

Secured investments that power businesses

RM Secured Direct Lending plc

Half-Yearly Report for the six months ended 30 June 2020



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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 in the prospectus, 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

	Six months ended 30 June 2020	Six months ended 30 June 2019
Gross assets (£'000) ¹	£122,274	£124,300
Net asset value ("NAV") (£'000)	£110,536	£109,977
NAV per Ordinary Share (pence)	91.16p	98.00p
Ordinary Share price (pence)	77.00p	101.50p
Ordinary Share price (discount)/premium to NAV ¹	(15.5)%	3.6%
Accrued entitlement per Zero Dividend Preference ('ZDP') Share (pence) ²	107.98p	104.38p
Dividend(pence) paid in respect of the Period	3.325	3.625*

* Includes an additional special dividend of 0.375 pence

Performance summary

	% change ^{3,5}	% change ^{4,5}
Total return (%) - Ordinary Share NAV and dividends ¹	-3.4%	+4.9%
Total return (%) - Ordinary Share price and dividends ¹	-19.5%	+3.6%

¹ These are Alternative Performance Measures ('APMs').

² Based on the net assets attributable to the ZDP Shares as at 30 June 2020.

³ Total returns for the period to 30 June 2020, including dividend reinvestment.

⁴ Total returns for the period to 30 June 2019, including dividend reinvestment.

⁵ Source: Bloomberg.

Alternative Performance Measures ('APMs')

The financial information and performance summary data highlighted in the footnote to the above tables represent the APMs of the Group and the Company. Definitions of these APMs together with how these measures have been calculated can be found on page 32.

Chairman's statement

Introduction

On behalf of the Board, I am pleased to report on the first six months of 2020 (the "Period"). The Period was undoubtedly dominated by the impact on global markets as a result of the worldwide health pandemic and the challenges this presented.

The Board and the Investment Manager have taken a number of actions to mitigate the impact of COVID-19 on Shareholder value. I am pleased to report that the Company continues to meet its income generation targets and has maintained its dividend. The NAV movements over the Period demonstrate the defensive characteristics of the portfolio of secured loans which have largely delivered with regard to significant capital protection.

During the Period, the Company's shares have traded at a discount, reflecting the broader market uncertainty. The Company has taken advantage of this weakness to repurchase shares to enhance the NAV per Ordinary Share for Shareholders and provide some price support.

Defensive performance

The NAV at 30 June 2020 was 91.16 pence per Ordinary Share (31 December 2019: 97.79 pence per Ordinary Share), after paying aggregate distributions of 3.325 pence per share, resulting in a NAV total return of -3.4% for the Period.

This performance reflects the marking down of asset values of investments in sectors more exposed to the impact of COVID-19, including hotels, student accommodation and childcare which have been largely closed since March 2020. These values are expected to recover as businesses return to a more normal operating environment.

This performance also reflects the effect of the share buy-backs which were immediately accretive to NAV. Over the Period, the Company repurchased 965,000 Ordinary Shares and as at 30 June 2020, the Company had 122,224,581 Ordinary Shares in issue, of which 965,000 shares are held in

treasury. The total number of Ordinary Shares with voting rights as at 30 June 2020 was 121,259,581. The shares bought back are held in treasury and are not expected to be sold except at prices above the prevailing NAV per Ordinary Share. The Board will continue to carefully consider the appropriate use of the Company's share buy-back programme going forward.

The NAV total return for investors from the Company's inception to 30 June 2020 has been +13.9%.

Sustainable income

The Company continues to meet its income targets and deliver sustainable returns for its Shareholders. This is particularly pleasing at a time when other traditional dividend paying stocks have paused or reduced dividend payments and investors are most in need of income returns.

The Company paid the final dividend for the fourth quarter of 2019 of 1.625 pence per Ordinary Share on 5 March 2020 along with a special dividend of 0.075 pence per Ordinary Share, which the Board elected to pay following a period of portfolio outperformance in the quarter to December 2019. Overall, this led to an above target full year dividend for 2019 of 7.025 pence per Ordinary Share.

During the Period, a first interim dividend of 1.625 pence for the quarter to March 2020 was declared and paid in June 2020. The Board has declared a second interim dividend of 1.625 pence per Ordinary Share for the quarter to June 2020, which will be payable on 25 September 2020 to Shareholders on the register at the close of business on 4 September 2020. Therefore, the aggregate dividend in respect of the Period is 3.25 pence per Ordinary Share.

Managing the impact of COVID-19

The impact of the pandemic on the global economy has been profound and far reaching. The Company's focus throughout this period of uncertainty has been on protecting its investments, its stakeholders and maintaining its transparent communications with its investors.

Within the portfolio, the Company's social infrastructure assets had significant exposure to the effects of the "lockdown" with several of our portfolio companies having to temporarily cease operations. The Company worked closely with its borrowers and in addition to the rapid government support actions, has assisted them where appropriate to support them through this difficult period. This support has mainly taken the form of a roll up of a period of interest or the temporary waiving of covenants, however there are other mechanisms such as the use of an interest reserve account. The Investment Manager's report below breaks this down in more detail.

In addition, loans secured against physical assets are largely supported by strong sponsors which to a greater degree have facilitated payments through this period.

Reflecting the broader macro-economic risks and in tandem with other credit market assets, the share price over the Period has been volatile. The Ordinary Share price fell from 99.5 pence at the beginning of the year to reach a low of circa 60.0 pence at the nadir of the March lows. Since then, the share price has recovered, however it has lagged the NAV movements and resulted in a larger share price to NAV discount of approximately 16% as at the Period end.



Portfolio diversification

The overall size of the portfolio reduced slightly from £134 million as at 31 December 2019 to £131million, reflecting the repayment or divestment of certain investments.

It remains highly diverse with 34 holdings spread across 13 sectors, with the largest portfolio investment representing 9% of NAV and the top 10 investments circa 59% of NAV. Overall, private debt investments represent circa 95% of the portfolios holdings with the breakdown being 64% in bilateral loans, 34% within syndicated loans and 2% in illiquid corporate bonds.

The running yield on the portfolio is slightly lower at 8.62% down from 8.84% as at 31 December 2019. The Investment Manager continues to manage duration risk with the weighted average life of the investments reducing to approximately 3.20 years, versus 3.43 years as at 31 December 2019. The number of senior secured loans within the portfolio has reduced from 54% to 44% whilst the number of investments linked to Libor reduced from 44% to 36% however, as in previous periods the overall exposure to changes in inflation expectations is limited as the Investment Manager is focused on keeping fixed rate lending to shorter dated maturities wherever possible.

Any EUR currency exposures arising from investments are largely hedged back into Sterling to minimise any currency exchange risk.

Strong balance sheet

The Company benefits from the use of a £10million revolving credit facility ("RCF") with Oak North Bank. At the Period end this was only partly drawn and in addition RMDL had cash on its balance sheet and unsettled trades totalling circa £5million. The Company has a 20% leverage limit and the use of the RCF combined with the ZDPs will always remain within limit. The Company does not incur any non-utilisation fees in connection with the RCF facility.

