

# **RM ZDP PLC**

**HALF-YEARLY FINANCIAL REPORT**

**SIX MONTHS ENDED 30 JUNE 2019**

## **INTERIM MANAGEMENT REPORT**

### **Overview and important events**

RM ZDP plc (the “Company”) was incorporated in England and Wales on 21 February 2018. The Company is a wholly owned subsidiary of RM Secured Direct Lending plc (“RMDL”) and was incorporated for the sole purpose of issuing Zero Dividend Preference Shares (the “ZDP Shares”).

The non-executive directors of the Company are Norman Crighton, Guy Heald and Marlene Wood who also act as directors of RMDL. The Directors have overall responsibility for the Company’s activities. The Directors have delegated certain functions to other parties, such as the AIFM, the Administrator and the Registrar.

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. The Company has made a loan of the gross proceeds raised from the issue of the ZDP Shares to RMDL pursuant to the ZDP Loan Agreement between the Company and RMDL. The Company’s only material financial obligations are in respect of the ZDP Shares. Its only material assets are the ZDP Loan and the obligation of RMDL, under the Undertaking between RMDL and the Company, to put the Company in a position to meet its obligations in respect of the ZDP Shares and to pay its operating expenses.

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

As at 30 June 2019 the accrued capital entitlement per ZDP Share was 104.38p and the share price per ZDP Share was 105.5p.

### **Objective**

The objective of the Company is to meet the final capital entitlement of the ZDP Shares at the ZDP Repayment Date.

### **Principal risks and uncertainties**

The principal risk and uncertainties faced by the Company arise from the Loan Agreement with RMDL and the ability of RMDL to meet its obligations under the Loan Agreement and the Undertaking. In order to mitigate these risks, there are various restrictions applicable to RMDL in the Loan Agreement and the Undertaking. In addition, under the Investment Policy of RMDL, there is a limit that gearing represented by borrowings, including any obligations owed by RMDL in respect of an issue of zero dividend preference shares (whether issued by RMDL or any other member of its group) or any third-party borrowings, will not, in aggregate, exceed 20 per cent. of the net asset value of RMDL calculated at the time of drawdown. The unaudited Gross Assets of RMDL at 30 June

2019 were £110 million.

**Related party transactions**

Details of related party transactions are provided in the notes to the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE HALF-YEARLY REPORT**

The Directors confirm to the best of their knowledge that:

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

Norman Crighton  
Chairman of the Board of directors  
13 August 2019

## Unaudited Statement of Comprehensive Income

	Notes	Six Months ended 30 June 2019 £'000	21 February 2018 to 30 June 2018 £'000	21 February 2018 to 31 December 2018 £'000
<b>Income</b>				
Investment income		110	53	163
Administration expenses		(45)	(41)	(58)
<b>Result from operating activities</b>		<b>65</b>	<b>12</b>	<b>105</b>
Finance costs		(192)	(93)	(285)
<b>Loss before taxation</b>		<b>(127)</b>	<b>(81)</b>	<b>(180)</b>
Taxation	4	(12)	(3)	(20)
<b>Loss after taxation</b>		<b>(139)</b>	<b>(84)</b>	<b>(200)</b>
<b>Return per Ordinary Share (pence)</b>	5	<b>(278.00p)</b>	<b>(168.00p)</b>	<b>(400.00p)</b>

There were no items of other comprehensive income in the current period therefore the loss for the period are also the total comprehensive loss for the period.

The notes on pages 7 to 12 form an integral part of these unaudited financial statements.

