital entitlement amount of £12,055,000 is payable to RM ZDP on 6 April 2021, upon passing of the resolution for voluntary liquidation of the ZDP Subsidiary. At the date of approval of this document, it is estimated that approximately 16% of the value of the investments held at the year-end could be realised in two months as these are traded. Based on the expected realised value of investments and cash held, the Directors are comfortable that the Group is able to meet its final capital entitlement amount. The Directors also considered the Group's RCF of £10.5million to meet this obligation. As at the date of approval of this document, the undrawn amount of this facility was £9.4 million.

Prior to the Company's 4th Annual General Meeting on 8 June 2021, the Company's Shareholders will have an opportunity to realise the value of their shares at or near the prevailing NAV per Share. The Directors have also considered the liquidity opportunity and confirm that the proposals submitted to Shareholders will take into consideration the requirement to manage the Company's ability to repay existing liabilities as they fall due.

Based on the above, there are no material uncertainties that call into question the Company's ability to continue to be a going concern from the date of approval to 30 June 2022 of these financial statements and the Board is confident that the Company will be able to continue in operation and meet its liabilities as they fall due.

(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.

Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors.

2. Accounting policies continued

(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 year-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. Payment-in-kind ("PIK") interest income is accounted on an accrual basis and capitalised to the principal value of the loan.

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

Arrangement fees earned on private loan investments are recognised as an income over the term of the private loans.

(i) Capital reserves

Realised and unrealised gains and losses on the Group'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 Group 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 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 year. 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 loan facility 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. The associated costs of bank loan facility are treated as revenue and amortised over the period of the bank loan facility.

Financial liabilities at amortised cost – Zero Dividend Preference Shares ("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.

(m) Dividends

Interim dividends to the Shareholders 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.

Notes to the financial statements

Continued

2. Accounting policies continued

(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 Group's actual results may ultimately differ from those estimates, possibly significantly.

The Group recognises loan investments at fair value through profit or loss and disclosed in note 3 to the financial statements. 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. The sensitivity impact on the measurement of fair value of loan investments due to price is discussed in note 21.

(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

Group

(a) Summary of valuation

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Financial assets held:		
Bond investments	2,695	6,322
Private loan investments	120,010	124,879
	122,705	131,201

(b) Movements

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Opening valuation	131,201	102,581
Opening unrealised losses on investment holdings	2,919	438
Book cost at the beginning of the year	134,120	103,019
Private loans issued/bonds purchases at cost	35,589	84,785
Payment in kind interest (PIK)	2,602	1,244
Sales:		
– Private loans repayments/bonds sales proceeds	(41,067)	(55,511)
– Gains on investment	258	698
– Payment in kind interest (PIK)	(521)	(115)
Unrealised losses on investments held	(8,276)	(2,919)
Closing valuation at year-end	122,705	131,201
Book cost at end of the year	130,981	134,120
Unrealised losses on investment holdings at the year end	(8,276)	(2,919)
Closing valuation at year end	122,705	131,201

3. Investment at fair value through profit or loss continued

(c) Losses on investments

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Realised gains on investments	362	698
Unrealised losses on investments held	(5,357)	(2,481)
Foreign exchange (losses)/gains	(676)	622
Total losses on investments	(5,671)	(1,161)

Company

(a) Summary of valuation

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Financial assets held:		
Bond investments	2,695	6,322
Private loan investments	120,010	124,879
	122,705	131,201

(b) Movements

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Opening valuation	131,201	102,581
Opening unrealised losses on investment holdings	2,919	438
Book cost at the beginning of the year	134,120	103,019
Private loans issued/bonds purchases at cost	35,589	84,785
Payment in kind interest (PIK)	2,602	1,244
Sales:		
– Private loans repayments/bonds sales proceeds	(41,067)	(55,408)
– Gains on investment	258	595
– Payment in kind interest (PIK)	(521)	(115)
Unrealised losses on investments held	(8,276)	(2,919)
Closing valuation at year end	122,705	131,201
Book cost at year end	130,981	134,120
Unrealised losses on investment holdings at the year end	(8,276)	(2,919)
Closing valuation at year end	122,705	131,201

Notes to the financial statements

Continued

3. Investment at fair value through profit or loss continued

(c) Losses on investments

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Realised gains on investments	258	595
Unrealised losses on investments held	(5,357)	(2,481)
Foreign exchange (losses)/gains	(676)	622
Total losses on investments	(5,775)	(1,264)

At the year end, the Company had one unquoted investment in Esprit Holdco Limited (Energie Fitness). The Company participated in a management buyout during 2020 and owns 28% of the business, the registered office and principal of business of Energie Fitness is 1 Pitfield Kiln Farm, Milton Keynes, United Kingdom, MK11 3LW. The Investment Manager valued holdings in Energie Fitness at nil.

The equity investment in Energie Fitness meets the criteria within IFRS 10 as an investment entity and therefore held at fair value.

