RM Secured Direct Lending Plc

Half-Yearly Financial Report

for the period from incorporation on 27 October 2016 to 30 June 2017

RMFunds

Investment Objective, Financial Information and Performance Summary

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.

Financial Information

	AS AT 30 JUNE 2017
Net asset value ("NAV")	£55.9m
NAV per Ordinary Share	97.6p
Ordinary Share price	102.0p
Ordinary Share price premium to NAV	4.5%

Performance Summary

	% CHANGE
Share price total return per Ordinary Share	+2.0%
Total return (%) – NAV and Dividends*	-0.2%
Total return (%) – Share price and Dividends	+2.2%

* Based on opening NAV per Ordinary Share after share issue expenses of 98.0p.

Chairman's Statement

Introduction

RM Secured Direct Lending plc (the "Company") listed on the premium segment of the main market of the London Stock Exchange on 15 December 2016, issuing 50,300,000 Ordinary Shares at a price of 100 pence per share. In May 2017, the Company issued a further 7,000,000 Ordinary Shares at 101.25 pence each.

Portfolio

Over the period from admission, RM Capital Markets Limited ("RM" or the "Investment Manager") has made 18 debt investments across 10 sectors. Approximately 20% of the investments are in public debt transactions with the remainder split between club transactions, private bilateral loans or cash. The Company has made £58m of commitments of which £42m has been deployed on a cash basis with good visibility over the final cash deployment over the near term. The Company is not obliged to fund the undrawn commitments. The average yield on the investments made within the portfolio is 7.72%, which is expected to rise as additional investments are made.

Overall, the deployment of proceeds has been in line with expectations and now that the majority of the portfolio has been invested the Company has a portfolio of cash generating loans which will provide stable income stream to pay regular dividend distributions.

The Board is pleased with the diversification across the 10 business sectors and has reviewed the sector exposure limits in light of the opportunities being reviewed by the Investment Manager. The Technology, Media & Telecoms Sector as well as the Industrial Sector will see the maximum limits reduced by 5% each to 25% with a re-allocation of these limits to the Property Sector. This will increase the maximum Property sector risk weighting from 25% to 35% and is consistent with the transaction opportunities currently being screened by the Investment Manager.

NAV and Share Price Performance

As at 30 June 2017, the net asset value ("NAV") per Ordinary Share was 97.57 pence and the share price was 102 pence, representing a premium of 4.5% to NAV.

On 24 May 2017, the Company declared a first interim dividend of 0.2 pence, which was subsequently paid in June. The directors have declared a second interim dividend of 0.2 pence per Ordinary Share which will be paid on 15 September 2017 to shareholders on the register on 18 August 2017. As stated in the Company's prospectus, the dividend target for the financial period ending 31 December 2017 is 4 pence per Ordinary Share. It is still the expectation of the Board and the Investment Manager that this dividend target will be met.

As described in the Company's prospectus, following the listing the Company applied to the Court for the premium of £48.75 million arising on the first issue to be cancelled and transferred to a distributable capital reserve. The process was completed in March 2017 and the reduction became effective at that time.

Finally, I would like to thank shareholders for the support they have shown to the Company since its inception.

Norman Crighton
Chairman
9 August 2017

Investment Manager's Report

During the first half of the year, the Investment Manager worked towards meeting the Investment Objectives outlined in the Prospectus by deploying the funds raised at the IPO and developing a diverse portfolio of debt investments which would generate a steady return for Shareholders. This initial portfolio deployment phase is now largely complete as a significant amount of the initial capital has been deployed. RM is now finalising investments which will take the Company to being fully invested on a cash basis and generating a steady income stream in order to pay the target returns outlined to investors.

The Market Environment

During the period, there has been significant volatility in both bonds and currencies. Post the Brexit referendum the pound has weakened against the Euro and the Dollar. This has had a negligible effect on NAV as currently nearly all of the currency exposure is fully hedged. Central Bankers globally have been commenting on the likely timing of the reduction or removal of Quantitative Easing which has had an effect on underlying bond yields as the market adjusts future interest rate expectations. Sentiment has also been weakened by the result of the 2017 General Election and how this affects Brexit negotiations along with a concern as to how they will be conducted with a divergence of views between the hard and soft Brexit camps. These moves unsettle the credit market and we have seen a period of weakness across public transactions.

