

RM Secured Direct Lending plc



Half-Yearly Financial Report

for the six months ended 30 June 2018

CONTENTS

	Page
Investment Objective, Financial Information and Performance Summary	1
Chairman's Statement	2
Investment Manager's Report	4
Portfolio	7
Interim Management Report	9
Statement of Directors' Responsibility for the Half-Yearly Report	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Financial Statements	14
Alternative Performance Measures ('APMs')	22
Directors, Manager and Advisers	23

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 2018
Gross Assets (£'000) ²	£107,600
Net asset value ('NAV') per Ordinary Share – IFRS calculation (pence)	97.73
NAV per Ordinary Share – adjusted (pence) ^{1,2}	97.85
Ordinary Share price (pence)	101.50
Ordinary Share price premium to NAV ²	3.73%
NAV per C Share – adjusted (pence) ^{2,3}	97.68
Entitlement per ZDP Share (pence) ³	100.86

Performance summary

	% Change ^{4,5}
Total return (%) – NAV and dividends ²	+2.98%
Total return (%) – Share price and dividends ²	+3.60%

1 The difference between the adjusted and the IFRS calculated NAV of 97.73 pence is the time apportioned finance costs of the C Shares in issue at 30 June 2018.

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

3 Based on the net assets attributable to the relevant share class as at 30 June 2018.

4 Total returns for the six months to 30 June 2018, including dividend reinvested.

5 Source: Bloomberg.

Alternative Performance Measures ('APMs')

The disclosures as indicated in the footnote above are considered to represent the Company's APMs. Definitions of these and other APMs used in this half-year report, together with how these measures have been calculated can be found on page 22.

CHAIRMAN'S STATEMENT

Introduction

On behalf of the Board of Directors (the 'Board'), I am pleased to report on a period of steady performance and continued growth for RM Secured Direct Lending plc (the 'Company') during the first half of 2018. During the period under review from 1 January 2018 to 30 June 2018, the ordinary shares of the Company (the 'Ordinary Shares') generated a net asset value ('NAV') total return of 2.98% (dividends re-invested at NAV) and the Ordinary Share price has traded consistently at a modest premium to NAV.

The Company listed on the premium segment of the main market of the London Stock Exchange on 15 December 2016, issuing 50,300,000 Ordinary Shares at a price of 100 pence per share and since then the Company has grown via a number of capital raises to now having 98,724,581 Ordinary Shares at the date of this report and Gross Assets of £107,600,000.

In March 2018, 30,000,000 C Shares were converted into Ordinary Shares. A further capital raise was undertaken, which closed in early April 2018, with the Company issuing 11,329,363 C Shares which subsequently converted into Ordinary Shares on 19 July 2018. At the time of the most recent capital raise, the Company sought to fix in some cost effective, 3 year debt funding and seek additional investors through the issuance of Zero Dividend Preference shares ('ZDPs') in RM ZDP plc, a wholly owned subsidiary of the Company, which was established solely for the purpose of issuing the ZDPs. On 3 April 2018, 10,869,950 ZDPs were issued at 100p. The ZDPs are listed on the standard segment of the Official List of the UK Listing Authority and are admitted to trading to the main market of the London Stock Exchange. This issuance of ZDPs and the use of modest leverage will assist the Company in reaching its distribution target of 6.5 pence per Ordinary Share. The Company and RM ZDP plc collectively form the 'Group'. In order to facilitate this structural gearing and for it to be used for investment purposes, the Company's investment policy required amendment and the amended investment policy was approved by Shareholders at a general meeting of the Company held on 28 March 2018.

The Company was established to allow investors to participate in secured debt transactions. These investments are typically secured over plant, property and equipment or business cash flows and are largely private in nature. The Investment Manager has reviewed a significant number of investment opportunities and I am glad to say has remained very focused on ensuring only those exhibiting the correct risk adjusted returns have been included within the portfolio. After a period of such tremendous growth for the Company, the Investment Manager is optimising the investment portfolio and seeking to maximise risk adjusted returns for investors ahead of seeking additional capital, markets conditions permitting, in the second half of the year.

Portfolio

At the half-year end, the Ordinary Share portfolio has grown significantly to 30 debt investments totalling over £106 million which represented approximately 98% of the committed capital excluding the undrawn Revolving Credit Facility ('RCF'). There are some key takeaways from the portfolio statistics, the first being that during the six months to June 2018 there has been a steady rise in the number of investments linked to Libor from 39% to 55% of the portfolio, which is in line with the Investment Manager's desire to reduce duration risk within the portfolio, and not to take significant fixed rate exposure at this point of the interest rate cycle. The Investment Manager has positioned the Company's investments so that should interest rates start to move higher, investments linked to Libor will see an uptick in financial return for the Company. Secondly, the Investment Manager has increased the proportion of investments in the senior part of the capital structure, this has risen from 69% to 74%. The rationale for this adjustment reflects the Investment Manager's view around the overall economic environment, and the defensive nature of the Company. Investments in the senior part of the capital structure, on average, have higher recovery rates than that of investments in subordinated, holding company or mezzanine positions. Finally, investments are spread across 15 sectors which provides broad sector diversity and are consistent with the desire to spread risk. Other key statistics are that the average yield on investments is 8.27% and there is one US dollar investment and two euro denominated investments. These currency exposures are largely hedged back into sterling.

