RM Secured Direct Lending PLC

Annual Report and Accounts

for the year ended 31 December 2018

RMFunds

CONTENTS

INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

Investment objective

RM Secured Direct Lending Plc ("the Company") aims to generate attractive and regular dividends through investment in secured debt instruments of UK Small and Medium sized Enterprises ("SMEs") and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share (such debt instruments, as further described on page 7, being "Loans") sourced or originated by RM Capital Markets Limited (the "Investment Manager") with a degree of inflation protection through index-linked returns where appropriate.

Financial information

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

Performance summary

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

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

Alternative Performance Measures ('APMs')

The financial information and performance summary data highlighted in the footnote to the above tables are considered to represent APMs of the Group and the Company. In addition to these APMs measures have been used by the Group to assess its performance. Definitions of these APMs together with how these measures have been calculated can be found on page 67.

CHAIRMAN'S STATEMENT

Introduction

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

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

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

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

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

Portfolio

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

- Average yield across the portfolio has risen over the year from 8.23% to 8.55%
- The proportion of the portfolio investments that have their coupons linked to Libor has risen from 39% to 57%
- Investments in the senior secured part of the capital structure have remained relatively steady at 66% from 69% last year.

NAV and share price performance

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

Revolving credit facility

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

Outlook

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

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

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

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

Norman Crighton
Chairman
26 March 2019

INVESTMENT MANAGER'S REPORT

Overview

During the first half of 2018, the Company completed a further equity and ZDP raise, which has enabled the Investment Manager ("the Manager" or "RM") to capitalise on available investment opportunities. The secondary objective which is ongoing was to optimise the portfolio yield, resulting in the year end average portfolio yield increasing (by 43bps since the start of the year) to over 8.5%.

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

The market environment

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

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

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

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

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

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

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

The portfolio

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

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

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

	31 December 2018	31 December 2017
Number of investments	35	23
Number of sectors	14	11
Weighted average life (years)	3.42	3.48
Net asset value	£95.7m	£56.3m
Net asset value (pence per share)	96.96	98.20
Total investments outstanding	£102.6m	£76.9m
Average yield	8.55%	8.23%
Senior secured/Junior secured/HoldCo	66%/18%/16%	72%/28%/0%
Fixed/Floating	57%/43%	72%/28%

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

INVESTMENT MANAGER'S REPORT

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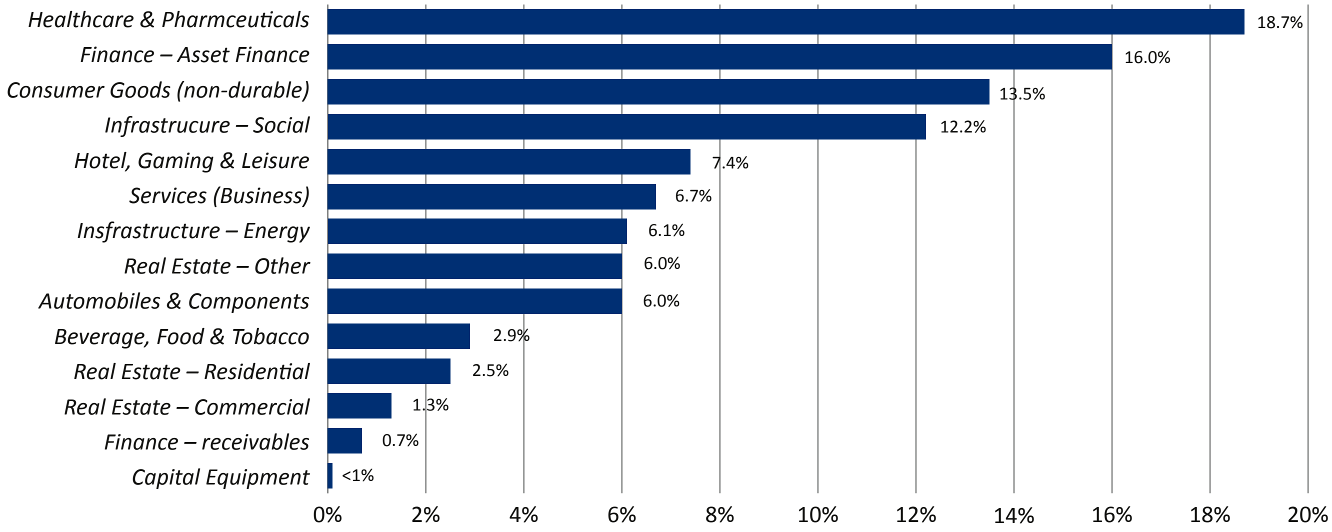
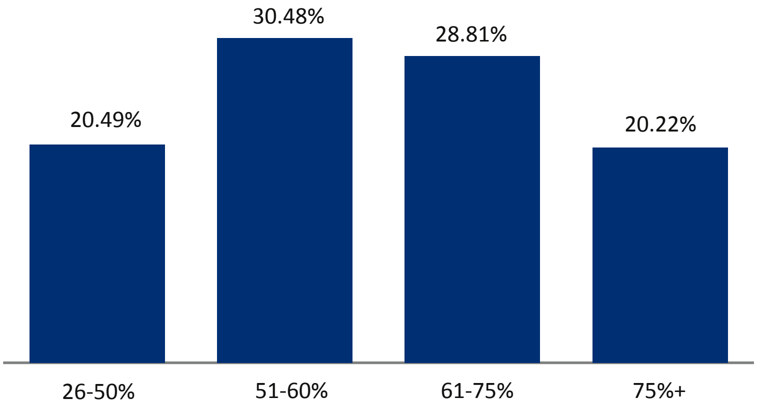
Sector Breakdown



Loan to value



Outlook

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

RM Capital Markets Limited
26 March 2019

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.

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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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 per cent. 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.

Amendment to the Company's investment policy

At the time of the Company's IPO, the Board determined that the Company's borrowing and gearing policy would only allow the Company to utilise borrowings for share buybacks and short term liquidity purposes.