The Portfolio

Over the period, the Company has focused on private debt where borrowers pay an illiquidity premium for bespoke loans which can be combined with security packages negotiated by the Investment Manager, thus giving optimum risk adjusted returns. There have been a number of such transactions completed over the period and the pipeline of such transactions remains strong for the second half of the year. Within this pipeline the Investment Manager sees the most attractive risk adjusted opportunities within two sectors, Property Bridging and Asset Finance. Property Bridging is where loans are made on very limited Loan to Value basis over property and where for a number of reasons borrowers need funding faster than a bank can provide. The Company believes it can fill this gap within the unregulated space by providing the “bridge” and adds value by conducting the due diligence and legal process within an expedited time period. Funding Asset Finance opportunities are attractive due to recourse to a wide pool of hard assets, guarantees from underlying borrowers and significant sponsor equity.

The Investment Manager has reviewed a large number of investment opportunities and the significant majority of these have not been progressed. Typically, the main reasons for transactions not proceeding through initial screening are expectations on pricing not being met, sector restrictions, geography of borrower, ethical restrictions, transaction structure not being deemed attractive, transaction size or loan to value.

The Company also invests in more public transactions which meet the Investment Policy. During the early part of the year public transactions provided some initial opportunities thus reducing the cash drag whilst the Investment Manager conducted due diligence and documentation on the transactions directly originated with borrowers. Whilst there is additional volatility from the public transactions as they are more susceptible to price movements driven by market sentiment, they are important for several reasons. Initially it allows a tactical allocation of capital whilst the Company is holding cash. Secondly it gives the Company diversity into high quality companies which are typically of larger scale with larger financing requirements. Finally, these transactions offer liquidity should the Company wish to participate in another opportunity or require cash for any other corporate purposes.

Over the second half of 2017, the Company will seek to raise capital which should increase diversity for shareholders as well as spreading the fixed costs in order to bring down the Total Expense Ratio.

Outlook

As we look forward to the second half of the year, the Investment Manager is cautious due to the uncertain market outlook and remains vigilant with regards to property prices and the broader economy. However, there are still good opportunities to invest in higher yielding secure debt investments and the current pipeline reflects this. RM continues to identify secured investment opportunities offering downside protection which offer an above average return. Investors are keen to source these investments in this increasingly volatile environment and this is reflected by the strong trading of the shares since launch.

RM Capital Markets Limited
9 August 2017

Ten Largest Holdings

As at 30 June 2017

MARKET SECTOR	BUSINESS ACTIVITY	VALUATION* £'000	% OF NET ASSETS
Healthcare & Pharmaceuticals	Care provider	4,863	8.7
Sovereign & Public Finance	Student accommodation	4,420	7.9
Services (Consumer)	Forecourt operator	4,093	7.3
Energy (Electricity)	Power plant	4,000	7.2
Healthcare & Pharmaceuticals	Care provider	3,870	6.9
Beverage, Food & Tobacco	Casual Dining	3,765	6.7
Fire (Insurance)	Insurance Broking	2,945	5.3
Energy (Electricity)	Power plant	2,575	4.6
Energy (Electricity)	Power plant	2,575	4.6
Fire (Finance)	Consumer finance	1,954	3.5
Ten largest holdings		**35,060**	**62.7**
Other holdings		7,239	12.9
Total holdings		**42,299**	**75.6**
Cash and other net assets		13,611	24.4
Total net assets		**55,910**	**100.0**

*Valuation based on fair values of drawn down amounts, which may be different to the par values as at the reporting date.

Interim Management Report

The directors are required to provide an Interim Management Report in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules ('DTR'). The directors consider that the Chairman's Statement and the Investment Manager's Report in this Half-Yearly Report, the following statement on related party transactions and the Statement of Directors' Responsibility below, together constitute the Interim Management Report for the Company for the period from its incorporation to 30 June 2017. The principal risks and uncertainties to the Company are detailed in note 14 to the financial statements. The outlook for the Company in the remaining six months of the Company's first financial period is discussed in the Investment Manager's Report.

Related party transactions

Details of the amounts paid to the Company's Investment Manager and the directors during the period are detailed in the notes to the financial statements.

Statement of Directors' Responsibility for the Half-Yearly Report

The directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the Half-Yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's DTR.