Overall, the theme has been to focus the portfolio on non-cyclical sectors and, therefore, the largest exposures are to Health and Social Care representing 16% and Asset Finance representing 14% of the loan portfolio. We expect this level of allocation to continue into the second half of 2018 as pipeline transactions are in the Health and Social Care sector, Social Infrastructure and additional asset finance funding opportunities.

NAV and share price performance

I am pleased to report a steady Ordinary Share price and NAV per Ordinary Share over the six months to June 2018, which is consistent with the aim of the Company to be an alternative income generating investment with lower correlation to the volatility seen in broader equity and bond markets. The Ordinary Shares have traded consistently at a premium to NAV since launch and the Ordinary Shares closed the half-year at a 3.7% premium to the underlying NAV.

As at 30 June 2018, the Company had 87,415,374 Ordinary Shares in issue and the closing share price was 101.5 pence per share. The adjusted NAV per Ordinary Share was 97.85 pence.

As at 30 June 2018, the Company had 11,329,363 C Shares in issue and the closing share price was 101.5 pence per share. The net assets attributable per C Share was 97.68 pence.

Dividend

During the period, the Company paid a first interim dividend for the quarter to 31 March 2018 of 1.625p per Ordinary Share and on 7 August 2018, the Directors declared a second interim dividend of 1.625p per Ordinary Share which will be payable on 14 September 2018 to Shareholders on the register at the close of business on 17 August 2018. Therefore, the Company's aggregate dividend in respect of the six month period is 3.25 pence per Ordinary Share. As a consequence of the C Share conversions which have taken place, a small proportion of the second interim dividend will be paid from capital.

Bank facility

The Company still has the use of a £10 million RCF with Oak North Bank. This will facilitate the tactical use of borrowings ahead of any known investment redemptions or capital raises. Currently this is undrawn and aside from the initial setup costs, there is no additional cost to maintaining the facility, unless utilised. The Company has a 20% leverage limit and the use of the bank facility combined with the ZDPs will always remain within this limit.

Outlook

During the first half of the year the Board, the Investment Manager, the AIFM and the Broker undertook a considerable amount of work in order to grow the Company's Gross Assets to be in excess of £100 million. This is broadly accepted as being the threshold whereby an investment trust is sufficiently large enough to allow most institutions to be able to invest. There have been three successful additional capital raises since launch and it is now our intention to focus on the optimisation of the portfolio ahead of further growth. With this in mind, the Investment Manager is working on closing strategic transactions over the summer period, which will enhance the overall portfolio yield and allow exposure to lower yielding investments to be reduced.

The portfolio is well positioned to benefit from the recent Bank of England decision to increase interest rates by 0.25% to 0.75%. The rise in interest rates will see additional income flow through on the 55% of the portfolio which has GBP floating rate loan exposures and which do not have a Libor floor. The Investment Manager has positioned the portfolio to benefit from any additional uptick in interest rates which still remain, in our view, below sustainable levels for this point in the economic cycle.

An additional benefit of growing the assets of the Company to greater than £100 million is that a wider range of potential borrowers is approaching the Investment Manager. From this larger pool it is expected that RM will be in a position to select investments that enhance the positive metrics of the portfolio while also reducing incremental risk. Therefore, the Board would still like to see the Company grow during 2018, subject to market conditions. As such when the existing capital has been optimised the Company will likely be seeking further funding. Any increase in the Company size, given it is non-dilutive, has the additional benefit to all Shareholders of spreading the fixed costs over a larger capital base thus potentially helping to reduce the Company's ongoing charges ratio.

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. The Board believes that engaging with Shareholders is very important and we, along with the Investment Manager are available to meet with Shareholders at any time. Please contact the Company's Broker, N+1 Singer Advisory LLP if you would like to organise a meeting.

Norman Crighton

Chairman

9 August 2018

INVESTMENT MANAGER'S REPORT

Overview

During the period, RM Capital Markets Limited ('RM' or the 'Investment Manager') focused on making additional investments along with the monitoring and review of the existing portfolio. Expedient deployment of capital is paramount given any cash balances are a drag upon returns, however this will not be at the expense of rushing into transactions or a reduction of credit standards. The Company's Broker, N+1 Singer, has also worked hard alongside RM during the first half of the year in arranging investor updates and meetings. Feedback from investors on the progress of the Company has been supportive and positive.