Continuing to deliver income and NAV growth

At the start of the year, the Board was expecting a period of increased volatility, albeit not in the form or magnitude of a global pandemic. There is no doubt that this has tested Company's investment proposition having been caught in the eye of the COVID-19 storm with student accommodation, children's nurseries, forecourt operators and hotels all largely closed for a significant period since March 2020. However, despite that, the Company has delivered with regards to stable income with downside protection.

The priority of the Board and the Investment Manager has been on its existing investments over the deployment of new capital in growing the Portfolio. In addition, a core focus has been on reducing the share price discount to NAV through the regular and transparent communication of its monthly performance combined with the prudent use of capital to buy back shares. The Board will continue to consider the appropriate balance between supporting liquidity and the best use of shareholder capital.

Post the period end, Peel Hunt LLP was appointed alongside N+1 Singer Advisory LLP as a Joint Broker, specifically to assist with improving secondary market liquidity and broadening the Company's shareholder marketing activities.

The Board is delighted to have such a broad investor base and is grateful for the continued support of its Shareholders. We would also like to thank RM Funds and the other professional advisors for their hard work and support. Please do not hesitate to contact me through N+1 Singer or Peel Hunt if any additional information is required.

Norman Crighton, Chairman
14 August 2020

Investment Manager's Report

Portfolio resilience

It has been an active first six months of the year for RM Funds ("RM" or the "Investment Manager"). Against the backdrop of the COVID-19 pandemic, which saw an unprecedented shut down for businesses and consumers, RM is satisfied with the portfolio's performance.

During the six months to 30 June 2020, the Company delivered income of 3.42 pence per share and negative portfolio valuation changes of -6.82 pence per share resulting in -3.4% NAV total return for the Period.

The Company's portfolio and in particular its social infrastructure and real estate assets, were impacted by the shutdown with businesses closed for a large proportion of the Period. This, in addition to the widening of credit spreads, negatively impacted the portfolio valuation. It is our expectation that these valuations will continue to recover as we move through the year, subject to no significant re-emergence of COVID-19 and any second lockdown.

The portfolio's performance versus the observable credit peer group is favourable. For the Period the Markit IBOX Euro Liquid High Yield index had a total return of -5.4% and the S&P European Leveraged Loan index had a total return of -4.6%.

Continued income generation

RM is pleased that despite the uncertainty, the portfolio has continued to deliver a steady net interest income margin. This is especially important as investors have seen dividend cuts from their traditional income paying stocks.

This performance demonstrates the benefits of secured lending and the Investment Manager's core investment criteria of loans secured on real assets and lending to businesses with high quality management teams and sponsors.

Total Share Price Return

The Company's Ordinary Shares have continued to trade at a discount, resulting in a disappointing share price total return of -19.5%, which contrasts with the NAV total return performance of -3.4%. The

share price has also been impacted by the wider negative backdrop for credit and in particular listed debt funds. Both the Board and RM are committed to continuing the regular and transparent communications with investors with updates on the portfolio performance. During the quarter to June 2020 the Company undertook a number of modest share buy-backs to provide some share price buy-side liquidity for owners of the Company. At the Period end, the share price discount to NAV was 15.5%. The Board and RM's immediate priorities remain the continued trajectory of upward NAV performance and reduction in the share price to NAV discount. Together, we will continue to monitor the situation.

Balance sheet

The Company has continued to benefit from the strength of its balance sheet. Leverage within the Company is limited to 20% and for most of the Period it has rarely exceeded 12%. This is important for investors to note as the net interest income targets are being exceeded without utilising excessive structural leverage.

Origination

RM's focus in the quarter to 30 June 2020 was firmly on the active management of its existing investments and working to support its borrowers throughout these challenging conditions as a result of COVID-19. As a result, no new investments were made in the quarter. RM continues to see opportunities for investment and in the second half of the year, together with the Board, will balance the most appropriate use of shareholder capital for new investments and share buy backs.

Income and Dividend target

The Company will achieve its half yearly dividend target of 3.25 pence with the Q1 2020 dividend of 1.625 pence per Ordinary Share, which was paid in June 2020, and the announcement of the Q2 2020 dividend of 1.625 pence, which will be paid on 25 September 2020 to Shareholders on the register on 4 September 2020. These distributions

have been covered by earnings. These earnings include cash and rolled up interest or Payment in Kind ("PIK") which are detailed below:

Six months ended 30 June 2020	Cash Income	PIK Income
Total	4,326,140	1,090,941
%	80%	20%

Of the 34 investments within the portfolio, five utilised PIK during the Period. PIK was used to match operational requirements for the borrowers and tailor a solution for them through the COVID-19 shutdown. In respect of these five investments where borrowers have paid a proportion of their interest as PIK, we have recorded lower mark-to-market valuations as the risk profile has temporarily changed. It is currently expected that in the quarter to September 2020 this will fall to three borrowers.

The largest portfolio sector exposure is to hotels (26.38 %), which is predominantly made up of two operational portfolios totalling five hotels which saw the majority closed during the Period. In addition, one hotel has Travelodge as a counterparty. It is particularly pleasing that despite these factors all of the interest due against the operational hotel portfolios was paid as per the schedule and on time.

It is a testament to the secured lending model that although over half of the borrowers within the portfolio had their businesses closed or extremely seriously impacted by COVID-19, only five borrowers have utilised PIK as a form of payment.

In addition, there was £432,578 of income (circa 0.36 pence per share, Cash Written Down or Cash WD) which was accrued but written off as the timing of these receipts is uncertain; however, the Investment Manager believes that the full amount will be recoverable over the second half of 2020. This relates to overdue interest income due from two loans: the first is relating to an operating student accommodation asset (£4.4million) where the borrower has had

significant issues dealing with the asset operator, we expect this to be resolved in the near future. The second is a property bridge loan (£794,000) which is going through a recovery process. Given the limited loan to value of the property bridge loan and the 100% track record of RM Funds of recovering principal and interest on residential bridging loans we expect that all dues will be received in the coming months as the recovery process is well advanced. Notwithstanding this the loan has being marked at 95% of par value. RM continues to maintain its cautious and prudent approach where payment timings are uncertain.

Investment Manager aligned with shareholder interest

RM purchased 25,000 Ordinary Shares in the Company on 17 July 2020. This takes its direct investment in the Company to 1,224,825. Both RM and the Board feel this is the best way of demonstrating alignment with the interests of other Shareholders.

Portfolio valuations upside in second half 2020

The global pandemic and market shock in March resulted in the material lower valuation on the portfolio. Of the 11 pence per share decrease in March, the externally valued securities experienced the greatest price movement, accounting for circa 7 pence per share of losses, compared to the valuation agent securities which saw a circa 4 pence per share loss. In Q2 2020, the externally valued securities recorded a gain of circa 4.5 pence per share whilst the marks on the valuation agent remained unchanged or modestly lower for specific assets. Should the economy and businesses open up as planned then the expectation would be for continued improvements to feed through to portfolio valuations.