Norman Crighton
Chairman of the Board of directors
9 August 2017

Unaudited Statement of Comprehensive Income

For the period from incorporation on 27 October 2016 to 30 June 2017

	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Loss on investments		–	(376)	(376)
Income	3	806	–	806
Investment management fee	4	(139)	–	(139)
Other expenses		(444)	–	(444)
Return before finance costs and taxation		**223**	**(376)**	**(153)**
Finance costs		(3)	–	(3)
Return on ordinary activities before taxation		**220**	**(376)**	**(156)**
Taxation on ordinary activities		–	–	–
Return on ordinary activities after taxation		**220**	**(376)**	**(156)**
Return per Ordinary Share (pence)	8	**0.43p**	**(0.73p)**	**(0.30p)**

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

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

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

The notes on pages 9 to 16 form an integral part of these financial statements.

Unaudited Statement of Financial Position

As at 30 June 2017

	NOTES	AS AT 30 JUNE 2017 £'000
Fixed assets		
Investments at fair value through profit or loss	5	42,299
Current assets		
Receivables		352
Cash and cash equivalents		15,946
		16,298
Payables: amounts falling due within one year		
Creditors	6	(2,687)
Net current assets		**13,611**
Total assets less current liabilities		**55,910**
Net assets		**55,910**
Capital and reserves: equity		
Share capital	7	573
Share premium		6,853
Special reserve		48,640
Capital reserve		(376)
Revenue reserve		220
Total equity		**55,910**
NAV per share – Ordinary Shares (pence)	9	**97.57p**

The notes on pages 9 to 16 form an integral part of these financial statements.

Unaudited Statement of Changes in Equity

For the period from incorporation on 27 October 2016 to 30 June 2017

	NOTES	SHARE CAPITAL £'000	SHARE PREMIUM £'000	SPECIAL RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Balance as at beginning of the period		–	–	–	–	–	**–**
Return on ordinary activities		–	–	–	(376)	220	**(156)**
Issue of Ordinary Shares	7	573	56,815	–	–	–	**57,388**
Transfer to special reserve		–	(48,755)	48,755	–	–	**–**
Share issue costs		–	(1,207)	–	–	–	**(1,207)**
Dividend paid	10	–	–	(115)	–	–	**(115)**
Balance as at 30 June 2017		**573**	**6,853**	**48,640**	**(376)**	**220**	**55,910**

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

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

The notes on pages 9 to 16 form an integral part of these financial statements.

Unaudited Statement of Cash Flows

For the period from incorporation on 27 October 2016 to 30 June 2017

	NOTES	£'000
Operating activities		
Return on ordinary activities before finance costs and taxation		(153)
Add: Realisation of investments at book cost		8,355
Less: Purchase of investments		(50,884)
Adjustment for losses on investments		230
Increase in debtors		(352)
Increase in creditors		2,687
Net cash flow from operating activities		**(40,117)**
Financing activities		
Finance costs paid		(3)
Share issue proceeds	7	57,388
Share issue costs	7	(1,207)
Equity dividends paid	10	(115)
Net cash flow from financing activities		**56,063**
Increase in cash		**15,946**
Opening balance at beginning of the period		**–**
Balance as at 30 June 2017		**15,946**

The notes on pages 9 to 16 form an integral part of these financial statements.

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

The Company's shares were admitted to the Official List of the UK Listing Authority with a premium listing on 15 December 2016. On the same day, trading of the Ordinary Shares commenced on the London Stock Exchange. The registered office is Mermaid House, 2 Puddle Dock, London, EC4V 3DB.

2. Accounting policies

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

(a) Basis of accounting
The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority. They do not include all of the information required for full annual financial statements. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

The functional and presentational currency of the Company is Sterling (£).

(b) Investments
Investments consist of loans made by the Company. The loans are designated at initial recognition at fair value through profit and loss and are recorded at fair value. Subsequently, loans are measured at fair value through profit and loss and gains / losses are attributed to the capital column of the Statement of Comprehensive Income. When the loan term expires, the loan is no longer held as an asset.

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

(d) Income
Interest income is recognised in the revenue column of the Statement of Comprehensive Income on a time-apportioned basis using the effective interest rate method.

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

(f) Expenses
All expenses are accounted for on an accruals basis. Expenses are recognised in the revenue column of the Statement of Comprehensive Income.

Notes to the financial statements

continued

2. Accounting policies continued

Management fees and finance costs

The Company is expecting to derive its returns predominantly from interest income. Therefore, the Board has adopted a policy of allocating all management fees and finance costs to the revenue column of the Statement of Comprehensive Income.

(g) Taxation

The charge for taxation is based upon the net revenue for the year. The tax charge is allocated to the revenue and capital accounts 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.

(h) Financial liabilities

Bank loans and overdrafts are initially recorded at the proceeds received net of direct issue costs and subsequently measured at amortised cost using the effective interest rate.