The initial C Shares were issued in October 2017 and converted into Ordinary Shares during March 2018. Thereafter an additional capital raise was made in order to be able to invest in an identified pipeline of transactions. The result of this fourth capital raise was that £11.3 million new C Shares and £10.9 million ZDPs were issued in early April 2018. This second C Share raise converted into Ordinary Shares during July 2018 having been largely deployed by mid-June 2018. The ZDPs offer cost effective term debt for the Company with a 3.5% Redemption Yield and a maturity profile which matches the first liquidity event for the Company in 2021. The Company still has the ability to draw upon its RCF which will assist with the making of investments ahead of any likely repayments or new capital raises, subject to being within the overall 20% Company leverage limit.

The half-yearly target of a 3.25 pence dividend has been achieved and for the full current financial year the expectation is 6.5 pence as per the dividend target outlined in the latest prospectus. Despite volatility picking up globally in fixed income and equities the share price performance of the Company over the year has been stable, trading in a narrow range between 101 pence and 103 pence and at a premium of between 2-4% to NAV. This is consistent with the objective to be an alternative income product for investors which has low correlation to traditional equities and fixed income. RM purchased 92,214 Ordinary Shares in the Company during the period which represents half of the management fee earned and is in line with the commitment to investors made at the IPO. This takes the direct investment in the Company to 773,823 Ordinary Shares and including shares owned across the management team to in excess of 1,250,000 Ordinary Shares. The Investment Manager feels this is the best way of demonstrating alignment with the interests of other Shareholders.

Market environment

The global equity markets have been more challenging during the first half of the year, with credit market weakness accelerating during May and June and the year so far has been characterised by an increase in volatility across asset classes. Equities have largely finished the first six months of the year in negative territory, credit indices are wider and UK government bond yields are marginally lower. The main market drivers of this have been the market starting to look forward to the unwinding of quantitative easing, the rise of populism within Europe post Italian elections, Brexit, a flattening US yield curve and concern with regards to the effect of any potential Trump trade war on global growth. Each one of these individually can give RM cause for serious concern given the potential negative impact on the market.

Looking forwards, these factors are unlikely to go away and it would appear that the next six months will bring more of the same with regards to volatility. On the domestic front the ongoing Brexit saga and any political fallout from the process will keep the market nervous and in addition to this, RM sees the same domestic themes continuing into 2019. This means pressure on consumer spending, which feeds into the high street.

Portfolio

RM has constructed a defensive portfolio given our caution around this market environment. It was noted within the annual report for 2017 that the focus for the Investment Manager would be non-cyclical sectors due to long held concerns with regards to the consumer and the high street, given where we are within the economic cycle coupled with technological changes surrounding how people conduct their shopping. Furthermore, it was stated that exposure to Social Infrastructure would increase with a focus on Health and Social Care, given the physical nature of the assets supported by demographics which are largely not affected by the general business cycle or Brexit. RM is pleased to report that exposure within this area has increased to 16% and is likely to grow further when the next pipeline transaction closes. As previously noted, there are well known headwinds affecting this sector as staff costs are increasing and local government budgets come under pressure, however RM can source well-structured transactions with appropriate leverage supported by tangible security and stable cash flows which are attractive investments.

As at the period end, the Ordinary Share portfolio was fully deployed and the C share portfolio was 87% deployed. The average yield on investments of 8.27% is consistent with the general requirement to be in excess of 8%; however, RM will endeavour to increase the yields further over coming months during the optimisation phase. The C Shares converted during July 2018 to give an Ordinary Share class with a market capitalisation of circa £100 million. Current gross assets are circa £108 million and have the ability to be nearer £120 million should the RCF be drawn. The Company focuses on private debt and at the period end 81% of the investments are in private debt securities.

30 June 2018 Ordinary and C Shares	
Number of investments	30
Number of sectors	15
Weighted average life (years)	3.86
Net asset value (Ordinary Shares)	£85,537,000*
Net asset value per Ordinary Share (cum income)	97.85*
Net asset value (C Shares)	£11,066,000
Net asset value per C Share (cum income)	97.68
Committed Capital	£106,800,000
Average yield (on deployed cash)	8.27%
Senior secured / Junior secured	74% / 26%
Fixed / Floating or index-linked	45% / 55%
Private / Public investments	81% / 19%

* Adjusted basis.

INVESTMENT MANAGER'S REPORT

CONTINUED

Outlook

Despite this febrile market environment there are many reasons to be positive. The first and most important point is that low correlation to equities and fixed income should make the RMDL strategy appealing to investors given the visible and stable returns which have been historically generated and which are projected to continue into the future. Associated with this is that Secured Lending becomes very attractive as investors start seeking downside protection. Secondly, the Investment Manager continues to be able to source attractive deals as other avenues of financing start to dry up, (for borrowers) as risk appetite across the market diminishes.