The Company, after discussion with the Investment Manager, determined that it would be beneficial to amend the existing Investment Policy to permit a prudent level of gearing that would be available for investment purposes as well as to fund share buy-backs and for short term liquidity purposes. The amendment was also necessary to facilitate any issue of ZDP Shares by RM ZDP plc, a wholly owned subsidiary of the Company. On 5 March 2018 a Circular was sent to Shareholders with proposals to amend the Company's Investment Policy and these proposals were approved at a General Meeting of the Company held on 28 March 2018. The Company's current Investment Policy, following the Shareholder approval, is set out above.

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").

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.

Dividend policy

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

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

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

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

Results and dividend

The Group revenue return after tax for the year ended 31 December 2018 amounted to £5,910,000 (2017: Company £2,363,000). The Group made a capital loss after tax of £1,603,000 (2017: Company £983,000). Therefore, the total return after tax for the Group was £4,307,000 (2017: Company £1,380,000).

The first interim dividend of 1.625p per Ordinary Share was declared on 24 May 2018 in respect of the period from January to March 2018, the second interim dividend of 1.625p per Ordinary Share for the quarter ended 30 June 2018 was declared on 7 August 2018 and the third interim dividend of 1.625p per Ordinary Share for the quarter ended 30 September 2018 was declared on 27 November 2018. On 27 February 2019, the Board declared a fourth interim dividend of 1.625p per Ordinary Share for the quarter to 31 December 2018.

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 5.5% (2017: 2.8%) in the year ended 31 December 2018.

(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 4.7% premium (2017: 3.0%) to the NAV as at 31 December 2018.

(iv) Control of the level of ongoing charges
The Board monitors the Company's operating costs. Based on the Company's average net assets for the year ended 31 December 2018, the Group's ongoing charges figure calculated in accordance with the AIC methodology was 1.93% (2017: 1.90%). The Board considers this level to be reasonable.

Principal risks and uncertainties

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

(i) Market risks
Availability of appropriate investments
There is no guarantee that loans will be made in a timely manner.

Before the Group is able to make or acquire loans, the Investment Manager is required to complete necessary due diligence and enter into appropriate legal documentation. In addition the Group may become subject to competition in sourcing and making investments. Some of the Group's competitors may have greater financial, technical and marketing resources or a lower cost of

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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capital and the Group may not be able to compete successfully for investments. Competition for investments may lead to the available interest coupon on investments decreasing, which may further limit the Group's ability to generate its desired returns.

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

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

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

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

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

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

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

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

Further details on financial risks and the management of those risks can be found in note 21 to the financial statements.

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

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

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

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

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

Viability statement

The Directors have assessed the viability of the Group for the five years to 31 December 2023 (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 Chairman'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, 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 Share less costs. The Directors have assumed, for the purposes of its viability assessment, that the next liquidity opportunity will not reduce the Group to a size whereby it is not viable.

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.

Environmental matters

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.

Employees

The Group has no employees. As at 31 December 2018 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 22).

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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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 that does not offer goods or services 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 Chairman's Statement on page 3.

Strategic report

The Strategic Report set out on pages 1 to 13 of this Annual Report was approved by the Board of Directors on 26 March 2019.

For and on behalf of the Board

Norman Crighton
Chairman
26 March 2019

PORTFOLIO

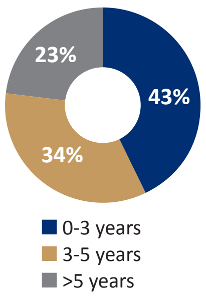
Largest 10 loans by drawn amounts across the entire portfolio as at 31 December 2018

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

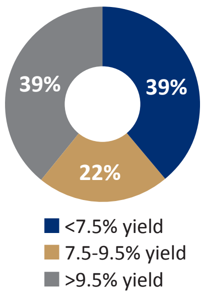
* The above is based on the Group's net assets before deduction of ZDP Shares capital entitlement.

Portfolio analysis

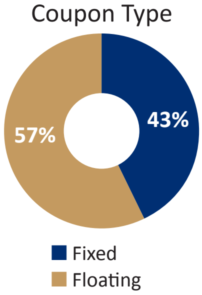
WAL* of Loan Book



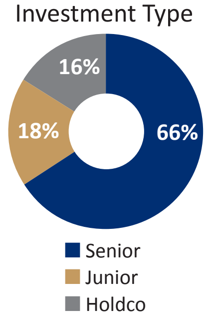
Annualised Yield



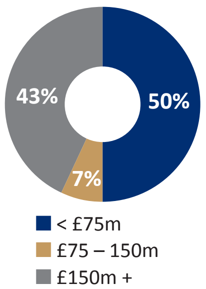
Coupon Type



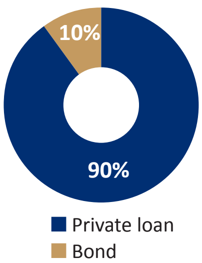
Investment Type



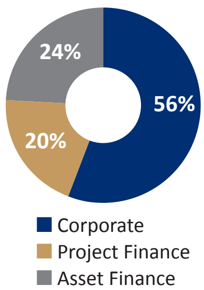
Size of Borrower, split by Revenues



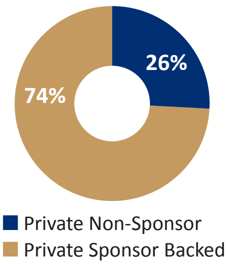
Instrument Type



Loans split by Investment type



Ownership Profile of Borrowers



* Weighted Average Loan.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2018. The consolidated financial statements include the results of the Company and its subsidiary RM ZDP plc (the "Group").

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 13.

Corporate governance

The Corporate Governance Statement on pages 20 to 23 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 2018 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 twelve 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.

The Investment Manager is entitled to remuneration each month at a rate equivalent to one twelfth of 0.875% (if over £75 million) or 0.50% (if under £75 million) per calendar month of the Net Asset Value of the Company. Until the period ending on the third anniversary of Admission, the Investment Manager shall apply 50% of the quarterly Management Fee received in subscribing for shares at Net Asset Value and/or purchasing shares in the market.

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 Alternative Investment Fund Manager 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 with the first review carried out in 2018. 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 6 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 2018	112%	112%

Management engagement

The Directors are satisfied that the Investment Manager and AIFM have the suitable skills and experience to manage the Group's investments and that the AIFM has the suitable skills and experience to act as AIFM to the Group. The Directors believe that the continuing appointment of the AIFM and the Investment Manager is in the interests of Shareholders as a whole.