(i) Dividends

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

(j) Estimates and assumptions

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

3. Income

	PERIOD ENDED 30 JUNE 2017 £'000
Income from investments	
Bond and loan interest	754
Bank interest	17
Other income	35
	806

4. Investment management fee

	AS AT 30 JUNE 2017 £'000
Basic fee:	
100% charged to revenue	139
	139

The Company's investment manager is RM Capital Markets Limited (the 'Investment Manager'). The Investment Manager is entitled to receive a management fee payable monthly in arrears and is at the rate of one-twelfth of 0.5% if funds raised are less than £75 million. If the Investment Manager raises funds in excess of £75 million then they are entitled to receive a management fee one twelfth of 0.875% per calendar month of Net Asset Value payable monthly in arrears.

There is no performance fee payable to the Investment Manager.

5. Investment at fair value through profit or loss

	AS AT 30 JUNE 2017 £'000
Financial assets held:	
Debt securities and loan investments	42,299
	42,299

6. Creditors

	AS AT 30 JUNE 2017 £'000
Amounts falling due within one year:	
Purchases for future settlement	2,109
Other creditors	578
	2,687

7. Share capital

	30 JUNE 2017 NO. OF SHARES	30 JUNE 2017 £'000
Allotted, issued & fully paid:		
Ordinary Shares of 1p	57,300,000	573
	57,300,000	**573**

On incorporation, the issued share capital of the Company was £0.01 represented by one Ordinary Share, held by RM Capital Markets Limited as subscriber to the Company's memorandum of association. The Ordinary Share was fully paid up.

To enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Act, on 3 November 2016, 50,000 redeemable management shares of £1 each ("Management Shares") were allotted to the Investment Manager. The Management Shares were fully paid up and were redeemed at the same price, immediately following Admission 15 December 2016 out of the proceeds of the Issue.

On 15 December 2016, 50,300,000 Ordinary Shares of 1p each ("Ordinary Shares") were allotted and issued to shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 24 November 2016.

Share Movement
The table below sets out the share movement since incorporation on 27 October 2016 to 30 June 2017.

For the period from 27 October 2016 to 30 June 2017

	SHARES ISSUED	SHARES REDEEMED	SHARES IN ISSUE AT 30 JUNE 2017
Management Shares	50,000	(50,000)	–
Ordinary Shares	57,300,000	–	57,300,000

On 19 May 2017, a further 7,000,000 Ordinary Shares of 1p each were allotted and issued to shareholders.

Notes to the financial statements

continued

8. Return per Ordinary Share

Total return per Ordinary Share is based on the loss on ordinary activities after taxation of £156,000.

Based on the weighted average of number of 51,608,081 Ordinary Shares in issue from commencement of the Company's operations on 15 December 2016 to 30 June 2017, the returns per share were as follows:

	PERIOD ENDED 30 JUNE 2017		
	REVENUE	CAPITAL	TOTAL
Return per Ordinary Share	0.43p	(0.73p)	(0.30p)

9. Net asset value per share

The net asset value per share attributable to the ordinary shareholders at the period end were as follows:

	NET ASSET VALUE PER SHARE 30 JUNE 2017 (PENCE)	NET ASSETS AVAILABLE 30 JUNE 2017 £'000
Ordinary Shares (57,300,000 shares in issue)	97.57	55,910

The net asset value per share is based on total shareholders' funds above, and on 57,300,000 Ordinary Shares in issue at the period end.

10. Dividend

On the 23 May 2017, the directors approved the payment of an interim dividend to ordinary shareholders at the rate of 0.2 pence per Ordinary Share. The dividend had a record date of 2 June 2017 and was paid on 30 June 2017. The dividend was funded from the Company's Special Reserve.

On 4 August 2017, the directors approved the payment of an interim dividend at the rate of 0.2 pence per Ordinary Share. The dividend will have a record date of 18 August 2017 and will be payable on 15 September 2017. The dividend will be funded from the Company's Special Reserve.

11. Related party transactions

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. At 30 June 2017 the fee outstanding to the Investment Manager was £23,296.

Fees are payable at an annual rate of £36,000 to the Chairman, £33,000 to the Chairman of the Audit Committee and £30,000 to the other director.

The directors had the following shareholdings in the Company, all of which are beneficially owned.

	ORDINARY SHARES AT 30 JUNE 2017
Norman Crighton	20,000
Guy Heald	20,000
Marlene Wood	20,000

12. 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:

	30 JUNE 2017			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets	–	21,491	20,808	42,299
	–	**21,491**	**20,808**	**42,299**

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. Alternative valuation methodologies, if appropriate, are applied if the particular loan is "non-standard".