The Investment Manager believes valuing the Companies' loans at fair value is the most suitable approach for listed debt vehicles as it offers a true reflection on the NAV. At the Period end the par value of the securities held was £131,041,000 with a market value of £119,296,000. Should the loans repay

at par as envisaged the uplift would be £11,745,000 or circa 9.75 pence per share.

Concluded work out

One investment, énergie Fitness had a successful work-out process during the Period. The Investment Manager worked with the former founder who led a consortium to support the management buy-out of the business. This transaction included an injection of subordinated capital into the Group.

RM Funds' capacity and capabilities within work-out situations generated a positive return to shareholders:

- 1) Company's senior secured investment remains current on attractive economic terms;
- 2) RM Funds secured a net 28% equity interest for the benefit of the Company's shareholders – the Investment Manager believes this could generate significant material gains over the medium-term for the Company; and
- 3) 0.375p per share gain due to collection of guarantees associated with original financing.

Diversified portfolio focused on non-cyclical sectors

As at the Period end, the Ordinary Share portfolio capital was largely fully deployed with a £2.61 million utilisation on the £10 million RCF and £2.29 million of cash and cash equivalents on the balance sheet giving the Investment Manager flexibility with capital available for investments and share re-purchases. With 34 investments diversified across 13 sectors there is a broad spread of risk across the portfolio

Construction risk is limited, with the portfolio containing only one loan in this sector, representing 3.0% of Company net assets. This loan has had issues during the construction phase as costs increased to meet a specific Hotel Management Agreement ("HMA") contract. As the costs escalated above budget RM stopped advancing funds in order to limit exposure whilst the lending group formalised a solution and during this Period the

Investment Manager has deliberately not extended the term of the loan allowing it to go beyond maturity whilst these negotiations took place. The Investment Manager has taken a pro-active approach in addressing these cost issues and a lot of work has been conducted by the lending group working with the borrower to finalise the construction phase and move this to an operating asset. The next phase is intended to be a resigning of a new HMA with the extension of the loan facility. The Investment Manager expects that this will be resolved in the near future. At the Period end this loan was marked at 62.5% of par value which reflects the risk in the project however offers considerable upside as and when the current situation is resolved.

It has been a mixed first half of 2020, with areas of the portfolio benefitting from COVID-19 and others having business seriously compromised by the pandemic which can be summarised below:

Healthcare and Beverage & Food: Have been the standout sectors characterised by consistent performance and good demand. The portfolio invests in incredibly well-run businesses (Elysium Healthcare, Voyage Care and Valeo Foods) within these sectors who transitioned through the pandemic exceptionally well.

Operational Hotels: Despite the shutdown this has been one of the best performing sectors for the portfolio given the challenges faced – RM have had no payment issues which is extraordinary given occupancy rates largely went to zero. Whenever RM deploy investors' capital, we wish to ensure the sponsor is in a robust financial position. Our approach has ensured that this segment of the portfolio has seen continued performance. In addition, the portfolio went into the crisis with strong security and appropriate interest reserve accounts. RM have had, and continue to have, very constructive dialogue with these borrowers throughout the pandemic shutdown.

Student Accommodation: There are three investments within the portfolio. One has seen issues with the operator not related to COVID-19 which should be resolved in

Investment Manager's Report

Continued

the latter half of the year. The other two transactions went into the pandemic with the appropriate lender control reserve accounts and are cautiously managing liquidity for the next academic year. There are considerations for the second half of the year with regards to any COVID-19 related travel restrictions or shutdowns and in addition the potential for geo-political tensions with China to escalate and reduce further student supply. For these reasons we are most cautious on this sector as we move into the second half of the year.

Childcare: With exposure to the leading UK childcare provider, Busy Bees, RM Funds are very pleased with how the management team have navigated through a very difficult period. We also take great comfort in the sponsor and their strategy to build the best in class early-years business.

Asset Finance: Initially saw limited payment deferral requests from their customers however the majority of the book has been performing which show the benefits of a diverse and granular

portfolio. Overall, the performance to date has been pleasing.

Business services: Consists of two exposures: HR & Payroll services (Zellis) and Energy Efficiency installation. Zellis has not yet reported on their performance for the latest quarter however, the update in March they offered lenders was comforting. They have long term contracts and whilst the pandemic will affect businesses there will be opportunities as payroll has become more complex due to the number of government support packages available. Energy efficiency was severely impacted as the lockdown meant that no measure could be installed up until mid-June. This is now gradually normalising.

Forecourt Operators: Were not as heavily impacted as initially expected. Whilst fuel volumes were considerably lower over the period than usual, margins were significantly higher as sharply lower oil prices were not reflected at the pumps due to the typical lag. These businesses made use of government furlough scheme and all of the tools available to

protect their balance sheet and have emerged on a firm footing.

Auto-parts Manufacturer: Has witnessed a very challenging environment as not only were their factories closed for a significant period but in addition to this the supply chain was compromised. The borrower kept the lending group informed on a weekly basis about the trajectory of the business which appears to be better than initially expected in March at the height of the pandemic. Nevertheless given the potential affect on global demand for trucks which is highly correlated to the business cycle, this investment has had the most significant reduction in value over the period to reflect the heightened risks.

Gym Franchise: Has been discussed above and as we move into second half of the year gyms are set to re-open and with its mix of online/outdoor and indoor locations to train the operator has an excellent product mix to take its business forward.

Summary Activity	Amount	June 2020 Share	Dec 2019 Share	June 2019 Share
Hotels	£34,538,292	26.38%	23.07%	21.34%
Student accommodation & Childcare	£21,493,120	16.42%	15.90%	21.3%
Asset Finance	£17,413,855	13.30%	12.99%	6.7%
Healthcare	£12,170,290	9.30%	8.92%	19.5%
Business Services	£10,992,440	8.40%	8.03%	7.5%
Forecourt operators	£8,354,148	6.38%	8.39%	10.4%
Auto-parts manufacturer	£7,637,291	5.83%	4.98%	6.0%
Gym Franchise	£7,500,000	5.73%	4.70%	5.5%
Food manufacturing	£4,500,000	3.44%	5.98%	9.5%
Property bridging loans	£1,974,576	1.51%	3.20%	–
Infrastructure – Transport	£1,811,594	1.38%	1.26%	5.0%
Infrastructure – Energy	£1,660,448	1.27%	1.45%	3.5%
Finance – Receivables	£878,514	0.67%	1.12%	1.4%

30 June 2020 – Ordinary Shares

Number of investments 34	Number of sectors 13	Weighted average life (years) 3.21
Net asset value £110,536,255	Deployed £130,924,567*	
Net asset value per share (cum income) 91.16	Average yield (on deployed cash) 8.69%	Senior secured / Senior Holdco / Junior secured 44% / 17% / 39%
Fixed / Floating or index-linked 64% / 36%		Private / Public investments 98% / 2%

* Does not include mid-period capitalised interest

Outlook

The Investment Manager expects there to be a number of opportunities arising as a result of the pandemic and the constraints on lending across the wider market which it can capitalise on in the second half of the year.

