RMFunds™

RM Infrastructure Income PLC

Annual Report & Accounts

for the year ended 31 December 2022

Responsible investing

Through active stakeholder engagement combined with the integration of environmental, social and corporate governance considerations throughout the investment process.

2022

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About us

RM Infrastructure Income plc ("RMII" or 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 including any loan, promissory notes, lease, bond, or preference share (such debt instruments, as further described on page 17, 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.

Company highlights (as at 31 December 2022)

6.5p
Dividend pence per share

28.0% of GAV
CBILS* and RLS** loans

£126.1m
Gross assets

59.1% of NAV
Portfolio exposure to Social & Environmental Infrastructure sectors

0.975x
Dividend cover

5.0%
NAV Total Return

**Coronavirus Business Interruption Loan Scheme ** Recovery Loan Scheme*

Portfolio at a glance

Operational highlights

- Diversified portfolio with gross assets of £126.1 million invested across 37 loans and one wholly owned asset, across 12 sectors and 16 sub-sectors
- RM Funds further accreditation by the British Business Bank as an accredited lender for the RLS with RMII as a funding partner: 28% of the portfolio invested into partially government guaranteed CBILS & RLS eligible loans
- Approximately 59.1% of the portfolio NAV is committed to Social & Environmental Infrastructure sectors reflecting an increase of 8.3% over 2022, with a strong pipeline and expectation that further allocations to these areas in 2023 will continue to increase as the portfolio's maturing investments are recycled within those core sectors
- A short dated, high yielding portfolio that has outperformed many other fixed income comparables during 2022

Financial highlights

Financial information	**Year ended 31 December 2022**	Year ended 31 December 2021
Gross asset value (£'000)[1]	**£126,076**	£130,821
Net Asset Value ("NAV") (£'000)	**£108,805**	£111,250
NAV per Ordinary Share (pence)	**92.49p**	94.41p
Ordinary Share price (pence)	**85.00p**	95.00p
Ordinary Share price (discount)/premium to NAV[1]	**(8.1%)**	0.6%
Ongoing charges[1]	**1.86%**	1.92%
Gearing (net)[1]	**13.1%**	14.6%
Performance summary	**% change[2,4]**	% change[3,4]
Total return – Ordinary Share NAV and dividends[1]	**+5.0%**	+ 7.6%
Total return – Ordinary Share price and dividends[1]	**+3.7%**	+ 16.7%

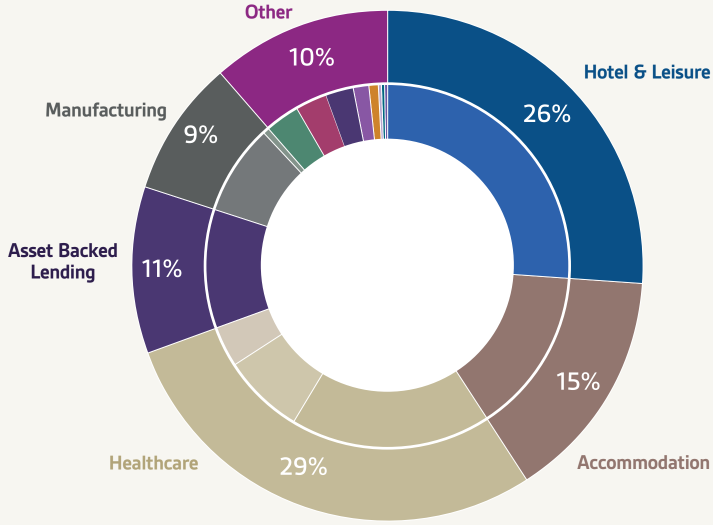
1. These are Alternative Performance Measures ("APMs").
2. Total returns for the year to 31 December 2022, including dividend reinvestment.
3. Total returns for the year to 31 December 2021, including dividend reinvestment.
4. Source: Bloomberg.

As at 20 April 2023, the latest date prior to the publication of this document, the Ordinary Share price was 79p per share and the latest published NAV was 92.10p per share as at 31 March 2023.

Alternative Performance Measures ("APMs")
The financial information and performance summary data highlighted in the footnote to the above tables are considered to represent APMs of the Company. Definitions of these APMs together with how these measures have been calculated can be found on pages 78 to 80.