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

On 12 March 2018 the Company published a prospectus in relation to a proposed Offer for Subscription, Initial Placing and Initial Intermediaries Offer of C Shares and implementation of a Share Issuance Programme, together with, a Placing of ZDP Shares and implementation of a placing programme of ZDP Shares by RM ZDP plc, a wholly owned subsidiary of the Company. On 27 March 2018 the Company announced that it had raised £11.3 million via the issue of C Shares and £10.8 million via the Placing of ZDP Shares.

A General Meeting was held on 28 March 2018 and Shareholders approved the proposed amendments to the Company's investment policy, the proposed authority to allot and to disapply pre-emption rights in respect of up to 250 million C Shares and/or Ordinary Shares.

In addition to the above, the Board recommends that the Company is granted a new general authority to issue Ordinary Shares and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to Shareholders at the Annual General Meeting and are contained in the Notice of Annual General Meeting.

Ordinary Shares issued under the above authority will not be issued at a price less than the (cum income) Net Asset Value per existing Ordinary Share at the time of issue.

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.

DIRECTORS' REPORT

CONTINUED

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. No Ordinary Shares were bought back during the year ended 31 December 2018 and no shares are currently held in Treasury.

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.

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.

Liquidity opportunity

Before the Company's fourth annual general meeting, 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 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 98,724,581 Ordinary Shares of 1 pence nominal value. 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 or C Shares, nor are there any limitations or special rights associated with the Shares.

C Shares were issued on 25 October 2017 to convert into Ordinary Shares ranking pari passu with the existing Ordinary Shares ("Conversion") on the basis of the conversion ratio which was calculated, inter alia, on the earlier of (i) when 85% of the assets attributable to the C Share class have been invested; or (ii) six months after Admission (24 April 2018).

On 19 March 2018, 30,000,000 C Shares were converted into 30,115,374 new Ordinary Shares of 1p each using the Conversion Ratio as calculated in accordance with the terms set out in the Company's Articles of Association. Based on the Conversion Ratio, a holder of 1,000 C Shares received 1,003 new Ordinary Shares upon Conversion. The Ordinary Shares arising on Conversion rank pari passu with, and have the same rights as, the Ordinary Shares of the Company already in issue, including the right to receive dividends.

On 3 April 2018, 11,329,363 C Shares were issued and allotted, raising gross proceeds of £11,329,363 pursuant to the Offer for Subscription, Initial Placing and Initial Intermediaries Offer of C Shares of 10 pence each at a issue price of 100 pence each. These C Shares converted into 11,309,207 Ordinary Shares on 19 July 2018.

Therefore as at 31 December 2018, there were 98,724,581 Ordinary Shares in issue.

Significant Shareholders

As at 31 December 2018, the Directors have been formally notified of the following interests comprising 3% or more of the issued share capital of the Company:

	As at 31 December 2018		As at date of this report	
	Ordinary Shares held	% of voting rights held*	Ordinary Shares held	% of voting rights held**
CCLA Investment Management Limited	19,102,379	19.35%	20,552,379	18.31%
Quilter Plc	15,030,000	15.22%	15,030,000	13.39%
Brooks Macdonald Asset Management Limited***	6,013,691	6.09%	6,013,691	5.36%
CG Asset Management***	4,927,000	4.99%	4,927,000	4.39%
Hawksmoor Investment Management Limited	3,401,922	3.45%	5,800,231	5.17%

* Based on Ordinary Shares in issue as at 31 December 2018.
** Based on Ordinary Shares in issue as at the date of this report.
*** Shareholders also have significant zero dividend preference shareholdings in RM ZDP PLC.

Settlement of Ordinary Share transactions

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

Revolving credit facility

The Group has a revolving credit facility with Oak North Bank. Under the terms of the facility, a maximum of £10 million, can be drawn down. During the year, the Company drew down £2.5 million from the credit facility, which was subsequently fully repaid before the year end.

DIRECTORS' REPORT
CONTINUED

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 appointed as the Group's valuer with responsibility for valuing 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 twenty-one 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 twenty-one 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 fourteen 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 on page 11.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the Group's portfolio of loan investments of £102 million as well as its income and expense flows and the cash position of £8.1 million. The Group's net assets at 31 December 2018 were £95.7 million. The total expenses (excluding finance costs and taxation) for the year ended 31 December 2018 were £2 million, which represented approximately 2.1% 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.

Since inception the Group has delivered positive total return performance and met its objectives set out in the prospectus in relation to the annual dividend, which is reflected in the premium/low discount at which the Company's Shares have traded during and subsequent to the year end.

Directors' indemnities

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

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.

By order of the Board

Anthony Lee
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary
26 March 2019

CORPORATE GOVERNANCE

Introduction

The Board of the Company has considered the principles and recommendations of The AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in The UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. A copy of the AIC Code can be viewed on the AIC's website **www.theaic.co.uk**

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates The UK Corporate Governance Code), will provide more relevant information to Shareholders than solely reporting against The UK Corporate Governance Code.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for The UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that 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.

During the financial year ended 31 December 2018, the Group 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; and

(iv) the need for an internal audit function.

For the reasons set out in the AIC Guide, the Board considers that these provisions are not relevant to the size and position of the Company, being an externally managed investment company with no executive Directors; therefore the Company does not comply with these provisions.

The Board

Composition
At the date of this report, the Board consists of three non-executive Directors including the Chairman, 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 Board believes that during the year ended 31 December 2018 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 Directors have a broad range of relevant experience to meet the Group's requirements and their biographies are given below:

Norman Crighton *(Non-executive Chairman)*
Norman is the Chairman of Weiss Korea Opportunity Fund, Chairman of Global Fixed Income Realisation Limited and Chairman of 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 more than 27 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 covers analysis and research as well as sales 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 Committee)*
Marlene is a chartered accountant and currently non executive director and audit committee chair of GCP Student Living plc, and the deputy chair and finance committee chair of the Scottish Funding Council for Further and Higher Education.

Marlene has 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.

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board.

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 1 May 2019.

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 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 27.

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.