4. Investment in subsidiary

Company

	Year ended 31 December 2020 £'000
Investment in subsidiary	50
Total	50

Subsidiary name	Effective ownership %	Country of incorporation	Principal activity
RM ZDP plc	100	1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB, United Kingdom	Issuance of zero dividend preference shares

5. Income – Group and Company

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Income from investments		
Bond and loan-cash interest	8,817	10,215
Bond and loan-PIK interest	1,879	1,314
Bank interest	–	4
Arrangement fees	102	190
Loan redemption fees	–	451
Delayed compensation fees received	46	148
Prepayment fee	58	–
Other income	40	219
Total	10,942	12,541

6. Investment management fee

Group and Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Basic fee:		
100% charged to revenue	1,088	1,062
Total	1,088	1,062

The Company's Investment Manager is RM Capital Markets Limited. Under the amended Investment Management Agreement, effective 1 April 2020, the Investment Manager is entitled to receive a management fee payable monthly in arrears or as soon as practicable after the end of each calendar month an amount one-twelfth of:

(a) 0.875 per cent. of the prevailing NAV in the event that the prevailing NAV is up to or equal to £250 million; or

(b) 0.800 per cent. of the prevailing NAV in the event that the prevailing NAV is above £250 million but less than £500 million; or

(c) 0.750 per cent. of the prevailing NAV in the event that the prevailing NAV is above £500 million.

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.

The management fee shall be payable in Sterling on a pro-rata basis in respect of any period which is less than a complete calendar month.

There is no performance fee payable to the Investment Manager.

7. Other expenses

Group	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Basic fee charged to revenue:		
Administration fees	284	263
Auditor's remuneration: – Statutory audit fee	102	75
Broker fees	106	90
Consultancy fees	90	100
Directors' fees	99	99
AIFM fees	160	164
Registrars fees	43	46
Valuation fees	90	118
Other expenses	293	125
Total revenue expenses	1,267	1,080
Expenses charged to capital:		
Prospectus issue and capital transaction costs	145	145
Total other expenses	1,412	1,225

Notes to the financial statements

Continued

7. Other expenses continued

Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Basic fee charged to revenue:		
Administration fees	242	221
Auditor's remuneration: – Statutory audit fee	94	64
Broker fees	106	90
Consultancy fees	90	100
Directors' fees	99	99
AIFM fees	160	164
Registrars fees	31	34
Valuation fees	90	118
Other expenses	280	112
Total revenue expenses	1,192	1,002
Expenses charged to capital:		
Prospectus issue and capital transaction costs	145	164
Total expenses	1,337	1,166

8. Finance costs

	Year ended 31 December 2020			Year ended 31 December 2019		
Group	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan arrangement fees	105	–	105	48	–	48
Loan interest paid	129	–	129	107	–	107
ZDP Shares finance costs	401	–	401	386	–	386
	635	–	635	541	–	541

	Year ended 31 December 2020			Year ended 31 December 2019		
Company	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan arrangement fees	105	–	105	48	–	48
Loan interest paid	129	–	129	107	–	107
ZDP inter-company loan finance costs	401	–	401	386	–	386
	635	–	635	541	–	541

The Company has a £10.5 million revolving credit facility with OakNorth Bank. On 5 November 2020, the Company renewed and amended its revolving credit facility with OakNorth Bank. Under the terms of the amended revolving credit facility, the Company may draw down loans up to an aggregate value of £10.5 million, on materially similar terms as the Company's previous revolving credit facility. The revolving credit facility expires on 5 November 2021.

8. Finance costs continued

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. Interest will accrue on each Loan at the annual percentage of which is the aggregate of three-month LIBOR and 3.65% per annum.

During the year, the Company drew cumulative amount of £17.8 million (2019: £16.9 million) from the revolving credit facility and repaid cumulative amount of £7.3 million (2019: £16.9 million). The remaining balance as at 31 December 2020 amounts to £10.5 million (2019: nil).

9. Taxation

	Year ended 31 December 2020			Year ended 31 December 2019		
Group	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of tax charge/(credit) the year:						
Corporation tax-current year	276	–	276	42	(18)	24
Corporation tax-prior year	3	–	3	–	–	–
Total current tax charge/(credit) (see note 9 (b))	279	–	279	42	(18)	24

	Year ended 31 December 2020			Year ended 31 December 2019		
Company	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of tax charge/(credit) the year:						
Corporation tax	246	–	246	15	(15)	–
Total current tax charge/(credit) (see note 9 (b))	246	–	246	15	(15)	–

(b) Factors affecting the tax charge for the year:

The effective UK corporation tax rate for the year is 19.00% (2019: 19.00%). 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 2020			Year ended 31 December 2019		
Group	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	7,387	(5,251)	2,136	9,858	(1,306)	8,552
UK corporation tax at 19.00% (2019: 19.00%)	1,404	(998)	406	1,873	(248)	1,625
Effects of:						
Intercompany income not deductible	(32)	–	(32)	31	–	31
Fair value losses not deductible	–	970	970	–	221	221
Effect of management expenses not utilised	–	–	–	–	(15)	(15)
Interest distributions paid/payable	(1,172)	–	(1,172)	(1,908)	–	(1,908)
Finance costs not allowable	76	–	76	42	–	42
Management expenses not allowable	–	28	28	4	24	28
Prior year adjustment	3	–	3	–	–	–
Total tax charge/(credit)	279	–	279	42	(18)	24

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

Notes to the financial statements

Continued

9. Taxation continued

Company	Year ended 31 December 2020 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2019 Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	7,463	(5,355)	2,108	9,936	(1,428)	8,508
UK corporation tax at 19.00% (2019: 19.00%)	1,418	(1,018)	400	1,888	(271)	1,617
Effects of:						
Intercompany income not deductible	–	–	–	31	–	31
Fair value losses not deductible	–	990	990	–	221	221
Effect of management expenses not utilised	–	–	–	–	(15)	(15)
Interest distributions paid/payable	(1,172)	–	(1,172)	(1,908)	–	(1,908)
Management expenses not allowable	–	28	28	4	50	54
Total tax charge/(credit)	246	–	246	15	(15)	–