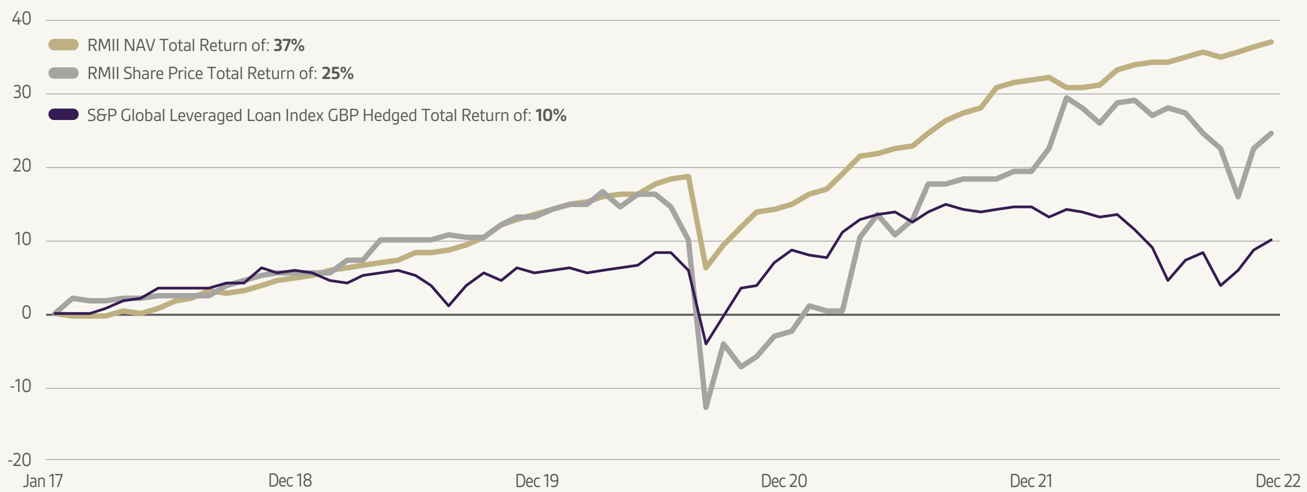
Sector breakdown (as at 31 December 2022)

Hotel & Leisure	Hotel: **26.3%**
Accommodation	Student accommodation: **14.6%**
Healthcare	Care home: **17.9%** Health and well-being: **7.3%** Specialist care: **3.5%**
Asset Backed Lending	Asset backed lending: **10.5%**
Manufacturing	Auto parts manufacturer: **8.0%** Other manufacturing: **0.6%**
Other	Construction: **3.1%** Energy efficiency: **2.8%** Childcare: **2.4%** Ports business: **1.4%** Restaurant: **0.6%** School: **0.4%** Wealth management: **0.4%** Renewable heat incentive: **0.2%**

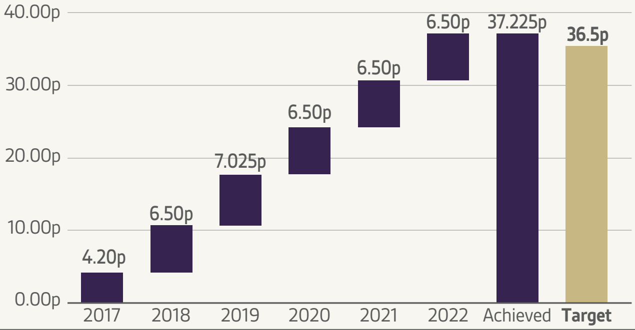


Fund performance since inception

% Total returns to date

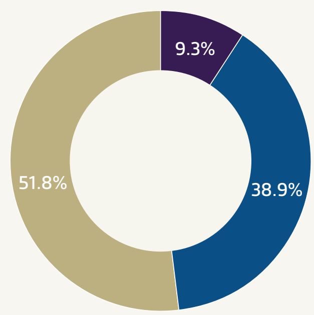


Distribution record



Investment portfolio since inception

Environmental Infrastructure
Social Infrastructure
Other (Non Core)



48.2% of portfolio to date invested in ongoing focus sectors

Portfolio at a glance

continued

Portfolio (as at 31 December 2022)

Largest 10 loans by drawn amounts across the entire portfolio

Business activity	Investment type (Private/Public/Bond)	Valuation† £'000	Percentage of gross asset (%)
Asset finance	Private Loans	12,690	10.10
Hotel	Private Loans	9,630	7.60
Automotive parts manufacturing	Private Loans	8,410	6.70
Care home	Private Loans	8,118	6.40
Gym franchise	Private Loans	7,820	6.20
Hotel	Private Loans	5,479	4.30
Student Accommodation	Private Loans	4,955	3.90
Care home	Private Loans	4,943	3.90
Hotel	Private Loans	4,589	3.60
Healthcare	Bond	4,429	3.50
Ten largest holdings		**71,063**	**56.20**
Other private loan investments		41,105	32.70
Wholly owned asset		3,593	2.90
Bond investments		4,208	3.30
Total holdings		**119,969**	**95.10**
Other net current assets		6,110	4.90
Gross assets*		**126,079**	**100.00**