There have been no movements between levels during the reporting period.

13. Post balance sheet events

There are no other post balance sheet events to report.

14. Principal risks and uncertainties

(i) Market risks

Availability of appropriate investments
There is no guarantee that loans will be made in a timely manner.

Before the Company is able to make or acquire loans, the Investment Manager is required to complete necessary due diligence and enter into appropriate legal documentation. There can be no guarantee these steps will occur.

In addition the Company may become subject to competition in sourcing and making investments. Some of the Company's competitors may have greater financial, technical and marketing resources or a lower cost of capital and the Company 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 Company'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 Company's assets will be held in cash for longer than anticipated and the Company's ability to achieve its investment objective will be adversely affected. To the extent that any investments to which the Company is exposed prepay, mature or are sold it will seek to reinvest such proceeds in further investments in accordance with the Company's investment policy.

Notes to the financial statements

continued

14. Principal risks and uncertainties continued

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

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

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

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

(ii) Risks associated with meeting the Company's investment objective or target dividend yield
The Company'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 Company will be subject to the discretion of the directors and will depend upon, amongst other things, the Company successfully pursuing the investment policy and the Company's earnings, financial position, cash requirements, level and rate of borrowings and availability of profit, as well as the provisions of relevant laws or generally accepted accounting principles from time to time.

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

(iii) Credit risks
The Company's investments will be predominantly in the form of 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.

There are a number of risks that could result in either the cash flows of the borrower being lower than anticipated or the sale or refinancing of the physical assets not generating as much capital as anticipated. This would potentially adversely affect the ability of the borrower to service its debts including any loans. The key risks relating to the loans include risks relating to residual value, counterparty default, reliance on sub-contractors and/or servicers, senior debt covenant breach risk, bridge loans, no control over decisions made at project and asset level, assumptions and errors in targeted returns on loans and financial models, liability of operating risk, rates of inflation, rates of interest, insurance costs and availability, delays in the receipt of anticipated cash flows, acquisition risks and borrower default, loan non-performance and collateral risks.

Management of risks
The Asset Finance Team of 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 Team also monitors ongoing credit risks in respect of the loans.

(iv) Leverage risks
The Company may use borrowings to seek to enhance investment returns. While the use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is falling or rising at a lower rate than the cost of borrowing, reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the market price of a Share). Any reduction in the number of Shares in issue (for example, as a result of buy-backs or tender offers) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

Management of risks
In accordance with its borrowing and gearing policy, the Company borrowings are limited to up to 20% of its net asset value calculated at the time of draw down.

(v) Interest rate risks
Loans
The Company may make 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 Company provides loans will be linked to interest rates, or that the Company's returns from a 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 Company may be lower than anticipated.

Borrowings
The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Management of risks
The Investment Manager's investment process takes into account interest rate risk. The investment strategy is to invest in 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.

(vi) Corporate governance and internal control risks
The Company has no employees and the directors have all been appointed on a non-executive basis. The Company 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 Company Secretary, the Registrar and their respective delegates, if any, will perform services that are integral to the Company's operations and financial performance.

Poor performance of the above service providers could lead to various consequences including the loss of the Company's assets, inadequate returns to shareholders and loss of investment trust status.

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 Company. 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.

(vii) Regulatory risks
The Company 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 Company or any changes to current accountancy regulations and practice in the UK may have a material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective and/or on the value of the Company and the Shares. In such event, the performance of the Company, the Net Asset Value, the Company's earnings and returns to Shareholders may be materially adversely affected.

Management of risks
The Company 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.

Notes to the financial statements

continued

15. Status of this report

These financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The Half-yearly financial report will be made available to the public at the registered office of the Company. The report will be available in electronic format on the Company's website (www.rm-funds.co.uk).

The Half-yearly financial report was approved by the Board on 9 August 2017.

Directors, investment manager and advisers

Directors (all non-executive)

Norman Crighton (Non-Executive Chairman)
Guy Heald
Marlene Wood

Registered Office*

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London
EC4V 3DB

Investment Manager

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Edinburgh
EH3 7JA

AIFM

International Fund Management Limited
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Le Truchot
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GY1 4NA

Administrator and Company Secretary

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Mermaid House
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Auditor

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Registrar

Capita Registrars Limited
The Registry
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Broker

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Solicitors to the Company

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* Registered in England and Wales No. 10449530

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