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	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amounts falling due within one year:		
Repayment of investment private loans receivable	7,330	–
Bond and loan interest receivable	1,983	1,861
Prepayments and other receivables	1,202	405
	10,515	2,266

Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amounts falling due within one year:		
Repayment of investment private loans receivable	7,330	–
Bond and loan interest receivable	1,983	1,861
Prepayments and other receivables	1,185	349
	10,498	2,210

11. Payables

Group	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amounts falling due within one year:		
Unsettled investments purchases	–	8,846
Loan reserves retained	595	–
Taxation payable	303	24
Other payables	1,736	1,918
	2,634	10,788

Company	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Amounts falling due within one year:		
Unsettled investments purchases	–	8,846
Loan reserves retained	595	–
Inter company payable	157	50
Taxation payable	246	–
Other payables	1,647	1,868
	2,645	10,764

12. Zero dividend preference shares – Group

Group	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Zero Dividend Preference Shares	11,541	11,155
ZDP Shares finance costs	401	386
	11,942	11,541

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 £43,000 (2019: £43,000) 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 three 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.

Notes to the financial statements

Continued

12. Zero dividend preference shares – Group continued

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	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Intercompany loan payable to RM ZDP	11,541	11,155
Finance costs and capital contribution	401	386
	11,942	11,541

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 £230,000 (2019: £221,000) interest pursuant to the loan agreement between the Company and RM ZDP and £171,000 (2019: £165,000) other finance costs in connection with the intercompany loan.

14. Share capital (Group and Company)

	As at 31 December 2020		As at 31 December 2019	
	No. of Shares	£'000	No. of Shares	£'000
Allotted, issued & fully paid:				
Ordinary Shares of 1p	118,364,282	1,184	122,224,581	1,222

Share movement

The table below sets out the share movement for the year ended 31 December 2020.

	Opening balance	Shares issued	Shares bought back	Shares in issue at 31 December 2020
Ordinary Shares	122,224,581	–	(3,860,299)	118,364,282

At the year end 3,860,299 of the above Ordinary Shares were held in Treasury.

Ordinary Share buy backs

During the year, the Company bought back 3,860,299 Ordinary Shares for an aggregate cost of £3,027,000. Since the year end a further 419,500 Ordinary Shares have been bought back for an aggregate cost of £366,000.

15. Share premium (Group and Company)

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Balance as at beginning of the year	70,146	47,351
Share buybacks	38	–
Issue Ordinary Shares	–	23,265
Share buyback costs	(16)	(470)
Balance as at 31 December 2020	70,168	70,146

16. Return per ordinary share

Based on the weighted average of number of 120,985,417 (2019: 110,960,198) Ordinary Shares in issue for the year ended 31 December 2020, the returns per share were as follows:

	Year ended 31 December 2020			Year ended 31 December 2019		
Group	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return per Ordinary Share	5.88p	(4.34p)	1.54p	8.85p	(1.16p)	7.69p

	Year ended 31 December 2020			Year ended 31 December 2019		
Company	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return per Ordinary Share	5.96p	(4.43p)	1.53p	8.94p	(1.27p)	7.67p

Notes to the financial statements

Continued

17. Net asset value per share – (Group and Company)

The net asset value per share is based on total Group and Company Shareholders' funds of £110,380,000 (2019: £119,528,000), and on 118,364,282 (2019: 122,224,581) Ordinary Shares in issue at the year end.

18. Dividend

Total dividends paid in the year

	Year ended 31 December 2020				Year ended 31 December 2019			
	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000
2019 Interim – Paid 27 Mar 2020 (2019: 29 Mar 2019)	1.7000p	2,078	–	2,078	1.6250p	1,604	–	1,604
2020 Interim – Paid 26 Jun 2020 (2019: 25 Jun 2019)	1.6250p	1,975	–	1,975	2.0000p	2,244	–	2,244
2020 Interim – Paid 25 Sep 2020 (2019: 26 Sep 2019)*	1.6250p	1,967	–	1,967	1.6250p	1,824	–	1,824
2020 Interim – Paid 30 Dec 2020 (2019: 24 Dec 2019)	1.6250p	1,942	–	1,942	1.7000p	2,078	–	2,078
Total	6.5750p	7,962	–	7,962	6.9500p	7,750	–	7,750

The dividend relating to the year ended 31 December 2020, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

Total dividends in relation to the year

	Year ended 31 December 2020				Year ended 31 December 2019			
	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000
2020 Interim – Paid 26 Jun 2020 (2019: 25 Jun 2019)	1.6250p	1,975	–	1,975	2.0000p	2,244	–	2,244
2020 Interim – Paid 25 Sep 2020 (2019: 26 Sep 2019)	1.6250p	1,967	–	1,967	1.6250p	1,824	–	1,824
2020 Interim – Paid 30 Dec 2020 (2019: 24 Dec 2019)*	1.6250p	1,942	–	1,942	1.7000p	2,078	–	2,078
2020 Interim – Payable 31 Mar 2021** (2019: 27 Mar 2020)	1.6250p	1,918	–	1,918	1.7000p	2,078	–	2,078
Total	6.5000p	7,802	–	7,802	7.0250p	8,224	–	8,224

* *An interim dividend of 1.625 pence per Ordinary Share was declared by the Board on 2 November 2020. The dividend was paid 1.367p per share (£1,630,000) in respect of the period to 31 December 2019 and 0.258p per share (£312,000) in respect of the period to 31 December 2020.*

** *Not included as a liability in the year ended 31 December 2020 financial statements.*

On the 25 February 2021, the Directors approved the payment of an interim dividend for year ended 31 December 2020 to ordinary Shareholders at the rate of 1.625 pence per Ordinary Share. The dividend had a record date of 5 March 2021 and was paid on 26 March 2021. The dividend was funded from the Company's revenue reserve.

