

RM ZDP PLC

HALF-YEARLY FINANCIAL REPORT

FOR THE PERIOD FROM INCORPORATION ON 21 FEBRUARY 2018 TO 30 JUNE 2018

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 the ZDP Shares, described in note 6 to the financial statements.

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 2018 the accrued capital entitlement per ZDP Share was 100.86p and the share price per ZDP Share was 101.5p.

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 2018 were £107.6 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
9 August 2018

Unaudited Statement of Comprehensive Income

For the period from incorporation on 21 February 2018 to 30 June 2018

	Period ended 30 June 2018	£'000
	Notes	
Income		
Investment income	3	53
Administration expenses		(41)
Return before finance costs and taxation		12
Finance costs		(93)
Return on ordinary activities before taxation		(81)
Taxation	4	(3)
Return on ordinary activities after taxation		(84)
Return per Ordinary Share (pence)	5	(1.68p)

All 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 8 to 12 form an integral part of these unaudited financial statements.

Unaudited Statement of Financial Position

	As at 30 June 2018	Notes	£'000
Non-current assets			
Loan and receivables	3		10,923
Total non-current assets			10,923
Current assets			
Cash and cash equivalents	18		
Prepayments and other debtors	128		
Total current assets			146
Total assets			11,069
Current liabilities			
Other payables	(102)		
Total current liabilities			(102)
Non-current liabilities			
Zero Dividend Preference Shares	6		(10,963)
Total non-current liabilities			(10,963)
Total liabilities			(11,065)
Net assets			4
Capital and reserves: equity			
Share capital	7		50
Capital contribution	38		
Profit and loss reserve	(84)		
Total Shareholders' funds			4
NAV per share – Ordinary Shares (pence)	8		8.00p
Accrued capital entitlement – ZDP Shares (pence)	8		100.86p

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

The notes on pages 8 to 12 form an integral part of these unaudited financial statements.

Unaudited Statement of Changes in Equity

For the period from incorporation on 21 February 2018 to 30 June 2018

	Notes	Share capital £'000	Capital contribution £'000	Profit and loss reserve £'000	Total £'000
Balance as at beginning of the period		-	-	-	-
Return on ordinary activities		-	-	(84)	(84)
Capital contribution		-	38	-	38
Issue of Ordinary Shares	7	50	-	-	50
Balance as at 30 June 2018		50	38	(84)	4

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

The notes on pages 8 to 12 form an integral part of these unaudited financial statements.

Unaudited Statement of Cash Flows

For the period from incorporation on 21 February 2018 to 30 June 2018

	Period ended 30 June 2018	Note	£'000
Operating activities			
Return on ordinary activities before finance costs and taxation*	12		
Adjustment for taxation	4		(3)
Increase in receivables			(168)
Increase in other payables			142
Net cash flow from operating activities			(17)
Investing activities			
Loan investments			(10,923)
Net cash flow used in investing activities			(10,923)
Financing activities			
ZDP Share issue proceeds	3		10,870
Share issue proceeds	7		50
Capital contribution			38
Net cash flow from financing activities			10,958
Increase in cash			18
Opening balance at beginning of the period			-
Balance as at 30 June 2018			18

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

The notes on pages 8 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) 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 (£).

(b) Financial instruments at amortised cost

Loan and receivables and Zero Dividend Preference Shares (ZDP Shares)

The loan made by the Company to its parent company and the ZDP Shares were initially recognised at cost and are subsequently measured at amortised cost using the effective interest rate method.

Financial assets are assessed for impairment at each reporting date.

(c) Income

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

(d) Expenses

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

(e) 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.

(f) 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. Loan and receivables

	Period ended 30 June 2018
	£'000
Amount advanced to RM Secured Direct Lending Fund plc	10,870
Investment income during the period	53
Closing balance	10,923

Intercompany Loan Agreement

The ZDP Loan Agreement was entered into immediately prior to Admission, between the Company (as lender) and RMDL (as borrower) pursuant to which, immediately following Admission, the Company lent RMDL the Gross ZDP Placing Proceeds, which has been applied by RMDL towards making investments in accordance with its Investment Policy and for working capital purposes.

The ZDP Loan Agreement provides that, interest will accrue on the ZDP Loan daily at a rate of 2% per annum, compounded annually on each anniversary of Admission of the ZDP Shares and will be rolled up and paid to 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 of 6 April 2021, provided that the ZDP Loan shall become repayable by the Company immediately upon the passing of a Winding-Up Resolution, a ZDP Recommended Resolution or a ZDP Reconstruction Resolution.

Deed of Undertaking

The Undertaking was entered into immediately prior to Admission, between the Company (as beneficiary) and RMDL (as grantor) 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 (or, if earlier, the accrued capital entitlement multiplied by the number of outstanding ZDP Shares following the date on which a Winding-Up Resolution is approved) exceeds the aggregate principal amount and accrued interest due from RMDL to the Company pursuant to the ZDP Loan Agreement as at the ZDP Repayment Date (the "Additional Funding Requirement"), RMDL shall: (i) subscribe an amount equal to or greater than the Additional Funding Requirement for Subsidiary Ordinary Shares (the "Additional Shares"); or (ii) make a capital contribution or gift or otherwise pay an amount equal to or greater than (where rounding is required) the Additional Funding Requirement. Where applicable, the Additional Shares may be Subsidiary Ordinary Shares or such other class of shares in the Company as is agreed between the Company and RMDL.

During the period to 30 June 2018, further to its initial subscription for Ordinary Shares, RMDL contributed £38,000 to the Company.

4. Taxation

	Period ended 30 June 2018
	£'000
Analysis of tax charge for the period	
Corporation tax	3
Total tax charge for the period	3

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 £84,000 and a weighted average number of 50,000 Ordinary Shares in the period.

6. Zero Dividend Preference ('ZDP') Shares

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

The ZDP Shares are recorded as a liability in the financial statements 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.

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 RMDL 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 Company for information purposes, but shall have no right to attend or vote at any such meeting of the Company. 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 Ordinary Shareholders of the Company provided they have first been approved by way of a ZDP Class Consent.

7. Share capital

	As at 30 June 2018	
Allotted, issued and fully paid:	Number of shares	Nominal £'000
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 RMDL and are fully paid up.

Voting rights

Save as described in note 6, the Ordinary Shares have full voting rights in the Company. The ZDP Shareholders shall have the right to receive notice of all general meetings of the Company for information purposes, but shall have no right to attend or vote at any such meeting of the Company.

8. Net asset value ('NAV') / Accrued capital entitlement per ZDP Share

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

The accrued capital entitlement per ZDP Share is considered to be an Alternative Performance Measure.

9. Related parties

Details of the loan agreement between the Company and its parent company, RMDL, 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 shareholding in the Company.

The Company had no employees during the period ended 30 June 2018.

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

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