CORPORATE GOVERNANCE
CONTINUED

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. The first number in the table is the meetings attended by the individual Director and the second number is the number of meetings that the Director was eligible to attend.

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

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

Board diversity

The Group's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity and reviewed annually.

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the Chairman, 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 Chairman and discussed with the Board. A separate appraisal of the Chairman was carried out by the other members of the Board and the results reported back to the Chairman 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

Prior to the Group's listing a detailed review was carried out on the financial position, prospects and procedures applicable to the Group.

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. The system in place accords with The FRC's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

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 29 and a Statement of Going Concern is on page 18. The Report of the Independent Auditor is on pages 30 to 37.

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.

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 9 to 11.

Shareholder relations

The Company encourages all Shareholders to attend the Annual General Meeting and seeks to provide a minimum of twenty working days' notice of that 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. The Investment Manager has a programme of meetings with Shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from Shareholders.

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.

Environmental, social and governance ("ESG") policy

The Group premises, manufacturing or other operations. The Investment Manager incorporates ESG issues into its analysis and decision making processes.

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 30.

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 Chairman, who is entitled to receive £36,000. The Chairman 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.

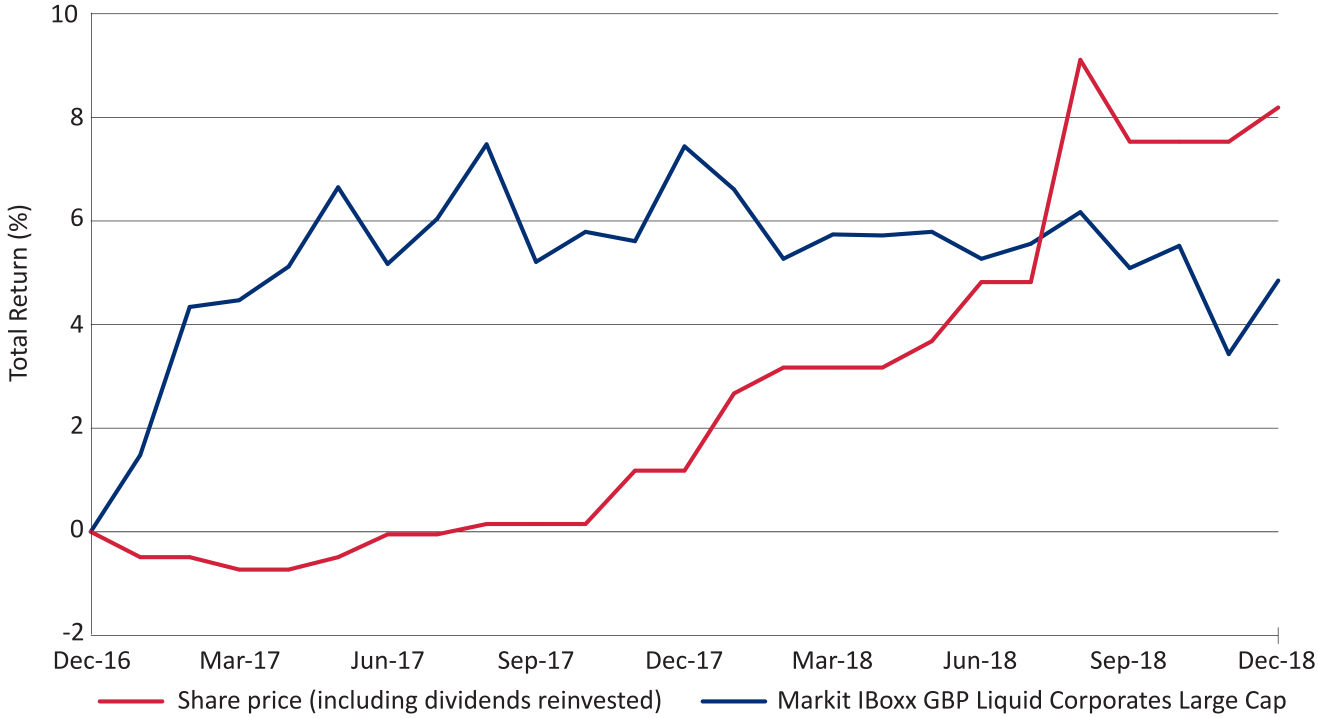
In addition the Board has purchased and maintains insurance at the expense of the Group for the benefit of such persons indemnifying them against any liability or expenditure incurred by them for acts or omissions as a Director or officer of the Group.

Director search and selection fees

No Director search and selection fees were incurred in the year ended 31 December 2018.

Performance

The following chart shows the performance of the Company's share price on a total return basis.



Directors' emoluments for the year ended 31 December 2018 (Audited)

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

	Fees and taxable benefits year ended 31 December 2018* £'000	Fees and taxable benefits period ended 31 December 2017 £'000
Norman Crighton	36	38
Marlene Wood	33	34
Guy Heald	30	31
	99	**103**

* The figures for the 12 months ended 31 December 2018 is not directly comparable to the period ended 31 December 2017, which is for 13 months.

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 period ended 31 December 2017 was 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.

A non-binding ordinary resolution to approve the Directors' Remuneration Report contained in the Annual Report for the year ended 31 December 2018 will be put forward for approval at the Company's Annual General Meeting to be held on 1 May 2019.

DIRECTORS' REMUNERATION REPORT

CONTINUED

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 May 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.

	2018 £'000	2017 £'000
Income	8,199	3,586
Directors' fees	99	103
Management fees and other expenses	2,028	1,147
Dividends paid and payable to Shareholders	6,036	2,177

Directors' holdings

The Directors had the following shareholdings at 31 December 2018 and as at the date of this report, all of which are beneficially owned.

	Ordinary Shares as at 31 December 2018	Ordinary Shares as at date of this report	Ordinary Shares as at 31 December 2017
Norman Crighton	30,030	30,030	20,000
Guy Heald	20,000	20,000	20,000
Marlene Wood	20,000	20,000	20,000

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 2018:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year ended 31 December 2018; and

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

Norman Crighton
Chairman
26 March 2019

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

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 as a whole has recent and relevant financial experience. 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 function under periodic review. The Chairman of the Company is a member of the Audit and Management Engagement Committee. The Board and the Audit and Management Engagement Committee believe that this is appropriate as the Chairman has recent and relevant financial experience and is independent.