19. Related party transaction

Fees are payable at an annual rate of £36,000 to the Chair of the Board, £33,000 to the Chair of the Audit and Management Engagement Committee and £30,000 to the other Director. As at 31 December 2020, there were no Directors' fees outstanding. The Directors' fees are disclosed in note 7 and the Directors' shareholdings are disclosed in the Directors Remuneration Report in the Annual Report for the year ended 31 December 2020.

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 31 December 2020, the fee outstanding to the Investment Manager was £93,000 (2019: £96,000).

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 2020, the Company received £102,000 (2019: £190,000) in arrangement fees.

As at 31 December 2020, the Investment Manager held 1,237,325 (2019: 1,199,825) Ordinary Shares in the Company.

Since the year end, the Investment Manager purchased further 12,500 Ordinary Shares in the Company, and as of the date of this report, the Investment Manager's total holding of Ordinary Shares is 1,249,825 (2019: 1,199,825).

Details with intercompany transactions can be found in note 13.

20. Classification of financial instruments

IFRS 13 requires the Company 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 Company's investments held at fair value through profit or loss is detailed in the table below:

	31 December 2020				31 December 2019			
Group	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets:								
Financial assets – Private loans and bonds	–	25,013	–	25,013	–	43,323	–	43,323
Financial assets – Private loans	–	–	97,692	97,692	–	–	87,878	87,878
Forward contract receivable	–	12,795	–	12,795	–	12,056	–	12,056
Financial liabilities:								
Forward contract payable	–	(12,795)	–	(12,795)	–	(12,056)	–	(12,056)
Total	–	25,013	97,692	122,705	–	43,323	87,878	131,201

Notes to the financial statements

Continued

20. Classification of financial instruments continued

Company	31 December 2020 Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	31 December 2019 Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets:								
Financial assets – Private loans and bonds	–	25,013	–	25,013	–	43,323	–	43,323
Financial assets – Private loans	–	–	97,692	97,692	–	–	87,878	87,878
Forward contract receivable	–	12,795	–	12,795	–	12,056	–	12,056
Financial liabilities:								
Forward contract payable	–	(12,795)	–	(12,795)	–	(12,056)	–	(12,056)
Total	–	25,013	97,692	122,705	–	43,323	87,878	131,201

The forward exchange contract has been presented in the fair value hierarchy at gross exposure with the net unrealised gain of £161,027 (2019: £93,635) recognised within prepayments and other debtors in the Statement of Financial Position.

The Zero Dividend Preference Shares have a fair value of £11.7 million which has been measured using the closing stock exchange price. The Intercompany loan payable between the Parent and its Subsidiary is financed by the ZDP shares and as such has been valued using the ZDP price. The Directors consider that the carrying amounts of the Zero Dividend Preference Shares and Intercompany Loan Payable are approximates to their fair value.

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 5.3% to 15.0% (2019: 5.9% to 24.0%). Sensitivity analysis of interest rates can be found at page 76.

There have been no movements between levels during the reporting year. 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 year to 31 December 2020 is shown below:

	31 December 2020 £'000	31 December 2019 £'000
Balance as at beginning of the year	87,878	58,013
New loans during the year	38,258	68,906
Repayments during the year	(23,905)	(37,359)
Realised gains during the year	545	195
Unrealised losses at the year end	(5,084)	(1,877)
Closing balance as at 31 December	97,692	87,878

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 the year-end comprised:

	Year ended 31 December 2020			Year ended 31 December 2019		
Investments	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
GB sterling	109,354	–	109,354	118,293	–	118,293
Euro	13,351	–	13,351	12,908	–	12,908
Total investment	122,705	–	122,705	131,201	–	131,201
Cash and cash equivalents	2,236	–	2,236	8,390	–	8,390
Receivables	–	10,515	10,515	–	2,266	2,266
Payables	(10,500)	(2,634)	(13,134)	–	(10,788)	(10,788)
Zero Dividend Preference Shares	(11,942)	–	(11,942)	(11,541)	–	(11,541)
Total	102,499	7,881	110,380	128,050	(8,522)	119,528

Price risk sensitivity

The effect on the portfolio of a 10.0% increase or decrease in the value of the loans would have resulted in an increase or decrease of £12,271,000 (2019: £13,120,000) 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 counterparty default, senior debt covenant breach risk, bridge loans, delays in the receipt of anticipated cash flows and borrower default, 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 cash at bank and other trade receivables at 31 December 2020 was £2,236,000 and £10,515,000 respectively (2019: £8,390,000 and £2,266,000). Impairment incurred on the balances is not considered material to the Group and Company.