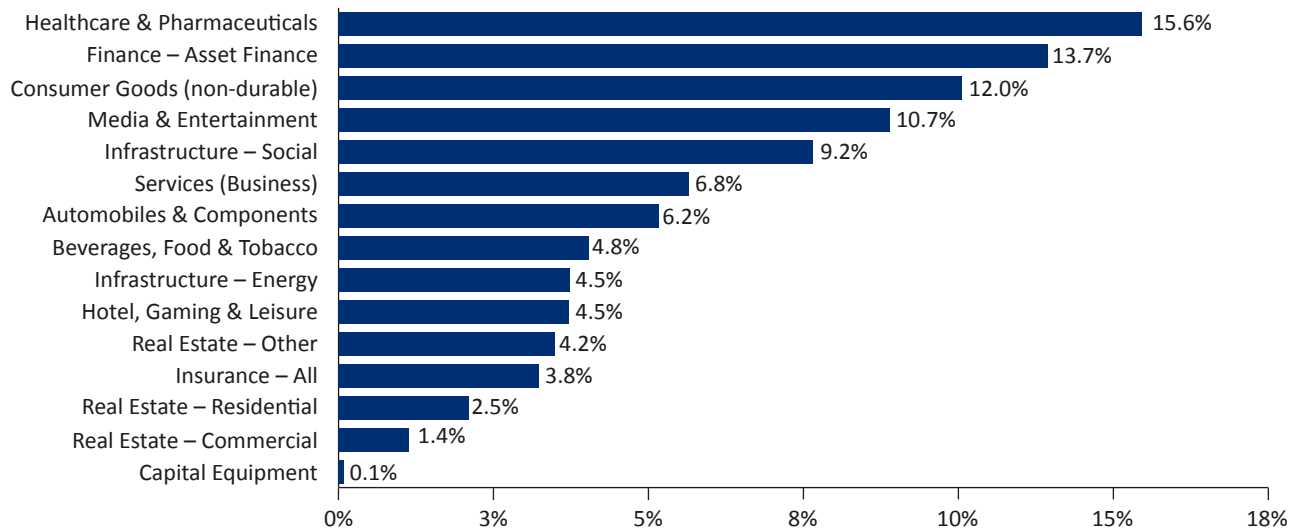
The Investment Management team have a strong pipeline of opportunities to deploy capital into during the second half of 2018. As described previously the next transaction is likely to be in the Health and Social Care sector where a strategic investment has been undergoing due diligence over the past two months and is expected to close early August 2018. In total, there is in excess of £40m of near term opportunities being reviewed including Health and Social Care, Asset Finance, Property and Hospitality. Finally, the RM team look forward to meeting with current and future investors during the second half of the year.

RM Capital Markets Limited

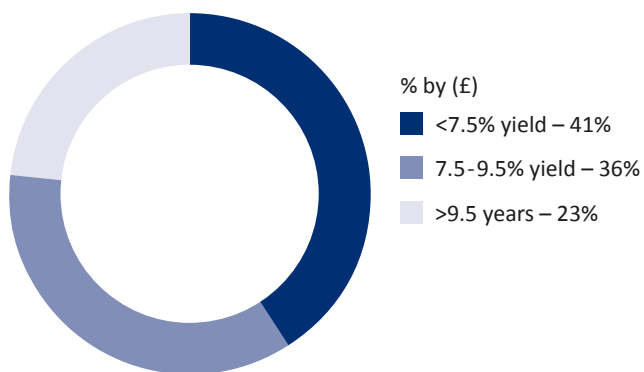
9 August 2018

PORTFOLIO

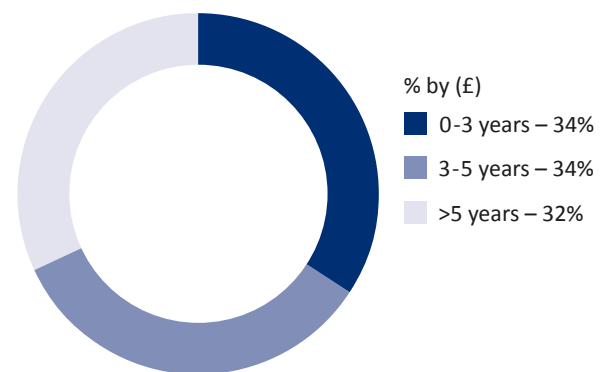
Portfolio sector breakdown



Annualised Yield



Expected WAL of Loan Book



PORTFOLIO

CONTINUED

Ten largest holdings as at 30 June 2018

Business Activity	Security type	Valuation £'000	Percentage of Gross Assets (%)
Asset finance	Loan investment	10,000	9.3
Advertising	Loan investment	8,458	7.9
Business services	Loan investment	6,813	6.3
Healthcare	Debt security instrument	6,503	6.0
Automotive parts manufacturing	Loan investment	6,385	5.9
Healthcare	Loan investment	5,905	5.5
Nurseries	Loan investment	5,051	4.7
Student accommodation	Loan investment	4,420	4.1
Forecourt operator	Loan investment	4,396	4.1
Telecommunications	Loan investment	4,195	3.9
Ten largest holdings		62,126	57.7
Other debt loan investments		12,479	11.6
Other debt security investments		24,561	22.8
Total holdings		99,166	92.1
Other assets*		8,451	7.9
Gross assets		107,617	100.0