## Unaudited Statement of Financial Position

		As at 30 June 2019 £'000	As at 30 June 2018 £'000	As at 31 December 2018 £'000
	Notes			
<b>Non-current assets</b>				
Financial assets at amortised cost	3	11,346	10,923	11,155
<b>Total non-current assets</b>		<b>11,346</b>	<b>10,923</b>	<b>11,155</b>
<b>Current assets</b>				
Cash and cash equivalents		18	18	18
Trade and other receivables		92	128	79
<b>Total current assets</b>		<b>110</b>	<b>146</b>	<b>97</b>
<b>Total assets</b>		<b>11,456</b>	<b>11,069</b>	<b>11,252</b>
<b>Current liabilities</b>				
Trade and other payables		(60)	(102)	(47)
<b>Total current liabilities</b>		<b>(60)</b>	<b>(102)</b>	<b>(47)</b>
<b>Non-current liabilities</b>				
Zero Dividend Preference Shares	6	(11,346)	(10,963)	(11,155)
<b>Total non-current liabilities</b>		<b>(11,346)</b>	<b>(10,963)</b>	<b>(11,155)</b>
<b>Total liabilities</b>		<b>(11,406)</b>	<b>(11,065)</b>	<b>(11,202)</b>
<b>Net assets</b>		<b>50</b>	<b>4</b>	<b>50</b>
<b>Capital and reserves: equity</b>				
Share capital	7	50	50	50
Capital contribution		339	38	200
Profit and loss reserve		(339)	(84)	(200)
<b>Total Shareholders' funds</b>		<b>50</b>	<b>4</b>	<b>50</b>
<b>NAV per share – Ordinary Shares (pence)</b>	8	<b>100.00p</b>	<b>8.00p</b>	<b>100.00p</b>
<b>Capital Entitlement – ZDP Shares (pence)</b>	8	<b>104.38p</b>	<b>100.86p</b>	<b>102.62p</b>

The Company is registered in England and Wales with registered company number 11217952.

The notes on pages 7 to 12 form an integral part of these unaudited financial statements.

## Unaudited Statement of Changes in Equity

		Share capital	Capital contribution	Profit and loss reserve	Total
Six Months ended		£'000	£'000	£'000	£'000
<b>30 June 2019</b>	<b>Notes</b>				
Balance as at beginning of the period		50	200	(200)	50
Loss after taxation		-	-	(139)	(139)
Capital contribution		-	139	-	139
<b>Balance as at 30 June 2019</b>		<b>50</b>	<b>339</b>	<b>(339)</b>	<b>50</b>

		Share capital	Capital contribution	Profit and loss reserve	Total
21 February 2018 to 30 June 2018		£'000	£'000	£'000	£'000
<b>21 February 2018 to 30 June 2018</b>	<b>Notes</b>				
Balance as at beginning of the period		-	-	-	-
Loss after taxation		-	-	(84)	(84)
Capital contribution		-	38	-	38
Issue of Ordinary Shares	7	50	-	-	50
<b>Balance as at 30 June 2018</b>		<b>50</b>	<b>38</b>	<b>(84)</b>	<b>4</b>

		Share capital	Capital contribution	Profit and loss reserve	Total
21 February 2018 to 31 December 2018		£'000	£'000	£'000	£'000
<b>21 February 2018 to 31 December 2018</b>	<b>Notes</b>				
Balance as at beginning of the period		-	-	-	-
Loss after taxation		-	-	(200)	(200)
Capital contribution		-	200	-	200
Issue of Ordinary Shares	7	50	-	-	50
<b>Balance as at 31 December 2018</b>		<b>50</b>	<b>200</b>	<b>(200)</b>	<b>50</b>

Share capital represents the nominal value of the Company's Ordinary Shares that have been issued.

The Capital contribution from the Parent has not been received in cash and therefore it is not distributable.

The notes on pages 7 to 12 form an integral part of these unaudited financial statements.

## Unaudited Statement of Cash Flows

	Note	Six Months ended 30 June 2019 £'000	21 February 2018 to 30 June 2018 £'000	21 February 2018 to 31 December 2018 £'000
<b>Operating activities</b>				
Return on ordinary activities*		65	12	105
(Decrease)/increase in capital contribution receivable		(65)	35	(200)
(Increase)/decrease in receivables		(13)	(168)	43
Increase in other payables		13	142	20
<b>Net cash flow from/(used in) operating activities</b>		<b>-</b>	<b>21</b>	<b>(32)</b>
<b>Investing activities</b>				
Loans to Parent Company		-	(10,923)	(10,870)
<b>Net cash flow used in investing activities</b>		<b>-</b>	<b>(10,923)</b>	<b>(10,870)</b>
<b>Financing activities</b>				
Proceeds from issue of ZDP shares		-	10,870	10,870
Share issue proceeds		-	50	50
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>10,920</b>	<b>10,920</b>
<b>Increase in cash</b>		<b>-</b>	<b>18</b>	<b>18</b>
<b>Opening balance at beginning of the period</b>		<b>18</b>	<b>-</b>	<b>-</b>
<b>Balance at end of the period</b>		<b>18</b>	<b>18</b>	<b>18</b>

\* There was no cash inflow from investment income during the period.