Notes to the financial statements

Continued

21. Financial instrument and capital disclosures continued

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

	As at 31 December 2020		As at 31 December 2019	
	Fair value £'000	Maximum exposure £'000	Fair value £'000	Maximum exposure £'000
Private loan investments	120,010	120,010	124,879	124,879
Bond investments	2,695	2,695	6,322	6,322
Cash and cash equivalent	2,236	2,236	8,390	8,390
Receivables	10,515	10,515	2,266	2,266
Total	135,456	135,456	141,857	141,857

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' 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 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 Group 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, cash and cash equivalents as at 31 December 2020, 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.

	As at 31 December 2020		As at 31 December 2019	
	0.50% Increase £'000	0.50% Decrease £'000	0.50% Increase £'000	0.50% Decrease £'000
Private loans investments	488	(488)	439	(439)
Bond investments	125	(125)	217	(217)
Cash and cash equivalent	11	(11)	42	(42)
Total	624	(624)	698	(698)

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. On a monthly basis, Investment Managers review fixed/floating and weighted average life of the portfolio for interest rate risk.

21. Financial instrument and capital disclosures continued

(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 £2,236,000 (2019: £8,390,000).

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

	31 December 2020 £'000	31 December 2019 £'000
Within one month	–	9,052
Between one and three months	2,039	349
Between three months and one year	23,037	869
More than one year	–	12,059
Total	25,076	22,329

The Investment Manager manages the Group's liquidity risk by investing in a diverse portfolio of private loans and bonds in line with the Investment Policy and Investment restrictions on page 17. 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:

	31 December 2020 £'000	31 December 2019 £'000
Within one month	6,625	10,833
Between one and three months	–	–
Between three months and one year	5,394	15,626
More than one year	110,686	104,742
Total	122,705	131,201

(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 2020 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 2020 would have been as follows:

	31 December 2020 £'000	31 December 2019 £'000
Euro	204	211
US dollar	16	16
Total	220	227

Notes to the financial statements

Continued

21. Financial instrument and capital disclosures continued

Foreign currency risk profile

	31 December 2020			31 December 2019		
	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000
Euro	1,726	313	2,039	1,443	667	2,110
US dollar	–	156	156	–	158	158
Total	1,726	469	2,195	1,443	825	2,268

As at the year end, the Group held forward instruments, which has reduced the foreign exchange exposure to investment in euros by the equivalent of £12,794,000 (2019: £12,055,000).

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, liabilities and Zero Dividend Preference Shares, which are held at amortised cost for which fair value is given in note 20.

Capital management

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

The Group has a stated discount control policy. The Investment Manager and the Group's broker monitor the demand for the Group's shares and the Directors review the position at Board meetings. Further details on share issues during the year and the Group's policies for issuing further shares and buying back shares (including the Group's discount management) can be found in the Directors' Report on pages 27 and 28.

During the year the Group bought back 3,860,299 shares (2019: nil) which are held in treasury.

The Group's policy on borrowing is detailed on page 17.

The Group has entered into a £10.5 million revolving credit facility with OakNorth Bank. On 5 November 2020, the Group renewed and amended its Revolving Credit Facility with OakNorth Bank. In particular, the loan to net asset value ratio must not exceed 20% of the Group's calculated at the time of draw down. During the year, the Company drew cumulative amount of £17.8 million (2019: £16.9 million) from the revolving credit facility and repaid cumulative amount of £7.3 million (2019: £16.9 million). The remaining balance as at 31 December 2020 amounts to £10.5 million (2019: nil). The facility expires on 5 November 2021.

22. NAV per Ordinary Share reconciliation

The table below is a reconciliation between the NAV per Ordinary Share of the Company as announced on the London Stock Exchange and the NAV per Ordinary Share disclosed in these financial statements.

	As at 31 December 2020		As at 31 December 2019	
	Net assets (£)	NAV per Ordinary share (p)	Net assets (£)	NAV per Ordinary share (p)
NAV as published on 15 January 2021	111,123,419	93.88	–	–
Tax liability adjustments	(246,000)	(0.20)	–	–
Share buy back adjustments	(493,851)	(0.42)	–	–
NAV as disclosed in these Financial Statements	110,383,568	93.26	–	–

23. Post balance sheet events

Since 31 December 2020, a further 419,500 Ordinary Shares have been bought back for an aggregate cost of £366,000.

Other information

Alternative Performance Measures ("APMs")

APMs are often used to describe the performance of investment companies although they are not specifically defined under IFRS. APM calculations for the Company are shown below.

Gearing

Net gearing is calculated as total debt, net of cash and cash equivalents, as a percentage of the total shareholders' funds.

		Page	31 December 2020 £'000	31 December 2019 £'000
Zero Dividend Preference Shares		52	11,942	11,541
Bank loan - Credit facility		52	10,500	–
Total borrowings			22,442	11,541
Cash and cash equivalents		52	2,236	8,390
Total borrowings less cash and cash equivalents	a		20,206	3,151
Net assets	b	52	110,380	119,528
Gearing (net)	(a÷b)x100		18.3%	2.6%

Gross asset

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

As at 31 December 2020

		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	52	110,380	93.25
RM ZDP plc – accrued entitlement	b	52	11,942	109.87
Bank Loan-Credit facility	c	52	10,500	–
Gross asset value	a+b+c		132,822	n/a

As at 31 December 2019

		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	52	119,528	97.79
RM ZDP plc – accrued entitlement	b	52	11,541	106.18
Bank Loan-Credit facility	c	52	–	–
Gross asset value	a+b+c		131,069	n/a