* Based on the Company's consolidated gross assets attributable to all share classes, before deducting the values of the C Shares and ZDP Shares, treated as debt liabilities in accordance with IFRS.

INTERIM MANAGEMENT REPORT

The Directors are required to provide an Interim Management Report in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules ('DTR'). The Directors consider that the Chairman's Statement and the Investment Manager's Report in this Half-Yearly Report, the following statement on Related party transactions and the Statement of Directors' Responsibility below, together constitute the Interim Management Report for the Company for the six months ended 30 June 2018. The principal risks and uncertainties to the Group are unchanged from those disclosed in the Annual Report and Accounts for the period ended 31 December 2017. The Group's outlook for the remaining six months of the financial year ending 31 December 2018 is discussed in the Chairman's Statement and Investment Manager's Report.

Related party transactions

Details of the amounts paid to the Company's Investment Manager and the Directors during the period are disclosed in notes 5 and 12 to the Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE HALF-YEARLY REPORT

The Directors confirm to the best of their knowledge that:

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

Norman Crighton

Chairman of the Board of Directors

9 August 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June 2018 (Unaudited)			Period from 27 October 2016 to 30 June 2017 (Unaudited)			Period from 27 October 2016 to 31 December 2017 (Audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	TOTAL £'000
Losses on investments		–	(416)	(416)	–	(376)	(376)	–	(853)	(853)
Income	4	3,788	–	3,788	806	–	806	3,586	–	3,586
Investment management fee	5	(424)	–	(424)	(139)	–	(139)	(370)	–	(370)
Other expenses	5	(450)	(124)	(574)	(444)	–	(444)	(777)	–	(777)
Return before finance costs and taxation		2,914	(540)	2,374	223	(376)	(153)	2,439	(853)	1,586
Finance costs		(144)	(354)	(498)	(3)	–	(3)	(32)	(174)	(206)
Return on ordinary activities before taxation		2,770	(894)	1,876	220	(376)	(156)	2,407	(1,027)	1,380
Taxation	6	(3)	–	(3)	–	–	–	(44)	44	–
Return on ordinary activities after taxation		2,767	(894)	1,873	220	(376)	(156)	2,363	(983)	1,380
Return per Ordinary Share (pence)	9	4.03p	(1.30p)	2.73p	0.43p	(0.73p)	(0.30p)	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 14 to 21 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 (Unaudited) £'000	As at 30 June 2017 (Unaudited) £'000	As at 31 December 2017 (Audited) £'000
Fixed assets				
Investments at fair value through profit or loss	3	99,166	42,299	76,957
Current assets				
Receivables		1,472	352	1,069
Cash and cash equivalents		9,308	15,946	15,441
		10,780	16,298	16,510
Payables: amounts falling due within one year				
Payables		(2,376)	(2,687)	(7,624)
C Shares in issue		(11,176)	–	(29,574)
Net current (liabilities)/assets		(2,772)	13,611	(20,688)
Non-current liabilities				
Zero Dividend Preference Shares	7	(10,963)	–	–
Net assets		85,431	55,910	56,269
Capital and reserves: equity				
Share capital	8	874	573	573
Share premium		33,700	6,853	6,845
Special reserve		48,502	48,640	48,502
Capital redemption reserve		2,699	–	–
Capital reserve		(1,877)	(376)	(983)
Revenue reserve		1,533	220	1,332
Total Shareholders' Funds		85,431	55,910	56,269
NAV per share – Ordinary Shares – adjusted (pence)	10	97.85p	97.57p	98.59p
NAV per share – Ordinary Shares – IFRS calculation (pence)	10	97.73p	97.57p	98.20p

The notes on pages 14 to 21 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 1 January 2018	573	6,845	48,502	—	(983)	1,332	56,269
Return on ordinary activities	—	—	—	—	(894)	2,767	1,873
C Share conversion to Ordinary Shares	301	26,855	—	2,699	—	—	29,855
Dividend paid	—	—	—	—	—	(2,566)	(2,566)
Balance as at 30 June 2018	874	33,700	48,502	2,699	(1,877)	1,533	85,431