* *The Company's gross assets comprise the net asset values of the Company's Ordinary Shares and the Bank loan, calculation can be found on page 78.*
† *Valuation conducted by external Valuation Agent.*

37

Number of loans

9.21%

Average yield

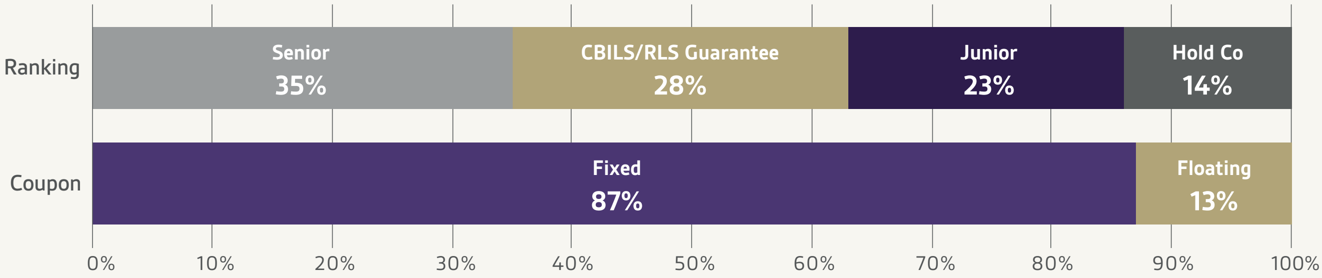
Full portfolio (as at 31 December 2022)

Loan ref#	Borrower name	Deal type	Sector	Business description	Nominal (£)	Market value (£)	Valuer	Payment
88	Private Loan - SPV	Bilateral Loan	Healthcare	Care home	12,833,220	12,689,910	V Agent	Cash
39	Beinbauer	Syndicated Loan	Manufacturing	Auto Parts Manufacturer	9,663,522	9,629,584	V Agent	PIK/Cash
66	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	8,504,440	8,410,122	V Agent	Cash
60	Private Loan - SPV	Bilateral Loan	Asset Backed Lending	Asset Backed Lending	8,193,916	8,117,971	V Agent	Cash
76	Gym Franchise	Bilateral Loan	Healthcare	Health and Well-being	7,962,055	7,820,003	V Agent	Cash
67	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	5,540,560	5,479,113	V Agent	Cash
15	Voyage Care	Bond	Healthcare	Specialist Care	5,000,000	4,208,334	External	Cash
80	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	5,000,000	4,085,178	V Agent	Cash
82	Private Loan - SPV	Bilateral Loan	Healthcare	Care home	5,000,000	4,954,904	V Agent	Cash
86	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	5,000,000	4,942,918	V Agent	Cash
89	Private Loan - SPV	Bilateral Loan	Accommodation	Student accommodation	5,000,000	4,589,466	V Agent	Cash
79	Private Loan - SPV	Bilateral Loan	Construction	Construction	4,500,000	3,676,660	V Agent	Cash
61	Private Loan - SPV	Bilateral Loan	Asset Backed Lending	Asset Backed Lending	4,469,939	4,428,509	V Agent	Cash
12	Private Loan - SPV	Bilateral Loan	Accommodation	Student accommodation	4,422,500	4,422,500	V Agent	Cash
73	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	4,000,000	3,938,378	V Agent	Cash
84	Private Loan - SPV	Bilateral Loan	Accommodation	Student accommodation	4,000,000	3,958,630	V Agent	Cash
68	Equity	Equity	Accommodation	Student accommodation	3,600,000	3,592,800	V Agent	N/A
62	Trent Capital	Bilateral Loan	Energy Efficiency	Energy Efficiency	3,011,643	2,859,658	V Agent	PIK
83	Private Loan - SPV	Bilateral Loan	Healthcare	Care home	2,796,462	2,771,240	V Agent	Cash
92	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	2,458,629	2,008,787	V Agent	Cash
58	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	2,401,638	1,746,076	V Agent	PIK
95a	Private Loan - SPV	Bilateral Loan	Childcare & Education	Childcare	2,381,061	2,376,299	V Agent	Cash
71	Euroports	Syndicated Loan	Transport Assets	Ports business	1,770,695	1,664,453	External	Cash
69	Private Loan - SPV	Bilateral Loan	Hotel & Leisure	Hotel	937,500	889,924	V Agent	Cash
74	Private Loan - SPV	Bilateral Loan	Accommodation	Student accommodation	930,000	915,870	V Agent	Cash
87	Private Loan - SPV	Bilateral Loan	Commercial Property	Restaurant	782,623	773,253	V Agent	Cash
96	Private Loan - SPV	Bilateral Loan	Manufacturing	Other Manufacturing	700,000	695,881	V Agent	Cash
63	Trent Capital (Fusion) RF	Bilateral Loan	Energy Efficiency	Energy Efficiency	699,545	199,972	V Agent	PIK
76.1	Gym Franchise	Bilateral Loan	Healthcare	Health and Well-being	660,838	649,048	V Agent	PIK
97a	Private Loan - SPV	Bilateral Loan	Healthcare	Care home	680,460	680,460	V Agent	Cash
78	Private Loan - SPV	Bilateral Loan	Energy Efficiency	Energy Efficiency	500,000	398,748	V Agent	Cash
81	Private Loan - SPV	Bilateral Loan	Finance	Wealth Management	500,000	494,848	V Agent	Cash
95b	Private Loan - SPV	Bilateral Loan	Childcare & Education	Childcare	476,212	475,260	V Agent	Cash
91	Private Loan - SPV	Bilateral Loan	Childcare & Education	School	450,000	450,000	V Agent	Cash
97b	Private Loan - SPV	Bilateral Loan	Healthcare	Care home	420,115	420,115	V Agent	Cash
94a	Gym Franchise	Bilateral Loan	Healthcare	Health and Well-being	286,391	276,920	V Agent	Cash
52	Private Loan - SPV	Bilateral Loan	Clean Energy	Renewable heat incentive	165,121	164,256	V Agent	Cash
9	Private Loan - SPV	Bilateral Loan	Clean Energy	Renewable heat incentive	114,218	113,604	V Agent	Cash
				Total	**125,813,302**	**119,969,650**		