The notes on pages 7 to 12 form an integral part of these unaudited financial statements.

# Notes to the unaudited financial statements

## 1. General information

RM ZDP Plc ("the Company" or "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 commenced its operations on 3 April 2018.

## 2. Significant accounting policies

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

### (a) 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 Company as at and for the period ended 31 December 2018. The financial statements of the Company as at and for the period ended 31 December 2018 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 ended 31 December 2018 in the interim unaudited financial statements has been extracted from the audited financial statements.

### (b) Basis of accounting

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority. They do not include all of the information required for full annual financial statements and have been prepared on the historical cost basis.

The interim financial statements have been prepared on a going concern basis. The Company relies on its parent company's ability to repay the Loan and in its capacity as counterparty to the Deed of Undertaking (as detailed in note 3) to continue in operation as a going concern.

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

### (c) Financial assets and liabilities at amortised cost-Loans made by the Company and ZDP Shares

Loans made by the Company to its Parent Company RM Secured Direct Lending plc are classified financial assets at amortised cost. Loans made by the Company and ZDP Shares are initially recognised at cost, being the fair value of the consideration received or paid associated with the loan or borrowing. Loans and ZDP Shares are subsequently measured at amortised cost using the effective interest method, less any impairment (for the loans). Interest income is recognised by applying the effective interest rate. The loan will be de-recognised when the company is no longer eligible for the cash flows from it and the ZDPS will be de-recognised when they are repaid. The final capital entitlement to ZDP Shareholders will rank in priority to the capital entitlement of the Ordinary Shares as such ZDP Shares are classified as a liability.

**Impairment of assets** – Financial assets at amortised cost and Trade and other receivables are subject to impairment



calculated under the expected credit loss model within IFRS 9.

#### **(d) Income**

Interest income is recognised on accrual basis in the Statement of Comprehensive Income on a time-apportioned basis using the effective interest rate method.

#### **(e) Expenses**

All expenses are accounted for on an accruals basis and recognised in the Statement of Comprehensive Income.

#### **(f) Taxation**

The charge for taxation is based upon the net return for the period using the applicable UK corporation tax rate for the reporting period. It takes into account both deductible and non-deductible income and expenses incurred in the reporting period. Deferred taxation will be recognised as an asset or a liability if transactions have occurred at the initial reporting date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset will not be recognised to the extent that the transfer of economic benefit is uncertain.

#### **(g) Estimates and assumptions**

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

### **3. Financial assets at amortised cost**

	<b>As at 30 June 2019 £'000</b>	<b>As at 30 June 2018 £'000</b>	<b>As at 31 December 2018 £'000</b>
Loans to Parent	10,870	10,870	10,870
Investment income accrued	272	53	163
Capital contribution receivable	204	-	122
<b>Closing balance</b>	<b>11,346</b>	<b>10,923</b>	<b>11,155</b>

#### *Intercompany Loan Agreement*

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

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

#### *Deed of Undertaking*

The Company also entered into the Undertaking with the Parent, pursuant to which, to the extent that the Final Capital Entitlement multiplied by the number of outstanding ZDP Shares as at the ZDP Repayment Date exceeds the

aggregate principal amount and accrued interest due from the Parent to the Company as at the Repayment Date, the Parent shall: (i) subscribe an amount equal to or greater than the additional funding Requirement for Subsidiary Ordinary Shares or (ii) make a capital contribution or gift or otherwise pay an amount equal to or greater than the additional funding requirement.

#### 4. Taxation

	Six Months ended 30 June 2019	21 February 2018 to 30 June 2018	21 February 2018 to 31 December 2018
	£'000	£'000	£'000
<b>Analysis of tax charge for the period</b>			
Corporation tax	12	3	20
<b>Total tax charge for the period</b>	<b>12</b>	<b>3</b>	<b>20</b>

#### 5. Basic and diluted loss per Ordinary Share

The calculation of loss per Ordinary Share is based on the net loss for the period of £127,000 (30 June 2018: loss of £84,000 and 31 December 2018: loss of £200,000) and a weighted average number of 50,000 (30 June 2018: 50,000 and 31 December 2018: 50,000) Ordinary Shares during the period.