FOR THE PERIOD FROM INCORPORATION ON 27 OCTOBER 2016 TO 30 JUNE 2017 (UNAUDITED)

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at beginning of the period	—	—	—	—	—	—	—
Return on ordinary activities	—	—	—	—	(376)	220	(156)
Issue of Ordinary Shares	573	56,815	—	—	—	—	57,388
Transfer to Special reserve	—	(48,755)	48,755	—	—	—	—
Share issue costs	—	(1,207)	—	—	—	—	(1,207)
Dividend paid	—	—	(115)	—	—	—	(115)
Balance as at 30 June 2017	573	6,853	48,640	—	(376)	220	55,910

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

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption 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
Issue of Ordinary Shares	573	56,815	—	—	—	—	57,388
Share issue costs	—	(1,215)	—	—	—	—	(1,215)
Transfer to Special reserve	—	(48,755)	48,755	—	—	—	—
Special reserve costs	—	—	(24)	—	—	—	(24)
Dividend paid	—	—	(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, realised profits attributable to Capital reserve and 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 14 to 21 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 (Unaudited) £'000	Period from 27 October 2016 to 30 June 2017 (Unaudited) £'000	Period from 27 October 2016 to 31 December 2017 (Audited) £'000
Operating activities				
Return on ordinary activities before finance costs and taxation*		2,374	(153)	1,586
Adjustment for losses on investments		416	230	844
Decrease/(increase) in debtors		403	(352)	(1,069)
Increase in creditors		88	2,687	691
Net cash flow from operating activities		3,281	2,412	2,052
Investing activities				
Proceeds from investments		36,913	8,355	29,676
Purchase of investments		(65,375)	(50,884)	(100,617)
Net cash flow from investing activities		(28,462)	(42,529)	(70,941)
Financing activities				
Finance costs paid		(234)	(3)	–
Zero dividend preference share issue proceeds	7	10,870	–	–
Share issue proceeds		–	57,388	57,388
Share issue costs		–	(1,207)	(1,215)
C Share issue proceeds	8	11,329	–	30,000
C Share issue costs		(227)	–	(559)
Other costs charged to capital		(124)	–	–
Transfer to Special reserve costs		–	–	(24)
Equity dividends paid	11	(2,566)	(115)	(1,260)
Net cash flow from financing activities		19,048	56,063	84,330
(Decrease)/increase in cash		(6,133)	15,946	15,441
Opening balance at beginning of the period		15,441	–	–
Balance as at 30 June 2018		9,308	15,946	15,441

* Cash inflow from interest on investment holdings was £3,326,000 (31 December 2017: £2,713,000).

The notes on pages 14 to 21 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 is an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

During the six months ended 30 June 2018, a wholly owned subsidiary was established. RM ZDP plc ('ZDP Subsidiary') was incorporated in England and Wales on 21 February 2018, with registered number 11217952. The financial statements ('financial statements') include the results of RM Secured Direct Lending plc and RM ZDP plc. The Company and RM ZDP plc collectively form the 'Group'.

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 and/or individuals 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 significant accounting policies

Statement of compliance

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the period ended 31 December 2017. The financial statements of the Company as at and for the period ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). The financial information for the period from incorporation on 27 October 2016 to 31 December 2017 in these interim financial statements has been extracted from the audited Annual Report and Accounts for that period.

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 November 2014 and updated in February 2018 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.

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.

Accounting policies

The accounting policies used by the Group in preparing these interim financial statements are the same as those applied by the Company in its financial statements as at and for the period ended 31 December 2017.

The comparatives for the periods ended 30 June 2017 and 31 December 2017 relate to RM Secured Direct Lending plc as this was the only member of the Group in those periods.

3. Investment at fair value through profit or loss

	As at 30 June 2018 £'000	As at 30 June 2017 £'000	As At 31 December 2017 £'000
Financial assets held:			
Debt securities and loan investments	99,166	42,299	76,957
	99,166	42,299	76,957

4. Income

	Six months ended 30 June 2018 £'000	Period from 27 October 2016 to 30 June 2017 £'000	Period from 27 October 2016 to 31 December 2017 £'000
Income from investments			
Bond and loan interest	3,382	754	2,834
Bank interest	4	17	20
Arrangement fees	171	–	142
Loan redemption fees	228	–	531
Other income	3	35	59
Total	3,788	806	3,586

5. Investment management fee and other expenses

	Six months ended 30 June 2018 £'000	Period from 27 October 2016 to 30 June 2017 £'000	Period from 27 October 2016 to 31 December 2017 £'000
Expenses charged to revenue:			
Investment management fees	424	139	370
Other administration charges	450	444	777
Total revenue expenses	874	583	1,147
Expenses charged to capital:			
Prospectus issue and capital transaction costs	(124)	–	–
Total capital expenses	(124)	–	–

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. Investment management fee and other expenses continued

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. The combined net assets of Ordinary Shares, C Shares and ZDP Shares (if any in issue) are used as the basis of calculating the management fees.