Meetings

There have been four Audit and Management Engagement Committee meetings in the year ended 31 December 2018. 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 2018:

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

REPORT OF THE AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

CONTINUED

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.

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 2018, 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.

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 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 May 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.

Fees of £27,000 plus VAT were paid to Ernst & Young LLP in respect of non-audit services in the year ended 31 December 2018. Ernst & Young provided reporting accountant services to the Group in respect of C Shares Conversion and issue of ZDP Shares.

Marlene Wood
Audit and Management Engagement Committee Chair
26 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates, which are reasonable and prudent;
- present information including accounting policies and additional disclosures as required to ensure the report is presented in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Directors' confirmation statement

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

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

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

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

For and on behalf of the Board

Norman Crighton
Director
26 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RM SECURED DIRECT LENDING PLC

Opinion

In our opinion, the financial statements

- 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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of RM Secured Direct Lending PLC which comprise:

Group	Parent Company
Consolidated Statement of Comprehensive Income statement for the year then ended	Company Statement of Comprehensive Income
Consolidated Statement of Financial Position sheet as at 31 December 2018	Company Statement of Financial Position as at 31 December 2018
Consolidated Statement of Changes in Equity for the year then ended	Company Statement of Changes in Equity for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Company 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	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 below. We are independent of the Group and Parent Company 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 principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 9 to 11 that describe the principal risks and explain how they are being managed or mitigated;

- the directors' confirmation set out on page 23 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 23 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 11 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition from the investment portfolio. • Risk of incorrect valuation and defective title to the investment portfolio. • Risk of incorrect accounting for financial instruments recognised at amortised cost.
Audit scope	• We performed an audit of the complete financial information of one component, the Parent Company and the Group. • The component where we performed full audit procedures accounted for less than 1% of equity shareholders' funds.
Materiality	• Overall Group materiality of £0.96m which represents 1% of equity shareholders' funds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incomplete or inaccurate revenue recognition from the investment portfolio The revenue received for the year to 31 December 2018 was £8.2m (2017: £3.6m), consisting primarily of interest income. Refer to the Audit Committee Report set out on page 28, Accounting policies set out on page 47 and Note 5 of the Consolidated Financial Statements set out on page 50. The income receivable during the year directly affects the Parent Company's revenue return. 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 have 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 income from the income report to the coupon terms or loan agreements. We recalculated the interest amount receivable 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. We agreed a sample of interest payments from coupon terms available from an independent data vendor or loan agreement 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.	**The results of our procedures are:** We have no issues to communicate with respect to our procedures performed over the Risk of incomplete or inaccurate revenue recognition from the investment portfolio.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect valuation and defective title to the investment portfolio The valuation of the investment portfolio at 31 December 2018 was £102.58m (2017: £76.96m) consisting of private loans and bonds. Refer to the Audit Committee Report set out on page 27, Accounting policies set out on page 46 and Note 3 of the Consolidated Financial Statements set out on pages 48 and 49. The valuation of the assets held in the investment portfolio is the key driver of the 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 Parent Company could have a significant impact on the portfolio valuation and the return generated for shareholders. Private loans and bonds made are recognised at fair value through profit and loss.	**We have performed the following procedures:** We obtained an understanding of the Administrator's processes and controls surrounding investment valuation by reviewing their internal controls report and performing our walkthrough procedures with the Investment Manager and Administrator in order to evaluate the design and implementation of controls. We agreed the value of all investments held at the year end per the accounting records to the valuation report prepared by the independent valuer. We agreed the price of Private loans and bonds held in the portfolio to independent market sources, where available. We engaged our valuation specialists to perform a detailed quantitative and qualitative review of a sample of Private loans issued directly by the Parent Company 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 ensured the financial statements contain adequate disclosures regarding the valuation of investments, including those disclosures required under IFRS 13 'Fair Value Measurement'. We agreed the Parent Company's investments to independent confirmations received from the Parent Company's Custodian, Lawyer or Borrower as at 31 December 2018.	**The results of our procedures are:** We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect accounting for financial instruments recognised at amortised cost The valuation of the ZDP's and Intercompany Loan Liability in the Group and Parent Company Financial Statements at 31 December 2018 was £11.16m (2017: £0m). Refer to the Audit Committee Report set out on page 27, Accounting policies set out on page 47 and Note 12 of the Consolidated Financial Statements set out on page 56.	**We have performed the following procedures:** We obtained an understanding of the Administrator's processes and controls surrounding the accounting for financial instruments recognised at amortised cost reviewing their internal controls report and performing our walkthrough procedures in order to evaluate the design and implementation of controls. We agreed the issue costs incurred when issuing ZDP shares to invoices and bank statements. 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 interest receivable from the Parent Company with reference to the loan agreement. We recalculated the finance costs recorded using the redemption yield associated to the ZDP's. We confirmed the number of ZDP shares in issue and recalculated the Fair Value with reference to independent market source and compared to the disclosures made in the financial statements.	**The results of our procedures are:** We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title to the investment portfolio.

In the current year, our auditor's report includes reference to defective title given the importance to the Net Asset Value of the Parent Company and Group.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. For the one component in existence as at year end, we performed an audit of the complete financial information ("full scope entity").

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team, including the full scope entity.

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 £0.96m (2017: £0.56m), which is 1% (2017: 1%) of 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% (2017: 50%) of our planning materiality, namely £0.72m (2017: £0.28m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Parent Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.30m (2017: £0.12m) 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 Committee that we would report to them all uncorrected audit differences in excess of £0.05m (2017: £0.03m), 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 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 29** – the statement given by the directors that they consider the annual report and 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 27 to 28** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

INDEPENDENT AUDITOR'S REPORT

CONTINUED

- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 20 to 23** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29 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 the directors either intend 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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are IFRS, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends. 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 Company.