Alternative Performance Measures ("APMs")

Continued

Ongoing charges

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

		Page	31 December 2020 £'000	31 December 2019 £'000
Average NAV (£'000)	a	n/a	123,526	121,302
Annualised recurring expenses*	b	50	2,355	2,142
	b÷a		1.91%	1.77%

** Consists of investment management fees of £1,088,000 (2019: £1,062,000) and other recurring expenses of £1,267,000 (2019: £1,080,000). Prospectus issue and capital transactions are not considered to be recurring costs and therefore have not been included.*

(Discount)/premium

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

		Page	31 December 2020 £'000	31 December 2019 £'000
NAV per Ordinary Share (p)	a	2	93.25	97.79
Share price (p)	b	2	87.00	99.50
(Discount)/premium	(b/a)-1		(6.7%)	1.7%

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 Company into its Ordinary Shares on the ex-dividend date.

As at 31 December 2020		Page	NAV	Share Price
Opening at 1 January 2020 (p)	a	2	97.79	99.50
Closing at 31 December 2020 (p)	b	2	93.25	87.00
Dividend adjustment factor	c	n/a	1.0811	1.0831
Adjusted closing (d = b x c)	d	n/a	100.82	94.23
Total return	(d/a)-1		3.1%	-5.3%

As at 31 December 2019		Page	NAV	Share Price
Opening at 1 January 2019 (p)	a	2	96.96	101.50
Closing at 31 December 2019 (p)	b	2	97.79	99.50
Dividend adjustment factor	c	n/a	1.0728	1.0701
Adjusted closing (d = b x c)	d	n/a	104.91	106.47
Total return	(d/a)-1		8.2%	4.9%

Glossary

Admission	Admission of the Ordinary or C Shares to the premium listing segment of the Official List of the UKLA and admission of the Shares to trading on the main market for listed securities of the London Stock Exchange.
AIC	Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which Shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the Company in which they are invested.
C Shares	C Shares of 10 pence each in the capital of the Company.
CTA 2010	Corporation Tax Act 2010.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Leverage	An alternative word for "Gearing". Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions (investments) after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which investments can be sold at short notice.

Loans or Secured Debt Instruments	Secured debt instruments of UK SMEs and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share such debt instruments.
Net assets	An investment company's assets less its liabilities
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury)
Ordinary Shares	The Company's Ordinary Shares of 1 pence each in the capital of the Company.
Portfolio	A collection of different investments held in order to deliver returns to Shareholders and to spread risk.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.
ZDP Share	Zero dividend preference Share

Directors, Investment Manager and Advisers

Directors
Norman Crighton (Non-executive Chair)
Guy Heald
Marlene Wood

Investment Manager
RM Capital Markets Limited
4th Floor
7 Castle Street
Edinburgh
EH2 3AH

Joint broker
N+1 Singer Advisory LLP
1 Bartholomew Lane
London
EC2N 2AX

Joint broker
Peel Hunt LLP
100 Liverpool Street
London
EC2M 2AT

Valuation agent
Mazars LLP
Tower Bridge House
Katherine's Way
London
E1W 1DD

Registered office*
1st Floor
Senator House
85 Queen Victoria Street
London
EC4V 4AB

* Registered in England and Wales No. 10449530

Custodian
US Bank Global Corporate Trust Services
125 Old Broad Street
London
EC2N 1AR

Administrator and Company Secretary
PraxisIFM Fund Services (UK) Limited
1st Floor
Senator House
85 Queen Victoria Street
London
EC4V 4AB

AIFM
International Fund Management Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4NA

Registrar
Link Asset Services
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Auditors
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Legal advisers
Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should immediately consult your independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in RM Secured Direct Lending plc, please hand this document and the accompanying form of proxy or form of instruction to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting ("AGM") of RM Secured Direct Lending Plc (the "Company") is intended to be held at the offices of PraxisIFM, 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB on 8 June 2021 at 11.00 a.m.

The well-being and safety of Shareholders and service providers is a primary concern for the directors of the Company. Due to the continuing Covid-19 pandemic it is unlikely that, under current UK Government guidance, larger gatherings will be permitted on the date of the AGM. The Corporate Insolvency and Governance Act 2020 that sets out temporary legislation for AGM arrangements is due to expire on 30 March 2021 and it is currently uncertain whether the temporary legislation relating to AGM arrangements will be extended. The Company is making provisions for all eventualities and Shareholders should monitor the Company's website at https://rmdl.co.uk/investor-centre and London Stock Exchange announcements for any developments.

The Company understands the importance of the AGM to Shareholders and the Board values the opportunity to meet Shareholders in person.

The Company recommends that Shareholders carefully consider whether it is appropriate to attend the meeting in person. Any attendance by shareholders will be subject to health and safety requirements and any restrictions on gatherings, social distancing or other measures imposed or recommended by the UK Government. If necessary in line with UK Government guidelines, attendance of Shareholders at the meeting may be restricted or prohibited.

Should a Shareholder have a question that they would like to raise at the AGM, either of the Board or the Investment Manager, the Board would ask that they ask the question in advance of the AGM by sending it by email to info@rm-capital.co.uk. Answers to all questions will be published on the Company's website after the AGM.

AGM voting

Shareholders are requested to vote by proxy. Given the likelihood of restrictions on attendance, shareholders are strongly encouraged to appoint the "Chair of the Meeting" as their proxy rather than another person who may not be permitted to attend the meeting. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 89 to 90.