The Investment Manager will continue to adopt its prudent approach and remains cautious given the potential for further business disruption as a result of COVID-19. However, it remains confident and expects further recovery in the portfolio in the second half of the year.

The Investment Manager and the Board believe that Company's secured lending business model remains an attractive investment proposition. It continues to offer investors sustainable and visible

income with downside protection, and is particularly relevant in an environment of widespread suspended or cancelled dividends.

RM's main priorities for the second half of the year remain on the portfolio and its performance, and the narrowing of the share price to NAV discount.

RM Funds
14 August 2020

Portfolio



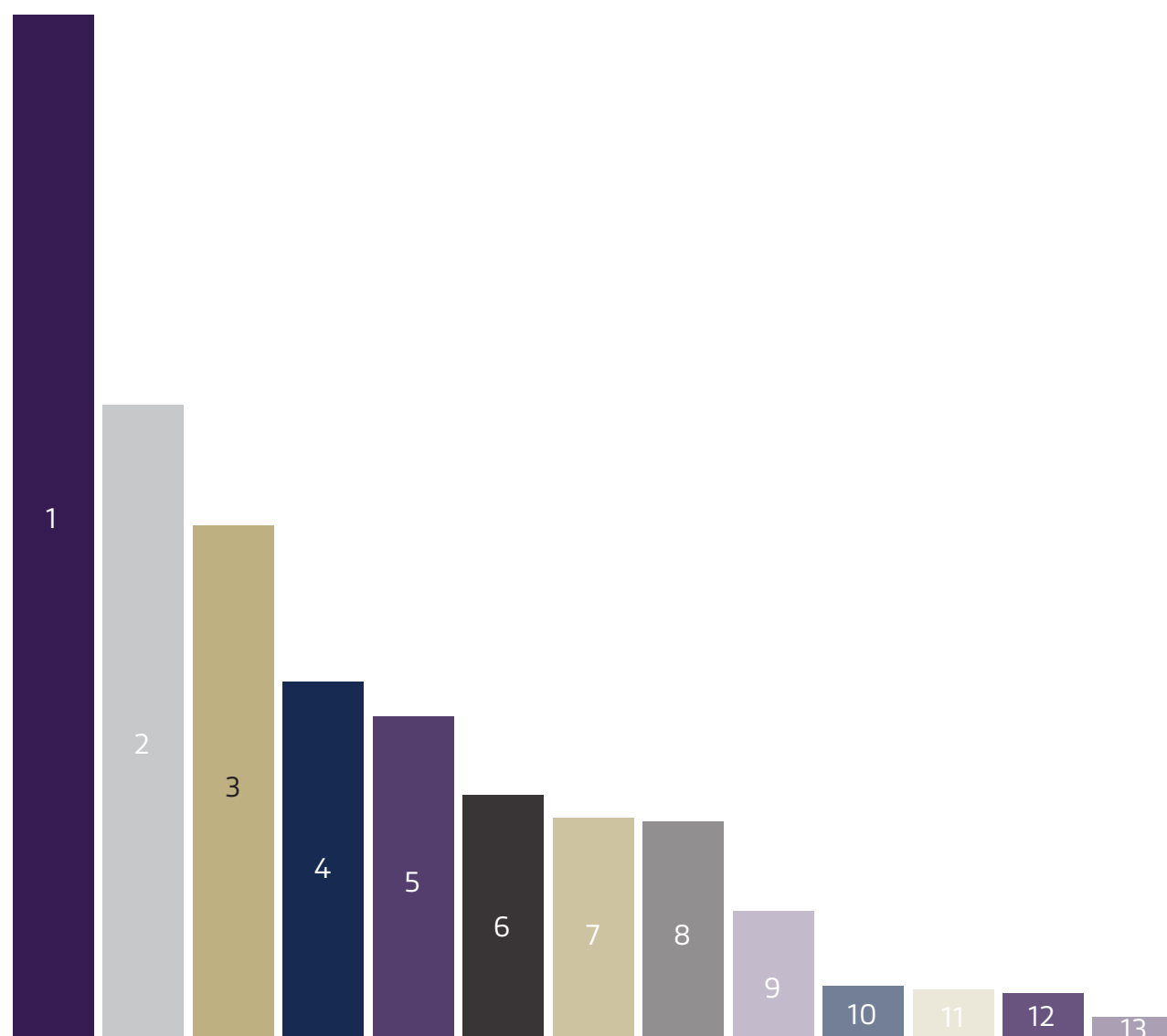
Largest 10 loans by drawn amounts across the entire portfolio as at 30 June 2020

Business activity	Instrument type (Private/Public/Bond)	Nominal* £'000	Valuation* £'000	Percentage of gross assets (%)
Asset Finance	Private Loans	10,194	9,990	8.2
Hotel portfolio 1	Private Loans	8,504	8,079	6.6
Hotel portfolio 2	Private Loans	8,296	7,881	6.4
Gym franchise	Private Loans	7,516	6,764	5.5
Student Accommodation Loan 1	Private Loans	6,143	5,990	4.9
Automotive parts manufacturing	Private Loans	7,637	5,919	4.8
Student Accommodation Loan 2	Private Loans	6,031	5,880	4.8
Healthcare	Private Loans	6,000	5,460	4.5
HR and payroll services	Private Loans	7,000	4,970	4.1
Hotel (construction)	Private Loans	5,338	3,336	2.7
Ten largest holdings		72,659	64,269	52.5
Other private loan investments		51,685	48,825	39.9
Bond investments		6,697	6,202	5.1
Total holdings		131,041	119,296	97.5
Other net assets		2,978	2,978	2.5
Gross assets**		134,019	122,274	100.0

* Includes mid-period capitalised interest

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

Sector Breakdown



Key

1. Hotels: 26.4%	6. Forcourt operators: 6.4%	11. Infrastructure - Transportation: 1.4%
2. Student accommodation & Childcare: 16.4%	7. Auto-parts manufacturer: 5.8%	12. Infrastructure - Energy: 1.3%
3. Finance – Asset Finance 13.3%	8. Gym franchise: 5.7%	13. Finance - Receivables: 0.7%
4. Healthcare: 9.3%	9. Food manufacturing: 3.4%	
5. HR Payroll and Energy efficiency: 8.4%	10. Property bridging loans: 1.5%	

Portfolio

Continued

June 2020

Number
of loans:

34 loans

Total
Investments:

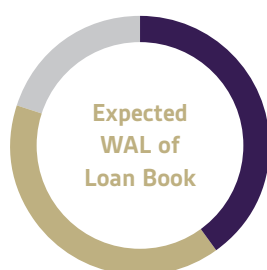
£134m

Average gross
portfolio yield:

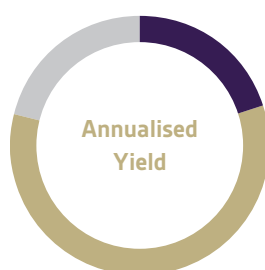
8.84%

Loan
average life:

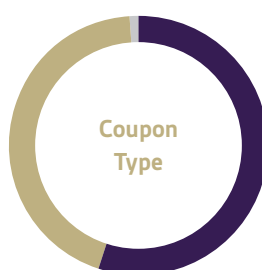
3.43 years



■ 0-3 years – 40%
■ 3-5 years – 40%
■ > 5 years – 20%



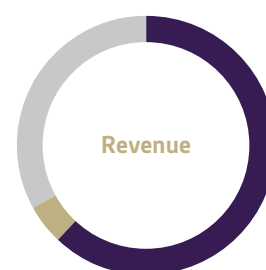
■ < 7.5% – 20%
■ 7.5-9.5% – 59%
■ > 9.5% – 21%



■ Fixed – 55%
■ Floating – 44%
■ Index Linked – 1%



■ Senior – 49%
■ Junior – 35%
■ Holdco – 16%



■ < £75m – 62%
■ £75m-150m – 5%
■ £150m+ – 33%

June 2019

Number
of loans:

34 loans

Total
Investments:

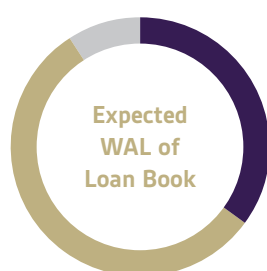
£131m

Average gross
portfolio yield:

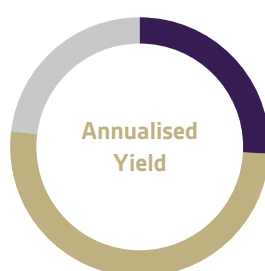
8.62%

Loan:
average life:

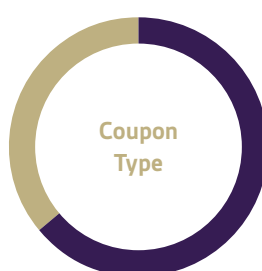
3.18 years



■ 0-3 years – 35%
■ 3-5 years – 56%
■ > 5 years – 9%



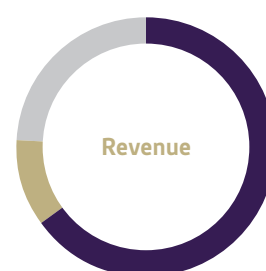
■ < 7.5% – 26%
■ 7.5-9.5% – 51%
■ > 9.5% – 23%



■ Fixed – 64%
■ Floating – 36%



■ Senior – 44%
■ Junior – 39%
■ Holdco – 17%



■ < £75m – 65%
■ £75m-150m – 11%
■ £150m+ – 24%

Interim Management Report

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Chairman's Statement and the Investment Manager's Report in this Half-yearly Report provide details of the important events which have occurred during the period and their impact on the financial statements. The following statements on related party transactions, going concern and the Statement of Directors' Responsibilities below, together constitute the Interim Management Report of the Company for the six months ended 30 June 2020. The outlook for the Company for the remaining six months of the year ending 31 December 2020 is discussed in the Chairman's Statement and the Investment Manager's Report.

Risks and uncertainties

The principal risks and uncertainties to the Group are detailed in the Company's most recent Annual Report for the year ended 31 December 2019 which can be found on the Company's website at <https://rmdl.co.uk/investor-centre/investor-relations/>. The principal risks and uncertainties facing the Group were unchanged during the period under review. The principal risks and uncertainties facing the Company are as follows:

- Market risks;
- Risks associated with meeting the Company's investment objective or target dividend yield;
- Financial risks, corporate governance and internal controls risks; and
- Regulatory risks.

The Board is of the opinion that these key principal risks remain, but mindful of its obligations under the changes to the AIC Code of Corporate Governance in February 2019, have also reviewed emerging risks which may impact the forthcoming six-month period. These emerging risks include:

- The ongoing impact of the global pandemic; and
- The increasing geopolitical tensions in the region.

Specifically, the market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread were discussed in depth with the Investment Manager and are continually monitored by the Board. The Investment Manager and other key service providers are providing regular updates on operational resilience in light of the pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

Related party transactions

The Company's Investment Manager, RM Capital Markets Limited is considered a related party under the Listing Rules. Details of the amounts paid to the Company's Investment Manager and the Directors during the period are detailed in the Notes to the Financial Statements.

Interim Management Report

Continued

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.

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 £119.3 million (30 June 2019: £122.3 million; 31 December 2019: £131.2 million) as well as its income and expense flows and the cash position of £2.3 million (30 June 2019: £3.5 million; 31 December 2019: £8.4 million). The Group's net assets at 30 June 2020 were £110.5 million (30 June 2019: £110.0 million; 31 December 2019: £119.5 million). The total expenses (excluding finance costs and taxation) for the period ended 30 June 2020 were £1.2 million (30 June 2019: £1.1 million; 31 December 2019: £2.3 million). At the date of approval of this document, based on the aggregate of investments and cash held, the Group has substantial operating expenses cover.

In light of the COVID-19 pandemic the Directors have fully considered each of the Group's loans. The Company's focus in the quarter to June 2020 was on the active management of its diverse portfolio of Loan investments and supporting its borrowers throughout these challenging conditions as a result of COVID-19; Directors see an increase in the risk to the income from the Group loans within the portfolio as the outlook is uncertain. However, these loans have a number of specific lender protections (such as loan to value covenants and cashflow or earnings covenants) which are being monitored. A prolonged and deep market decline could lead to falling values to the underlying business or interruptions to cashflow, however the Group currently has more than sufficient liquidity available to meet any future obligations.

Given the level of market volatility experienced due to the impact of the COVID-19 pandemic, the Investment Manager has performed stress tests on the Group's income and expenses and the Directors remain comfortable with the liquidity of the Company.

Statement of Directors' Responsibility for the Half-yearly Report

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the Half-yearly report has been prepared in accordance with IAS 34 Interim Financial Reporting.
- The Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

Norman Crighton,
Chairman

For and on behalf of the Board of Directors

14 August 2020

Condensed unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(8,310)	(8,310)	–	138	138	–	(1,161)	(1,161)
Income	4	5,610	–	5,610	6,097	–	6,097	12,541	–	12,541
Investment management fee	5	(542)	–	(542)	(509)	–	(509)	(1,062)	–	(1,062)
Other expenses	5	(617)	(20)	(637)	(506)	(89)	(595)	(1,080)	(145)	(1,225)
Return before finance costs and taxation		4,451	(8,330)	(3,879)	5,082	49	5,131	10,399	(1,306)	9,093
Finance costs		(320)	–	(320)	(243)	–	(243)	(541)	–	(541)
Return on ordinary activities before taxation		4,131	(8,330)	(4,199)	4,839	49	4,888	9,858	(1,306)	8,552
Taxation	6	(17)	4	(13)	(12)	–	(12)	(42)	18	(24)
Return on ordinary activities after taxation		4,114	(8,326)	(4,212)	4,827	49	4,876	9,816	(1,288)	8,528
Return per Ordinary Share (pence)	10	3.37p	(6.83p)	(3.46p)	4.51p	0.05p	4.56p	8.85p	(1.16p)	7.69p