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

- We were appointed by the Company to audit the financial statements for the period ending 31 December 2017 and subsequent financial periods. We were appointed as auditors and signed an engagement letter on 15 November 2017.
- The period of total uninterrupted engagement is 2 years, covering the periods ending 31 December 2017 and 31 December 2018.
- 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 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 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

The notes on pages 45 to 66 form an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018			Period ended 31 December 2017		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on investments	3	–	(865)	(865)	–	(853)	(853)
Income	5	8,199	–	8,199	3,586	–	3,586
Investment management fee	6	(894)	–	(894)	(370)	–	(370)
Other expenses	7	(920)	(156)	(1,076)	(777)	–	(777)
Return before finance costs and taxation		**6,385**	**(1,021)**	**5,364**	**2,439**	**(853)**	**1,586**
Finance costs	8	(380)	(657)	(1,037)	(32)	(174)	(206)
Return on ordinary activities before taxation		**6,005**	**(1,678)**	**4,327**	**2,407**	**(1,027)**	**1,380**
Taxation	9	(17)	17	–	(44)	44	–
Return on ordinary activities after taxation		**5,988**	**(1,661)**	**4,327**	**2,363**	**(983)**	**1,380**
Return per Ordinary Share (pence)	16	**6.92p**	**(1.92p)**	**5.00p**	**4.35p**	**(1.81p)**	**2.54p**

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

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

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

The notes on pages 45 to 66 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	Group As at 31 December 2018 £'000	Company As at 31 December 2018 £'000	Company As at 31 December 2017 £'000
Fixed assets				
Investments at fair value through profit or loss	3	102,581	102,581	76,957
Investment in subsidiary	4	–	50	–
Current assets				
Receivables	10	2,602	2,543	1,069
Cash and cash equivalents		8,138	8,120	15,441
		10,740	**10,663**	**16,510**
Payables: amounts falling due within one year				
Payables	11	(6,446)	(6,399)	(7,624)
C Shares in issue	14	–	–	(29,574)
		(6,446)	(6,399)	(37,198)
Net current assets/(liabilities)		**4,294**	**4,264**	**(20,688)**
Non–current liabilities				
Zero Dividend Preference Shares	12	(11,155)	–	–
Intercompany loan payable	13	–	(11,155)	–
Net assets		**95,720**	**95,740**	**56,269**
Capital and reserves: equity				
Share capital	14	987	987	573
Share premium	15	47,351	47,351	6,845
Special reserve		48,304	48,304	48,502
Capital reserve		(2,586)	(2,644)	(983)
Revenue reserve		1,664	1,742	1,332
Total Shareholders' funds		**95,720**	**95,740**	**56,269**
NAV per share – Ordinary Shares (pence)	17	**96.96p**	**96.98p**	**98.20p**

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

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 26 March 2019 and signed on their behalf by:

Norman Crighton
Director

The notes on pages 45 to 66 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

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

FOR THE PERIOD FROM INCORPORATION ON 27 OCTOBER 2016 TO 31 DECEMBER 2017

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

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

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

The notes on pages 45 to 66 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group Year ended 31 December 2018 £'000	Company Year ended 31 December 2018 £'000	Company Period ended 31 December 2017 £'000
Operating activities				
Return on ordinary activities before finance costs and taxation*		5,364	5,364	1,586
Adjustment for losses on investments		807	865	844
Increase in debtors		(1,533)	(1,474)	(1,069)
Increase in creditors		1,023	938	691
Net cash flow from operating activities		**5,661**	**5,693**	**2,052**
Investing activities				
Private loan repayments/bonds sales proceeds		60,111	60,111	29,676
Private loans issued/bonds purchases		(88,580)	(88,580)	(100,617)
Purchase of investments		–	(50)	–
Net cash flow used in investing activities		**(28,469)**	**(28,519)**	**(70,941)**
Financing activities				
Finance costs paid		(95)	(95)	–
Zero Dividend Preference Shares issue proceeds		10,870	–	–
Intercompany loan proceeds		–	10,870	–
Ordinary Share issue proceeds		–	–	57,388
Ordinary Share issue costs		–	–	(1,215)
C Share issue proceeds	14	11,329	11,329	30,000
C Share issue costs		(264)	(264)	(559)
Other costs charged to capital		(156)	(156)	–
Foreign exchange losses		(403)	(403)	–
Transfer to Special reserve costs		–	–	(24)
Equity dividends paid	18	(5,776)	(5,776)	(1,260)
Net cash flow from financing activities		**15,505**	**15,505**	**84,330**
(Decrease)/increase in cash		**(7,303)**	**(7,321)**	**15,441**
Opening balance at beginning of the period		**15,441**	**15,441**	**–**
Balance at end of the year/period		**8,138**	**8,120**	**15,441**

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

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

The notes on pages 45 to 66 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

CONTINUED

Movement in financial liabilities – Group

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

Movement in financial liabilities – Company

	Year ended 31 December 2018		
	OakNorth facility £'000	C Shares £'000	Intercompany loan £'000
Balance as at 1 January 2018	–	29,574	–
Facility drawdowns during the year	2,500	–	–
Facility interests payable	8	–	–
Facility and interest repayments during the year	(2,508)	–	–
Shares issued during the year	–	11,329	–
Intercompany loan proceeds	–	–	10,870
Share conversions during the year	–	(41,425)	–
Return on C Shares conversion	–	522	–
Intercompany finance cost	–	–	285
Balance as at 31 December 2018	**–**	**–**	**11,155**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

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

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

2. Accounting policies

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

(a) Basis of accounting

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

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

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

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

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

(b) Adoption of new and revised standards

IFRS 9 Financial Instruments

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

Receivables that were previously measured at amortised cost under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Therefore, such instruments continue to be measured at amortised cost under IFRS 9. The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Accounting policies continued

The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. The Group has not designated any financial liabilities at fair value through profit or loss therefore this requirement has not had an impact on the Group. IFRS 9 requires the Group to record expected credit losses on all of its receivables, either on a 12 month or lifetime basis. As the Group has limited exposure to credit risk, this amendment has not had a material impact on the financial statements as the Group only holds receivables with no financing component that have maturities of 12 months or less. This requirement has not significantly changed the carrying amounts of the Group's financial assets under IFRS 9.

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

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

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

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

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

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

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

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

(h) Income

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

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

(i) Capital reserves

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

(j) Expenses

All expenses are accounted for on an accruals basis.