The outcome of the resolutions will as usual be determined by Shareholder vote based on the proxy votes received. All valid proxy appointments (whether submitted electronically or in hard copy form) will be included. The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, as soon as practicable after the conclusion of the AGM.

Shareholders should monitor the Company's website: https://rmdl.co.uk/investor-centre and London Stock Exchange announcements for any updates regarding the AGM.

Alternatively, Shareholders can contact the Registrar, Link Asset Services, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details). The Board would like to thank all Shareholders for their continued support and understanding in these extraordinary times.

Notice of Annual General Meeting

Notice is given for the Annual General Meeting to be held for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the year ended 31 December 2020, with the reports of the Directors and auditors thereon.

2. To approve the Directors' Remuneration Report included in the Annual Report for the year ended 31 December 2020.

3. To approve the Directors' Remuneration Policy Report included in the Annual Report.

4. To re-elect Norman Crighton as a Director.

5. To re-elect Guy Heald as a Director.

6. To re-elect Marlene Wood as a Director.

7. To re-appoint Ernst & Young LLP as Auditors to the Company.

Notice of Annual General Meeting

Continued

8. To authorise the Directors to determine the remuneration of the Auditor until the conclusion of the next Annual General Meeting of the Company.

9. To authorise the Directors to declare and pay all dividends of the Company as interim dividends.

10. Authority to allot relevant securities

That, without prejudice to any subsisting authorities to the extent unused, the Directors be and are generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot, or grant rights to subscribe for or to convert any security into Ordinary Shares of one pence each in the capital of the Company ("Ordinary Shares") up to an aggregate nominal amount equal to £117,944 (or such other amount as shall be equivalent to 10% of the issued Ordinary Share capital of the Company (excluding shares held in Treasury) at the date of this resolution and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution but so that the Directors may, at any time prior to the expiry of such power, make an offer or agreement which would or might require Ordinary Shares to be allotted after the expiry of such power and the Directors may allot Ordinary Shares in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

11. Disapplication of pre-emption rights

That, subject to the passing of resolution 10 above, and without prejudice to any subsisting authorities to the extent unused, the Directors be and are empowered, pursuant to section 570 and 573 of that Act, to allot and make offers or agreements to allot Ordinary Shares and/or sell Ordinary Shares held as treasury shares pursuant to the authority referred to in resolution 10 above as if section 561 of the Act did not apply to any such allotment in each case for cash up to an aggregate nominal amount of £117,944 (or such other amount as shall be equivalent to 10% of the issued Ordinary Share capital of the Company (excluding shares held in Treasury) at the date of this resolution) and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution but so that the Directors may, at any time prior to the expiry of such power, make an offer or agreement which would or might require Ordinary Shares to be allotted after the expiry of such power and the Directors may allot Ordinary Shares in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

12. Authority to make market purchases

That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 17,679,922 (representing 14.99 per cent of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

(b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1 pence;

(c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. Notice of General Meeting

That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board

Brian Smith
For and on behalf of PraxisIFM Fund Services (UK) Limited
Company Secretary

Registered Office: 1st Floor, Senator House, 85 Queen Victoria Street, London EC4V 4AB

26 March 2021

Notes to Notice of Annual General Meeting

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.rmdl.co.uk/

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at close of business on 4 June 2021 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting. As explained in the Notice of Meeting, Shareholders are encouraged to submit their votes by proxy. Any attendance by Shareholders at the meeting will be subject to health and safety requirements and any restrictions on gatherings, social distancing or other measures imposed or recommended by the UK Government. As above, Shareholders are strongly urged to appoint the Chair as their proxy to vote on their behalf. Should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Investment Manager, the Board would ask that they ask the question in advance of the AGM by sending it by email to info@rm-capital.co.uk. Answers to all questions will be published on the Company's website after the AGM.

   In the case of joint holders of a voting right, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

Appointment of Proxies

3. Pursuant to Section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

   Given Shareholders may not be able to attend the AGM, Shareholders are strongly urged to appoint the Chair as their proxy to vote on their behalf. If you appoint someone else (other than the Chair) to be your proxy, this may result in your proxy not being counted since he/she may not be able to attend the meeting.

   Section 324 does not apply to persons nominated to receive information rights pursuant to Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 have been sent this Notice of Annual General Meeting and are hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

   Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements. The statement of rights of Shareholders in relation to the appointment of proxies does not apply to nominated persons.

   Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the meeting should they wish to do so. However, as stated above, any attendance by shareholders at the meeting will be subject to health and safety requirements and any restrictions on gatherings, social distancing or other measures imposed or recommended by the UK Government. As above, shareholders are strongly urged to appoint the Chair as their proxy to vote on their behalf.

Proxies' rights to vote

4. On a vote on a show of hands, each proxy has one vote.

   If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

   On a poll, all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, Section 285(4) of the Companies Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

Voting on all Resolutions will be conducted by way of a poll

5. Given that Shareholders may not be able to attend the AGM, the Company intends to call a poll on all resolutions at the AGM. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him/her. As above, Shareholders are strongly urged to appoint the Chair as their proxy to vote on their behalf. As soon as practicable following the meeting, the results of the voting will be announced via a regulatory information service and also placed on the Company's website.

Voting by corporate representatives

6. Any corporation which is a member may appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is, therefore, no longer necessary to nominate a designated corporate representative. Representatives should bring to the AGM evidence of their appointment, including any authority under which it is signed.