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

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

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

The notes on pages 23 to 31 form an integral part of these financial statements

Condensed unaudited Company Statement of Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(8,310)	(8,310)	–	61	61	–	(1,264)	(1,264)
Income	4	5,610	–	5,610	6,097	–	6,097	12,541	–	12,541
Investment management fee	5	(542)	–	(542)	(509)	–	(509)	(1,062)	–	(1,062)
Other expenses	5	(580)	(70)	(650)	(461)	(89)	(550)	(1,002)	(164)	(1,166)
Return before finance costs and taxation		4,488	(8,380)	(3,892)	5,127	(28)	5,099	10,477	(1,428)	9,049
Finance costs		(320)	–	(320)	(243)	–	(243)	(541)	–	(541)
Return on ordinary activities before taxation		4,168	8,380	(4,212)	4,884	(28)	4,856	9,936	(1,428)	8,508
Taxation	6	(4)	4	–	–	–	–	(15)	15	–
Return on ordinary activities after taxation		4,164	(8,376)	(4,212)	4,884	(28)	4,856	9,921	(1,413)	8,508
Return per Ordinary Share (pence)	10	3.42p	(6.87p)	(3.45p)	4.56p	(0.03p)	4.53p	8.94p	(1.27p)	7.67p

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

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

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

The notes on pages 23 to 31 form an integral part of these financial statements.

Condensed unaudited Consolidated Statement of Financial Position

	Notes	As at 30 June 2020 £'000	As at 30 June 2019 £'000	As at 31 December 2019 £'000
Fixed assets				
Investments at fair value through profit or loss	3	119,296	122,317	131,201
Current assets				
Cash and cash equivalents		2,293	3,486	8,390
Receivables		13,001	2,187	2,266
		15,294	5,673	10,656
Payables: amounts falling due within one year				
Payables		(9,711)	(3,663)	(10,788)
Bank loan - Revolving credit facility		(2,605)	(3,004)	–
		(12,316)	(6,667)	(10,788)
Net current assets/(liabilities)		2,978	(994)	(132)
Non-current liabilities				
Zero Dividend Preference Shares	7	(11,738)	(11,346)	(11,541)
Total assets less current liabilities		110,536	109,977	119,528
Net assets		110,536	109,977	119,528
Capital and reserves: equity				
Share capital	9	1,213	1,122	1,222
Share premium		70,148	60,446	70,146
Special reserve		47,584	48,304	48,304
Capital reserve		(12,200)	(2,537)	(3,874)
Revenue reserve		3,791	2,642	3,730
Total shareholders' funds		110,536	109,977	119,528
NAV per share – Ordinary Shares (pence)	11	91.16p	98.00p	97.79p

The notes on pages 23 to 31 form an integral part of these financial statements.

Condensed unaudited Company Statement of Financial Position

	Notes	As at 30 June 2020 £'000	As at 30 June 2019 £'000	As at 31 December 2019 £'000
Fixed assets				
Investments at fair value through profit or loss	3	119,296	122,317	131,201
Investments in subsidiary		50	50	50
Current assets				
Cash and cash equivalents		2,275	3,468	8,372
Receivables		12,962	2,077	2,210
		15,237	5,545	10,582
Payables: amounts falling due within one year				
Payables		(9,704)	(3,585)	(10,764)
Bank loan – Revolving credit facility		(2,605)	(3,004)	–
		(12,309)	(6,589)	(10,764)
Net current assets/(liabilities)		2,928	(1,044)	(182)
Non-current liabilities				
Intercompany loan payable	8	(11,738)	(11,346)	(11,541)
Total assets less current liabilities		110,536	109,977	119,528
Net assets		110,536	109,977	119,528
Capital and reserves: equity				
Share capital	9	1,213	1,122	1,222
Share premium		70,148	60,446	70,146
Special reserve		47,584	48,304	48,304
Capital reserve		(12,433)	(2,672)	(4,057)
Revenue reserve		4,024	2,777	3,913
Total shareholders' funds		110,536	109,977	119,528
NAV per share – Ordinary Shares (pence)	11	91.16p	98.00p	97.79p

The notes on pages 23 to 31 form an integral part of these financial statements.

Condensed unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at beginning of the period		1,222	70,146	48,304	(3,874)	3,730	119,528
Return on ordinary activities		–	–	–	(8,326)	4,114	(4,212)
Buy back of Shares	9	(9)	9	(720)	–	–	(720)
Shares buyback costs		–	(7)	–	–	–	(7)
Dividend paid	12	–	–	–	–	(4,053)	(4,053)
Balance as at 30 June 2020		1,213	70,148	47,584	(12,200)	3,791	110,536

For the six months ended 30 June 2019

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance as at beginning of the period		987	47,351	48,304	(2,586)	1,664	95,720
Return on ordinary activities		–	–	–	49	4,827	4,876
Issue of Ordinary Shares	9	135	13,365	–	–	–	13,500
Share issue costs		–	(270)	–	–	–	(270)
Dividend paid	12	–	–	–	–	(3,849)	(3,849)
Balance as at 30 June 2019		1,122	60,446	48,304	(2,537)	2,642	109,977

For the year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance as at beginning of the year		987	47,351	48,304	(2,586)	1,664	95,720
Return on ordinary activities		–	–	–	(1,288)	9,816	8,528
Issue of Ordinary Shares	9	235	23,265	–	–	–	23,500
Share issue costs		–	(470)	–	–	–	(470)
Dividend paid	12	–	–	–	–	(7,750)	(7,750)
Balance as at 31 December 2019		1,222	70,146	48,304	(3,874)	3,730	119,528

Distributable reserves comprise: the revenue reserve; 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 23 to 31 form an integral part of these financial statements.

Condensed unaudited Company Statement of Changes in Equity

For the six months ended 30 June 2020

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance as at beginning of the period		1,222	70,146	48,304	(4,057)	3,913	119,528
Return on ordinary activities		–	–	–	(8,376)	4,164	(4,212)
Buy back of Shares	9	(9)	9	(720)	–	–	(720)
Shares buy back costs		–	(7)	–	–	–	(7)
Dividend paid	12	–	–	–	–	(4,053)	(4,053)
Balance as at 30 June 2020		1,213	70,148	47,584	(12,433)	4,024	110,536

For the six months ended 30 June 2019

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance as at beginning of the period		987	47,351	48,304	(2,644)	1,742	95,740
Return on ordinary activities		–	–	–	(28)	4,884	4,856
Issue of shares	9	135	13,365	–	–	–	13,500
Share issue costs		–	(270)	–	–	–	(270)
Dividend paid	12	–	–	–	–	(3,849)	(3,849)
Balance as at 30 June 2019		1,122	60,446	48,304	(2,672)	2,777	109,977

For the year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance as at beginning of the year		987	47,351	48,304	(2,644)	1,742	95,740
Return on ordinary activities		–	–	–	(1,413)	9,921	8,508
Issue of shares	9	235	23,265	–	–	–	23,500
Share issue costs		–	(470)	–	–	–	(470)
Dividend paid	12	–	–	–	–	(7,750)	(7,750)
Balance as at 31 December 2019		1,222	70,146	48,304	(4,057)	3,913	119,528

The notes on pages 23 to 31 form an integral part of these financial statements.