There is no performance fee payable to the Investment Manager.

6. Taxation

	Six months ended 30 June 2018		Total £'000
	Revenue £'000	Capital £'000	
Analysis of tax charge for the period:			
Corporation tax	3	—	3
Total tax charge	3	—	3

7. Zero dividend preference ('ZDP') shares

	As at 30 June 2018 £'000
Opening balance	—
Issue proceeds of ZDP Shares	10,870
Accrued interest during the period	93
Closing balance	10,963

RM ZDP plc was incorporated for the sole purpose of issuing the ZDP Shares. On 3 April 2018, 10,869,950 ZDP shares were issued and admitted to trading on the standard segment of the Official List of the London Stock Exchange. RM ZDP plc has made a loan of the gross proceeds raised from the issue of the ZDP Shares to the Company pursuant to the ZDP Loan Agreement between the Company and RM ZDP plc. RM ZDP plc's only material financial obligations are in respect of the ZDP Shares. Its only material assets are the ZDP Loan and the obligation of the Company, under the Undertaking between RM ZDP plc and the Company, to put RM ZDP plc in a position to meet its obligations in respect of the ZDP Shares and to pay its operating expenses.

The ZDP Shares are recorded as a liability in the Consolidated Statement of Financial Position and are measured at amortised cost. Based on the share price of the ZDP Shares of 101.5p per ZDP Share at 30 June 2018, the fair value of the ZDP Shares was £11,033,000.

8. Share capital

	As at 30 June 2018		As at 30 June 2017		As at 31 December 2017	
	No. of Shares	£'000	No. of Shares	£'000	No. of Shares	£'000
Allotted, issued & fully paid:						
Ordinary Shares of 1 pence	87,415,374	874	57,300,000	573	57,300,000	573
C Shares of 10 pence	11,329,363	1,133	–	–	30,000,000	3,000

Share movement

The table below sets out the share movement from 1 January 2018 to 30 June 2018.

	Opening balance	Shares issued	Share conversions	Shares in issue at 30 June 2018
Ordinary Shares	57,300,000	–	30,115,374	87,415,374
C Shares	30,000,000	11,329,363	(30,000,000)	11,329,363

On 16 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. The Conversion Ratio of 1.00384581 Ordinary Shares of 1p each for each C Share was calculated by reference to the net asset value per share attributable to the Ordinary Shareholders of the Company and the C Shareholders as at close of business on 28 February 2018. 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 following the period end. Therefore there are 98,724,581 Ordinary Shares in issue at the date of approval of these interim accounts.

9. Return per Ordinary Share

Total return per Ordinary Share is based on the gain on ordinary activities after taxation of £1,873,000.

Based on the weighted average number of 68,614,063 (30 June 2017: 51,608,081; 31 December 2017: 54,349,738) Ordinary Shares in issue for the six months ended 30 June 2018, the returns per share were as follows:

	Six months ended 30 June 2018			Period ended 30 June 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary Share	4.03p	(1.30p)	2.73p	0.43p	(0.73p)	(0.30p)

	Period ended 31 December 2017		
	Revenue	Capital	Total
Return per Ordinary Share	4.35p	(1.81p)	2.54p

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10. Net asset value per share

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

	Net Asset Value per share 30 June 2018 (pence)	Net assets attributable 30 June 2018 £'000	Net Asset Value per share 30 June 2017 £'000	Net assets attributable 30 June 2017 £'000
Ordinary Share NAV	97.85	85,537	97.57	55,910
IFRS adjustment (Loss attributable to C Shares)	(0.04)	(33)	–	–
IFRS adjustment (C Share finance costs)	(0.08)	(73)	–	–
Ordinary Share NAV (IFRS calculation)	97.73	85,431	97.57	55,910

The net asset value per share is based on total Shareholders' funds of £85,537,000 (30 June 2017: £55,910,000), and on 87,415,374 (30 June 2017 and 31 December 2017: 57,300,000) Ordinary Shares in issue at the period end.

	Net Asset Value per share 31 December 2017 (pence)	Net assets available 31 December 2017 £'000
Ordinary Share NAV	98.59	56,490
Loss attributable to C Shares	(0.09)	(47)
IFRS adjustment (C Share finance costs)	(0.30)	(174)
Ordinary Share NAV (IFRS calculation)	98.20	56,269

The IFRS adjustment is in respect of the C Shares finance costs in relation to the classification of the C Shares as debt in accordance with IFRS requirements. The impact on the NAV reverses at conversion of the C Shares into Ordinary Shares.

11. Dividend

The Company's distributable reserves comprise: the Company's Revenue reserve, realised profits attributable to the Capital reserve and the Special reserve.