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

Management fees and finance costs

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

ZDP Shares finance cost

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

(k) Taxation

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

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

(l) Financial liabilities

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

Financial liabilities at amortised cost – ZDP Shares

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

(m) Dividends

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

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

(o) Investments in subsidiary

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

3. Investment at fair value through profit or loss

(a) Summary of valuation

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

(b) Movements

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

(c) Losses on investments

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

Significant accounting estimates and judgements

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

These assumptions are monitored to ensure their ongoing appropriateness.

4. Investment in subsidiary

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. Income

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

6. Investment Manager fee

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

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

There is no performance fee payable to the Investment Manager.

7. Other expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. Finance costs

Group

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

Company

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

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

9. Taxation

Group

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. Taxation continued

Company

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

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

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

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

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

10. Receivables

	Group As at 31 December 2018 £'000	Company As at 31 December 2018 £'000	As at 31 December 2017 £'000
Amounts falling due within one year:			
Repayment of investment private loans receivable	1,525	1,525	–
Bond and private loan interest receivable	904	904	873
Inter company receivable	–	43	–
Prepayments and other receivables	173	71	196
	2,602	**2,543**	**1,069**

11. Payables

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

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12. Zero Dividend Preference Shares

	Group As at 31 December 2018 £'000
Zero Dividend Preference Shares	10,870
ZDP Shares finance costs	285
	11,155

Authorised

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

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

Rights attaching to the ZDP Shares

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

Voting rights of ZDP Shares

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

- any resolution to alter, modify or abrogate the special rights or privileges attached to the ZDP Shares shall require separate class consent (by special resolution) at a class meeting of ZDP Shareholders convened and held in accordance with the ZDP Articles; and
- any ZDP Recommended Resolution or any resolution to approve a ZDP Reconstruction Proposal (if required) shall only be approved by RM ZDP Ordinary Shareholders provided they have first been approved by way of a ZDP Class Consent.

Variation of rights and Distribution on winding up

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

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

13.Intercompany loan

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

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

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

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

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

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

14. Share capital (Group and Company)

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

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14. Share capital (Group and Company) continued

Share movement

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

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

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

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

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

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

15. Share Premium (Group and Company)

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Balance as at beginning of the year	6,845	–
C Shares conversion to Ordinary shares	30,574	56,815
Premium arising on issue of C Shares	10,196	–
Transfer to capital reserves reserve	–	(48,755)
C Share conversion costs	(264)	(1,215)
Balance as at 31 December 2018	**47,351**	**6,845**

16. Return per Ordinary Share

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

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

Group

	Year ended 31 December 2018		
	Revenue	Capital	Total
Return per Ordinary Share	**6.83p**	**(1.85p)**	**4.98p**

Company

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

17. Net asset value per share

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

18. Dividend (Company)

Total dividends paid in the year	Year ended 31 December 2018				Period ended 31 December 2017			
	Pence per Ordinary Share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary Share	Revenue £'000	Capital £'000	Total £'000
2017 Interim – Paid 23 Mar 2018	2.0000p	1,146	–	1,146				
2018 Interim – Paid 29 Jun 2018 (2017: 30 Jun 2017)	1.6250p	1,420	–	1,420	0.2000p	–	115	115
2018 Interim – Paid 14 Sep 2018 (2017: 15 Sep 2017)	1.6250p	1,506	99	1,605	0.2000p	–	114	114
2018 Interim – Paid 28 Dec 2018 (2017: 29 Dec 2017)	1.6250p	1,506	99	1,605	1.8000p	1,031	–	1,031
Total	**6.8750p**	**5,578**	**198**	**5,776**	**2.2000p**	**1,031**	**229**	**1,260**

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18. Dividend (Company) continued

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

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

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

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

19. Related party transaction

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

Fees are payable at an annual rate of £36,000 to the Chairman, £33,000 to the Chairman of the Audit and Management Engagement Committee and £30,000 to the other Director. As at 31 December 2018, there were no Directors' fee outstanding. The Directors' fees are disclosed in Note 7 and the Directors' shareholdings are disclosed in the Directors' Remuneration Report on page 24.

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

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

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

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

20. Classification of financial instruments

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

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

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

Level 3
Inputs are unobservable for the asset or liability.

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

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

* The Parent Company classification at financial instruments is the same as the Group except ZDP shares are replaced by an inter Company loan with a fair value of £11,155,000, which is classified as level 3.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

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

Interest rates are a significant input into the Level 3 valuation methodology. Interest rates used in the valuation range from 5.4% to 15.0% (2017: 5.5% to 12.0%). Sensitivity analysis of interest rates can be found at page 64.

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

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20. Classification of financial instruments continued

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

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

Sensitivity analysis

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

21. Financial Instrument and capital disclosures

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

(i) Market risks

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

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

	Group 31 December 2018			Company 31 December 2017		
Investments	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
GBP sterling	80,931	–	80,931	66,433	–	66,433
Euro	14,253	–	14,253	8,026	–	8,026
US dollar	7,397	–	7,397	2,498	–	2,498
Total investment	**102,581**	**–**	**102,581**	**76,957**	**–**	**76,957**
Cash and cash equivalent – Floating rate – £ sterling	8,138	–	8,138	15,441	–	15,441
Short term debtors	–	2,602	2,602	–	1,069	1,069
Short term creditors	–	(6,446)	(6,446)	–	(7,624)	(7,624)
C Shares in issue	–	–	–	–	(29,574)	(29,574)
Zero Dividend Preference Shares	(11,155)	–	(11,155)	–	–	–
Total	**99,564**	**(3,844)**	**95,720**	**92,398**	**(36,129)**	**56,269**

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

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

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

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

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

	Group 31 December 2018		Company 31 December 2017	
	Fair value £'000	Maximum exposure £'000	Fair value £'000	Maximum exposure £'000
Private loan investments	92,558	92,558	62,147	62,147
Bond investments	10,023	10,023	14,810	14,810
Cash and cash equivalent	8,138	8,138	15,441	15,441
Receivables	2,602	2,602	1,069	1,069
Total	**113,321**	**113,321**	**93,467**	**93,467**

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

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

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

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21. Financial Instrument and capital disclosures continued

Interest rate sensitivity

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

	Group 31 December 2018		Company 31 December 2017	
	0.50% Increase £'000	0.50% Decrease £'000	0.50% Increase £'000	0.50% Decrease £'000
Private loans investments	463	(463)	310	(310)
Bond investments	50	(50)	74	(74)
Cash and cash equivalent	41	(41)	77	(77)
Total	**554**	**(554)**	**461**	**(461)**

Management of risks

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

(iv) Liquidity risks

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

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

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

* Includes ZDP shares capital redemption value of £12,055,000.