Condensed unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*	(3,879)	5,131	9,093
Adjustment for profit/(loss) on investments	7,982	(138)	1,161
(Increase)/decrease in debtors	(7,866)	447	(1,189)
Increase in creditors	7,819	701	247
Net cash flow from operating activities	4,056	6,141	9,312
Investing activities			
Private loan repayments/ bonds sales proceeds	14,792	28,280	56,450
Private loans issued/ bonds purchases	(22,641)	(51,318)	(80,636)
Net cash flow used in investing activities	(7,849)	(23,038)	(24,186)
Financing activities			
Finance costs	(124)	(51)	(154)
Ordinary Share issue proceeds	–	13,500	23,500
Ordinary Share issue costs	–	(270)	(470)
Ordinary Share buy back	(720)	–	–
Ordinary Share buyback costs	(7)	–	–
Other costs charged to capital	–	(89)	–
OakNorth loan facility drawdown	7,300	3,004	16,900
OakNorth loan facility repayment	(4,700)	–	(16,900)
Equity dividends paid	(4,053)	(3,849)	(7,750)
Net cash flow (used in)/from financing activities	(2,304)	12,245	15,126
(Decrease)/increase in cash	(6,097)	(4,652)	252
Opening balance at beginning of the period	8,390	8,138	8,138
Balance as at 30 June 2020	2,293	3,486	8,390

* Cash inflow from interest on investment holdings was £4,960,000 (30 June 2019: £4,042,000; 31 December 2019: £10,680,000).

The notes on pages 23 to 31 form an integral part of these financial statements.

Condensed unaudited Company Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*	(3,892)	5,099	9,049
Adjustment for profit/(loss) on investments	7,989	(61)	1,239
(Increase)/decrease in debtors	(7,827)	466	(1,192)
Increase in creditors	7,786	637	216
Net cash flow from operating activities	4,056	6,141	9,312
Investing activities			
Private loan repayments/ bonds sales proceeds	14,792	28,280	56,450
Private loans issued/ bonds purchases	(22,641)	(51,318)	(80,636)
Net cash used in investing activities	(7,849)	(23,038)	(24,186)
Financing activities			
Finance costs	(124)	(51)	(154)
Ordinary Share issue proceeds	–	13,500	23,500
Ordinary Share issue costs	–	(270)	(470)
Ordinary Share buy back	(720)	–	–
Ordinary Share buyback costs	(7)	–	–
Other costs charged to capital	–	(89)	–
OakNorth loan facility drawdown	7,300	3,004	16,900
OakNorth loan facility repayment	(4,700)	–	(16,900)
Equity dividends paid	(4,053)	(3,849)	(7,750)
Net cash flow (used in)/from financing activities	(2,304)	12,245	15,126
(Decrease)/increase in cash	(6,097)	(4,652)	252
Opening balance at beginning of the period	8,372	8,120	8,120
Balance as at 30 June 2020	2,275	3,468	8,372

* Cash inflow from interest on investment holdings was £4,960,000 (30 June 2019: £4,042,000; 31 December 2019: £10,680,000).

The notes on pages 23 to 31 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

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

The consolidated financial information of the Company comprises that of the Company and its subsidiary RM ZDP Plc (together referred to as the "Group") for the period ended 30 June 2020. RM ZDP was incorporated in England and Wales on 21 February 2018, with registered number 11217952 as a public company limited by shares under the Companies Act.

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

2. Basis of preparation and accounting policies

Statement of compliance

The interim unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 December 2019. The financial statements of the Group as at and for the year ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). The financial information for the year ended 31 December 2019 in the interim unaudited financial statements has been extracted from the audited Annual Report and Accounts.

When presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('the AIC') in October 2019 is consistent with the requirements of 'IFRS', the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements.

Details of the Directors assessment of the going concern status of the Company, which considered the adequacy of the Company's resources and the impacts of the COVID-19 pandemic, are given on page 14.

Accounting policies

The accounting policies used by the Company in preparing these interim unaudited financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2019.

Notes to the Financial Statements

Continued

3. Investment at fair value through profit or loss – Group and Company

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Financial assets held:			
Bond investments	6,202	3,497	6,322
Private loan investments	113,094	118,820	124,879
Total	119,296	122,317	131,201

4. Income – Group and Company

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Income from investments			
Bond and loan interest*	5,417	6,016	11,529
Bank interest	–	3	4
Arrangement fees	64	46	190
Loan redemption fees	–	22	451
Delayed Compensation fees received	62	–	148
Other income	67	10	219
Total	5,610	6,097	12,541

* These include rolled up interest or Payment in Kind ("PIK") of £1.1million (30 June 2019: £0.5 million; 31 December 2019: £1.1 million).

5. Investment management fee and other expenses

Group

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Expenses charged to revenue:			
Investment management fees	542	509	1,062
Other administration charges	617	506	1,080
Total revenue expenses	1,159	1,015	2,142
Expenses charged to capital:			
Prospectus issue and capital transaction costs	20	89	145
Total capital expenses	20	89	145

Company

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Expenses charged to revenue:			
Investment management fees	542	509	1,062
Other administration charges	580	461	1,002
Total revenue expenses	1,122	970	2,142
Expenses charged to capital:			
Capital transaction costs	70	89	164
Total capital expenses	70	89	164

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

(a) 0.875 per cent. of the prevailing NAV in the event that the prevailing NAV is up to or equal to £250 million; or (b) 0.800 per cent. of the prevailing NAV in the event that the prevailing NAV is above £250 million but less than £500 million; or (c) 0.750 per cent. of the prevailing NAV in the event that the prevailing NAV is above £500 million.

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

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.

Notes to the Financial Statements

Continued

6. Taxation

Group

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of tax charge/(credit) the period/year:									
Corporation tax	17	(4)	13	12	–	12	42	(18)	24
Total current tax charge/(credit)	17	(4)	13	12	–	12	42	(18)	24

Company

	Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of tax charge/(credit) the period/year:									
Corporation tax	4	(4)	–	–	–	–	15	(15)	–
Total current tax charge/(credit)	4	(4)	–	–	–	–	15	(15)	–

7. Zero dividend preference ('ZDP') shares – Group

	As at 30 June 2020 £'000	As at 30 June 2019 £'000	As at 31 December 2019 £'000
Opening balance	11,541	11,155	11,155
Accrued interest during the period/year	197	191	386
Total	11,738	11,346	11,541

8. Intercompany loan payable – Company

	As at 30 June 2020 £'000	As at 30 June 2019 £'000	As at 31 December 2019 £'000
Opening balance	11,541	11,155	11,155
Accrued interest during the period/year	197	191	386
Total	11,738	11,346	11,541

9. Share capital – Group and Company

	As at 30 June 2020		As at 30 June 2019		As at 31 December 2019	
	No. of shares	£'000	No. of shares	£'000	No. of shares	£'000
Allotted, issued & fully paid:						
Ordinary shares of 1p	121,259,581	1,213	112,224,581	1,122	122,224,581	1,222

Share movement

The table below sets out the share movement for the six months ended 30 June 2020.