On 15 February 2018, the Directors approved the payment of a fourth interim dividend for the period ended 31 December 2017 at the rate of 2.0 pence per Ordinary Share. The dividend had a record date of 23 February 2018 and was paid on 23 March 2018.

On 23 May 2018, the Directors approved the payment of an interim dividend for the quarter to March 2018 at the rate of 1.625 pence per Ordinary Share. The dividend had a record date of 8 June 2018 and was paid on 29 June 2018. The dividend was funded from the Company's Revenue reserve.

On 7 August 2018, the Directors approved the payment of an interim dividend in respect of the quarter to June 2018 at the rate of 1.625 pence per Ordinary Share. The dividend will have a record date of 17 August 2018 and will be payable on 14 September 2018. The dividend will be funded from the Company's Distributable reserves.

12. Related party transaction

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 30 June 2018 the fee outstanding to the Investment Manager was £78,000.

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. There were no Directors' fees outstanding as at 30 June 2018.

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

	As at 30 June 2018 Ordinary Shares	As at 30 June 2017 Ordinary Shares	As at 31 December 2017 Ordinary Shares
Norman Crichton	20,000	20,000	20,000
Guy Heald	20,000	20,000	20,000
Marlene Wood	20,000	20,000	20,000

In addition to the above holding, Norman Crichton held 10,000 C Shares at 30 June 2018, which subsequently converted to 9,982 Ordinary Shares in July 2018.

In April 2018, the Company entered into a ZDP Loan Agreement, between the RM ZDP plc ('ZDP Subsidiary') (as lender) and the Company (as borrower) pursuant to which, immediately following Admission, the ZDP Subsidiary 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.

13. 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

13. Classification of financial instruments continued

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

	30 June 2018				30 June 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 – Debt securities	–	18,982	–	18,982	–	21,491	–	21,491
Financial assets – loan investments	–	–	80,184	80,184	–	–	20,808	20,808
Total	–	18,982	80,184	99,166	–	21,491	20,808	42,299
Financial liabilities:								
Zero Dividend Preference Shares (market value)	–	–	11,033	11,033	–	–	–	–
C Shares in issue (market value)*	11,556	–	–	11,556	–	–	–	–
Total financial liabilities	11,556	–	11,033	22,589	–	–	–	–

	31 December 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets:				
Financial assets – Debt securities	–	36,074	–	36,074
Financial assets – loan investments	–	–	40,883	40,883
Total	–	36,074	40,883	76,957
Financial liabilities:				
C Shares in issue (market value)*	30,600	–	–	30,600
Total financial liabilities	30,600	–	–	30,600

* These have been recorded in the Statement of Financial Position at amortised cost. The net assets attributable to the C Shares as at 30 June 2018 was £11,066,000, which is equivalent to 97.68 pence per C Share.

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.

14. Financial instruments – risk profile

The principal risks relating to financial instruments held by the Group remain the same as disclosed in the Company's last Annual Report and Accounts for the period ended 31 December 2017.

15. Post balance sheet events

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

16. Status of this report

These consolidated financial statements are not the Group's or 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 Investment Manager's website (www.rm-funds.com).

The Half-yearly financial report was approved by the Board on 9 August 2018.

ALTERNATIVE PERFORMANCE MEASURES ('APMS')

Discount

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

There is no calculation of discount shown as the Company's Ordinary Shares were trading at a premium of 3.73% at the period end.

Gearing

A way to magnify income and capital returns, but which can also magnify losses.

Gross asset

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

As at 30 June 2018 (Unaudited)		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	5	85,000	97.85
C Shares – NAV	b	5	11,100	97.68
RM ZDP plc – Accrued entitlement	c	15	11,000	100.86
Gross asset	a+b+c		107,600	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.

Premium

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

As at 30 June 2018 (Unaudited)		Page	
NAV per Ordinary Share (p)	a	1	97.85
Share price (p)	b	1	101.50
Premium	(b÷a)-1		3.7%

Total return

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

Six months ended 30 June 2018 (Unaudited)		Page	Share Price	NAV
Opening at 1 January 2018 (p)	a	n/a	101.50	98.59
Closing at 30 June 2018 (p)	b	1	101.50	97.85
Dividend adjustment factor	c	n/a	1.0361	1.0376
Adjusted closing (d = b x c)	d	n/a	105.16	101.53
Total return	(d÷a)-1		3.60%	2.98%

DIRECTORS, MANAGER AND ADVISERS

Directors

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

Broker

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

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

Valuation Agent

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

Investment Manager

RM Capital Markets Limited
7 Melville Crescent
Edinburgh
EH3 7JA

Registered Office*

Mermaid House
2 Puddle Dock
London
EC4V 3DB

Administrator and Company Secretary

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

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

* Registered in England and Wales No. 10449530