Receipt and termination of proxies

7. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Link Asset Services at 11 a.m. on 4 June 2021 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Link Asset Services no later than 48 hours before the rescheduled meeting. We strongly urge you to appoint the Chair of the meeting as your proxy.

   On completing the Form of Proxy, sign it and return it to Link Asset Services at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required. A member may terminate a proxy's authority at any time before the commencement of the AGM.

   Termination must be provided in writing and submitted to the Company's Registrar. In accordance with the Company's Articles of Association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

   Alternatively, you may appoint a proxy or proxies electronically by visiting https://www.signalshares.com/. You will need to register using your investor code and follow the instructions on how to vote. Proxies submitted via www.signalshares.com for the AGM must be transmitted so as to be received by the Company's Registrar, Link Group, no later than 48 hours before the time appointed for the meeting (excluding weekends and public holidays) or any adjournment of the meeting. Proxies received after that date will not be valid.

   If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11 a.m. on 4 June 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointment of Proxy through CREST

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which

Notes to Notice of Annual General Meeting

Continued

the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 11 a.m. on 4 June 2021 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Asset Services no later than 48 hours before the rescheduled meeting.

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

> You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.

> If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

> Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not he Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the Meeting

10. Any member attending the meeting has the right to ask questions. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

> answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

> the answer has already been given on a website in the form of an answer to a question; or

> it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

As explained in the Notice of Meeting, Shareholders are strongly advised to submit their votes by proxy and appoint the Chair of the meeting as their proxy. Given that shareholders may not be able to attend the AGM, should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Investment Manager, the Board would ask that they ask the question in advance of the AGM by sending it by email to info@rm-capital.co.uk. Answers to all questions will be published on the Company's website after the AGM. Please note all questions should be submitted by close of business on 4 June 2021.

Members' requests under Section 527 of the Companies Act 2006

11. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM for the financial year ended 31 December 2020; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year ended 31 December 2020 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

Members' rights under Sections 338 and 338A of the Companies Act 2006

12. Shareholders meeting the threshold under sections 338 and 338A of the Act can instruct the Company: (i) to give shareholders (entitled to receive notice of the AGM) notice of a resolution which may properly be proposed and is intended to be proposed at the AGM; and/or (ii) to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be proposed or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective; (b) it is defamatory of any person; or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than the date six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Issued Shares and total voting rights

13. As at the date of this Notice, the total number of shares in issue is 122,224,581 Ordinary Shares of 1p each. The total number of Ordinary Shares with voting rights is 117,944,782.

Communication

14. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

> calling Link Asset Services' Shareholder helpline (lines are open from 9:00 a.m. to 5:30 p.m. Monday to Friday, excluding public holidays) +44 371 664 0300 (calls cost 12p per minute plus network extras); or

> in writing to Link Asset Services. You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Documents available for inspection

15. Copies of letters of appointment between the Company and the Non-Executive Directors may be inspected during usual business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this Notice of Annual General Meeting until the date of the AGM and at the place of the AGM from at least 15 minutes prior to the AGM until the AGM's conclusion.

In light of the UK Government's health advice in response to the Covid-19 pandemic, Shareholders wishing to inspect the documents are requested to contact the Company Secretary by email: ukfundcosec@praxisifm.com in advance of any visit to ensure that appropriate arrangements can be made and access can be arranged. Any such access will be subject to health and safety requirements and any restrictions on gatherings, social distancing or other measures imposed or recommended by the UK Government.

In addition, given the current circumstances, electronic copies of the documents will be available to members for inspection on request. Requests should be sent to the Company Secretary by email: ukfundcosec@praxisifm.com.

Form of Proxy

RM Secured Direct Lending Plc

I/We

of

(BLOCK CAPITALS PLEASE)

being (a) member(s) of RM Secured Direct Lending PLC appoint the Chair of the meeting, or (see note 1)

of

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of PraxisIFM, 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB on 8 June 2021 at 11.00 am and any adjournment thereof.

Please indicate with an '✗' in the spaces provided how you wish your votes to be cast on the resolutions specified.

Item	Resolution	For	Against	Withheld	Discretionary
1.	To receive and adopt the Annual Report and Accounts for the year ended 31 December 2020.				
2.	To approve the Directors' Remuneration Report.				
3.	To approve the Directors' Remuneration Policy.				
4.	To re-elect Norman Crighton as a Director.				
5.	To re-elect Guy Heald as a Director.				
6.	To re-elect Marlene Wood as a Director.				
7.	To re-appoint Ernst & Young LLP as Auditors to the Company.				
8.	To authorise the Directors to determine the remuneration of the Auditor.				
9.	To authorise declaration and payment of all dividends as interim dividends.				
10.	Authority to allot relevant securities.				
11.	Authority to disapply pre-emption rights.				
12.	Authority to make market purchases.				
13.	Notice of general meeting.				

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as they may think fit.

Signature   Dated this   day of   2021

Notes

1. *If any other proxy is preferred, strike out the words "Chair of the Meeting" and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.*
2. *If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.*
3. *A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.*
4. *The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.*
5. *To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.*
6. *To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power, must reach the registrars of the Company, Link Asset Services not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.*
7. *The completion of this form will not preclude a member from attending the Meeting and voting in person.*
8. *Any alteration of this form must be initialled. Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Link Asset Services, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to arrive before 11.00 a.m. on 4 June 2021.*

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