	Opening balance	Shares issued	Share buy back	Closing balance at 30 June 2020
Ordinary Shares	122,224,581	–	(965,000)	121,259,581

The table below sets out the share movement for the six months ended 30 June 2019.

	Opening balance	Shares issued	Share buy back	Closing balance at 30 June 2019
Ordinary Shares	98,724,581	13,500,000	–	112,224,581

The table below sets out the share movement for the year ended 31 December 2019.

	Opening balance	Shares issued	Share buy back	Closing balance at 31 December 2019
Ordinary Shares	98,724,581	23,500,000	–	122,224,581

Notes to the Financial Statements

Continued

10. Return per Ordinary Share

Group

Total return per Ordinary Share is based on the loss on ordinary activities after taxation of £4,212,000 (30 June 2019: gain of £4,876,000; 31 December 2019: gain of £8,528,000).

Based on the weighted average of number of 121,913,263 (30 June 2019: 107,078,173; 31 December 2019: 110,960,198) Ordinary Shares in issue for the six months ended 30 June 2020, the returns per share were as follows:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share	3.37p	(6.83p)	(3.46p)	4.51p	0.05p	4.56p

	Year ended 31 December 2019		
	Revenue	Capital	Total
Return per ordinary share	8.85p	(1.16p)	7.69p

Company

Total return per Ordinary Share is based on the loss on ordinary activities after taxation of £4,212,000 (30 June 2019: gain of £4,853,000; 31 December 2019: gain of £8,508,000).

Based on the weighted average of number of 121,913,263 (30 June 2019: 107,078,173; 31 December 2019: 110,960,198) Ordinary Shares in issue for the six months ended 30 June 2020, the returns per share were as follows:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per ordinary share	3.42p	(6.87p)	(3.45p)	4.56p	(0.03p)	4.53p

	Year ended 31 December 2019		
	Revenue	Capital	Total
Return per ordinary share	8.94p	(1.27p)	7.67p

11. Net Asset Value per Share

Group and Company

The net asset value per share is based on Company's total shareholders' funds of £110,536,000 (30 June 2019: £109,977,000; 31 December 2019: £119,528,000), and on 121,259,581 (30 June 2019: 112,224,581; 31 December 2019: 122,224,581) Ordinary Shares in issue (less shares held in treasury) at the period end.

12. Dividend

On the 25 February 2020, the Directors approved the payment of an interim dividend for year ended 31 December 2019 to ordinary shareholders at the rate of 1.700 pence per Ordinary Share. The dividend had a record date of 6 March 2020 and was paid on 27 March 2020. The dividend was funded from the Company's revenue reserve.

On 20 April 2020, the Directors approved the payment of an interim dividend at the rate of 1.625 pence per Ordinary Share. The dividend had a record date of 5 June 2020 and was paid on 26 June 2020. The dividend was funded from the Company's Revenue reserve.

On 5 August 2020, the Directors approved the payment of an interim dividend at the rate of 1.625 pence per Ordinary Share. The dividend will have a record date of 4 September 2020 and will be payable on 25 September 2020. The dividend will be funded from the Company's Revenue reserve.

13. Related Party Transaction

Fees payable to the Investment Manager are shown in the Condensed unaudited Statement of Comprehensive Income. As at 30 June 2020 the fee outstanding to the Investment Manager was £354,000 (30 June 2019: £89,000; 31 December 2019: 96,000).

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

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

	As at 30 June 2020 Ordinary shares	As at 30 June 2019 Ordinary shares	As at 31 December 2019 Ordinary shares
Norman Crighton	30,030	30,030	30,030
Guy Heald	20,000	20,000	20,000
Marlene Wood	20,000	20,000	20,000

Notes to the Financial Statements

Continued

14. Classification of Financial Instruments

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

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

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

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

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

	30 June 2020				30 June 2019			
	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	–	33,893	–	33,893	–	38,844	–	38,844
Financial assets – Private loans	–	–	85,403	85,403	–	–	83,473	83,473
Total financial assets	–	33,893	85,403	119,296	–	38,844	83,473	122,317
Financial liabilities:								
Zero Dividend Preference (market value)	11,738	–	–	11,738	11,346	–	–	11,346
Total financial liabilities	11,738	–	–	11,738	11,346	–	–	11,346

	31 December 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets:				
Financial assets – Private loans and bonds	–	43,323	–	43,323
Financial assets – Private loans	–	–	87,878	58,013
Total financial assets	–	43,323	87,878	131,201
Financial liabilities:				
Zero Dividend Preference (market value)	11,561	–	–	11,561
Total financial liabilities	11,561	–	–	11,561

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.

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.

15. Post Balance Sheet Events

On 16 July 2020, in accordance with the revised Investment Management Agreement, the Investment Manager acquired 25,000 Ordinary Shares in the Company at 76.84 pence per Ordinary Share.

16. Status of this Report

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

The Half-yearly report was approved by the Board on 14 August 2020.

Alternative Performance Measures ('APMs')

Gross Asset Value

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

As at 30 June 2020		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	17	110,536	91.16
RM ZDP plc – Accrued entitlement	b	3	11,738	107.98
Gross asset value	a+b		122,274	n/a

Discount

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

As at 30 June 2020		Page	Per Share (Pence)
NAV per Ordinary Share (p)	a	17	91.16
Share price (p)	b	3	77.00
Discount	(b/a)-1		-15.5%

Total return

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

As at 30 June 2020		Page	NAV	Share price
Opening at 1 January 2020 (p)	a	n/a	97.79	99.50
Closing at 30 June 2020 (p)	b	17 and 3	91.16	77.00
Dividend adjustment factor	c	n/a	1.0365	1.0399
Adjusted closing (d = b x c)	d	n/a	94.48	80.07
Total return	(d/a)-1		-3.4%	-19.5%

Directors, Manager and Advisers

Independent Directors	Norman Crichton Non-Executive Chairman Guy Heald Marlene Wood
Financial Adviser and Joint Broker	N+1 Singer Advisory LLP 1 Bartholomew Lane, London EC2N 2AX
Financial Adviser and Joint Broker	Peel Hunt LLP Moor House, 120 London Wall, London EC2Y 5ET
Custodian	US Bank 125 Old Broad Street, London EC2N 1AR
AIFM	International Fund Management Limited Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 4NA
Registrar	Link Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Investment Manager	RM Capital Markets Limited 7 Melville Crescent, Edinburgh EH3 7JA
Registered Office*	1st Floor, Senator House, 85 Queen Victoria Street, London EC4V 4AB
Administrator & Company Secretary	PraxisIFM Fund Services (UK) Limited 1st Floor, Senator House, 85 Queen Victoria Street, London EC4V 4AB
Auditors	Ernst & Young LLP One Atria, 144 Morrison Street, Edinburgh EH3 8EX
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