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 pages 7 and 12. The Investment Manager may utilise other measures such as borrowing, share issues including treasury shares for liquidity purposes.

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

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

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

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

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

Foreign currency risk profile

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

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

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

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

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21. Financial Instrument and capital disclosures continued

Capital management

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

The Company has a stated discount control policy. The Investment Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings. Further details on share issues during the year and the Company's policies for issuing further shares and buying back shares (including the Company's discount management) can be found in the Directors' Report on pages 14 and 19.

The Company did not buy back Ordinary Shares and had no shares in treasury during the period.

The Company's policy on borrowing is on page 8.

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

22. Post balance sheet events (Group and Company)

Subsequent to the year end, the Group made the following drawdowns from OakNorth Bank credit facility. On 3 January 2019, £2.4 million which was subsequently repaid on 13 March 2019. On 14 January 2019, £4.0 million which was subsequently repaid on 7 February 2019.

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

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

There are no other post year end events other than those disclosed in this report.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Gross assets

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

As at 31 December 2018		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	40	95,720	96.96
RM ZDP plc – Accrued entitlement	b	56	11,155	102.62
Gross asset value	**a+b**		**106,875**	**n/a**

Ongoing charges

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

Year end 31 December 2018		Page	
Average NAV (£'000)	a	n/a	97,043
Annualised recurring expenses* (£'000)	b	38	1,872
	b÷a		**1.93%**

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

Premium

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

As at 31 December 2018		Page	
NAV per Ordinary Share (p)	a	40	96.96
Share price (p)	b	n/a	101.5
Premium	**(b/a)-1**		**4.7%**

Total return

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

As at 31 December 2018		Page	NAV	Share Price
Opening at 1 January 2018 (p)	a	n/a	98.60**	101.50
Closing at 31 December 2018 (p)	b	n/a	96.96	101.50
Dividend adjustment factor	c	n/a	1.073	1.0693
Adjusted closing (d = b x c)	d	n/a	104.04	108.53
Total return	**(d/a)-1**		**5.5%**	**6.9%**

** Adjusted – See 2017 Annual Report.

GLOSSARY

Admission	Admission of the Ordinary or C Shares to the premium listing segment of the Official List of the FCA 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 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.
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.
Private loans or bond investments	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.
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 Chairman)*
Guy Heald
Marlene Wood

Investment Manager

RM Capital Markets Limited
7 Melville Crescent
Edinburgh
EH3 7JA

Broker

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

Registered Office*

Mermaid House
2 Puddle Dock
London
EC4V 3DB

Custodian

U.S. Bank Global Corporate Trust Services
125 Old Broad Street
London
EC2N 1AR

Administrator and Company Secretary

PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London
EC4V 3DB

AIFM

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

Auditors

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

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Solicitors to the Company

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

Valuation Agent

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

*Registered in England and Wales No. 10449530.

RM SECURED DIRECT LENDING PLC
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of RM Secured Direct Lending Plc will be held at the offices of N+1 Singer, 1 Bartholomew Lane, London, EC2N 2AX on 1 May 2019 at 11.00 am for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the year ended 31 December 2018, 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 2018.

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

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

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

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

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

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

9. 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 £112,224 (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 2020 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.

10. Disapplication of pre-emption rights

That, subject to the passing of resolution 9 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 9 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 £112,224 (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 2020 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. 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 16,822,464 (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;

RM SECURED DIRECT LENDING PLC
NOTICE OF ANNUAL GENERAL MEETING CONTINUED

(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 2020 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.

12. 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

Anthony Lee
For and on behalf of PraxisIFM Fund Services (UK) Limited
Company Secretary

26 March 2019

Registered Office:
Mermaid House
Puddle Dock
London EC4V 3DB

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

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 29 April 2019 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Appointment of proxy using hard copy form

6. 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 11.00 am on 29 April 2019 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.

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.

NOTES TO NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

Appointment of proxy through CREST

7. 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 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 11.00 am on 29 April 2019 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.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF.

In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 opposite then, subject to the paragraph directly below, your proxy will remain valid.

Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

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 the 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. 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.

Issued shares and total voting rights

11. The total number of shares in issue in the Company is 98,724,581 Ordinary Shares of 1 pence each, a total of 98,724,581 voting shares. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. 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.

Communication

12. 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 am to 5.30 pm Monday to Friday, excluding public holidays):

  (i) From UK: 0871 664 0300 (calls cost 12p per minute plus network extras);

  (ii) From Overseas: +44 371 664 0300 (calls from outside the UK are charged at applicable international rates); 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.

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RM SECURED DIRECT LENDING PLC
FORM OF PROXY

I/We ____

of ____

(BLOCK CAPITALS PLEASE)

being (a) member(s) of RM Secured Direct Lending PLC appoint the Chairman 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 N+1 Singer, 1 Bartholomew Lane, London. EC2N 2AX on 1 May 2019 at 11.00 am. and any adjournment thereof.

Please indicate with an 'X' 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 2018.				
2.	To approve the Directors' Remuneration Report.				
3.	To re-elect Norman Crighton as a Director.				
4.	To re-elect Guy Heald as a Director.				
5.	To re-elect Marlene Wood as a Director.				
6.	To re-appoint Ernst & Young LLP as Auditors to the Company.				
7.	To authorise the Directors to determine the remuneration of the Auditor.				
8.	To authorise declaration and payment of all dividends as interim dividends.				
9.	Authority to allot relevant securities.				
10.	Authority to disapply pre-emption rights.				
11.	Authority to make market purchases.				
12.	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 ______________ 2019

NOTES

1. If any other proxy is preferred, strike out the words "Chairman 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, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, so as to arrive before 11.00 am on 29 April 2019.

Park Communications – 38557