#### 6. Financial liabilities at amortised cost-Zero Dividend Preference ('ZDP') Shares

	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
	£'000	£'000	£'000
ZDP Shares issued	10,870	10,870	10,870
Accrued interest	476	93	285
<b>Closing balance</b>	<b>11,346</b>	<b>10,963</b>	<b>11,155</b>

##### Authorised

The maximum number of ZDP Shares to be issued pursuant to the Initial ZDP Placing, as disclosed in the Prospectus dated 12 March 2018, has been set at 20 million. At a general meeting of the Company held on 7 March 2018, a special resolution was passed to issue up to 60 million ZDP Shares.

On 3 April 2018, the Company issued 10,869,950 ZDP Shares of a nominal value of 1 pence each at a placing price of 100 pence each to raise gross proceeds of £10,869,950, which were allotted and fully paid up.

##### Rights attaching to the ZDP Shares

The ZDP Shares carry no right to receive dividends or other distributions out of revenue or any other profits of the Company.

The ZDP Shares will have a life of 3 years and, on that basis, a Final Capital Entitlement of 110.91 pence per ZDP Share on the ZDP Repayment Date of 6 April 2021, equivalent to a Redemption Yield of 3.5% per annum (compounded annually) on the Issue Price.

Under the obligations of ZDP Loan Agreement, the Ordinary Shares and the C Shares of the parent company rank behind the ZDP Shares.

### Voting rights of ZDP Shares

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

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

### Variation of rights and Distribution on winding up

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

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

## 7. Share capital

	As at 30 June 2019		As at 30 June 2018	
	Number of shares	Nominal £'000	Number of shares	Nominal £'000
<b>Allotted, issued and fully paid:</b>				
Ordinary Shares of £1 each	50,000	50	50,000	50

	As at 31 December 2018	
	Number of shares	Nominal £'000
<b>Allotted, issued and fully paid:</b>		
Ordinary Shares of £1 each	50,000	50

On incorporation, the Company issued 50,000 Ordinary Shares of a nominal value of £1.00 each which were subscribed by RMSDL PLC (the parent Company) and fully paid up.

### Voting rights

The ZDP Shareholders shall have a right to receive notice of general meetings of the ZDP Subsidiary for information purposes, but shall have no right to attend or vote at any such meeting of the ZDP Subsidiary.

## 8. Net asset value ('NAV') / Capital entitlement per share

<b>As at 30 June 2019</b>	<b>Shares in issue</b>	<b>Attributable to Shareholders (£'000)</b>	<b>Capital entitlement per share (p)</b>	<b>NAV per share (p)</b>
Ordinary Shares	50,000	50	n/a	100.00
Zero Dividend Preference Shares	10,869,950	11,346	104.38	n/a

<b>As at 30 June 2018</b>	<b>Shares in issue</b>	<b>Attributable to Shareholders (£'000)</b>	<b>Capital entitlement per share (p)</b>	<b>NAV per share (p)</b>
Ordinary Shares	50,000	4	n/a	8.00
Zero Dividend Preference Shares	10,869,950	10,963	100.86	n/a

<b>As at 31 December 2018</b>	<b>Shares in issue</b>	<b>Attributable to Shareholders (£'000)</b>	<b>Capital entitlement per share (p)</b>	<b>NAV per share (p)</b>
Ordinary Shares	50,000	50	n/a	100.00
Zero Dividend Preference Shares	10,869,950	11,155	102.62	n/a

## 9. Related parties

As at the period end, the Investment Manager held 50,000 Ordinary Shares of £1 each in the Company.

Details of the loan agreement between the Company and its parent company, RM Secured Direct Lending plc, are disclosed in note 3.

The Directors shall not be entitled to receive remuneration in respect of their performance of their duties as ZDP Directors nor shall they be entitled to receive any expenses in relation to their role of ZDP Directors. As at the period end, the Directors held no shares in the Company.

The Company had no employees during the period ended 30 June 2019.

## 10. Subsequent events

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

## **11. Status of the report**

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

The information for the period ended 31 December 2018 has been extracted from the last published audited financial statements, unless otherwise stated. The audited financial statements have been delivered to the Registrar of Companies. The Auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The Half-yearly financial report was approved by the Board of Directors on 13 August 2019.