Portfolio at a glance

continued

Portfolio statistics[1] (as at 31 December 2022)

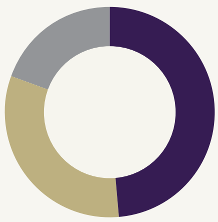


Portfolio analysis (as at 31 December 2022)

Portfolio focused on relatively short dated high yielding fixed rate loans with 95% of the portfolio loan tenor sub 5 years.

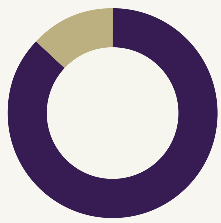
Investments ranking[1]

- Senior: **35%**
- Junior: **23%**
- Hold Co: **14%**



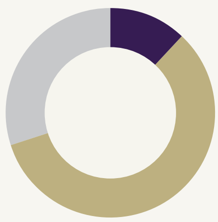
Coupon type

- Fixed: **87%**
- Floating: **13%**
- Index-linked: **0%**



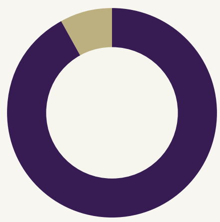
Annualised yield

- < 7.5% yield: **12%**
- 7.5-9.5% yield: **58%**
- > 9.5% yield: **30%**



Weighted average life

- 0-3 years: **92%**
- 3-5 years: **8%**
- > 5 years: **0%**



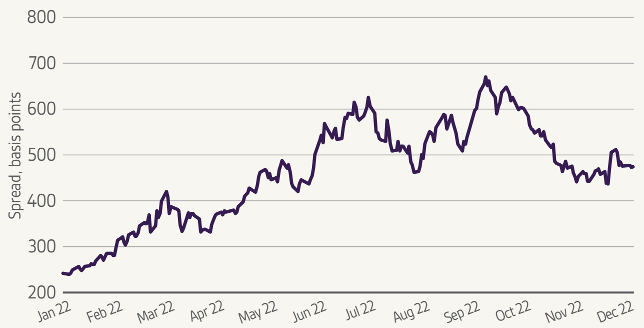
1. Including wholly owned asset

Market

Market environment

A very challenging macro environment persisted throughout the year. The key driver was inflationary pressure which was exacerbated by the Russian invasion of Ukraine in the spring. Central banks then started their tightening phase with the Bank of England raising interest rates 9 times during the year to the highest levels seen in 14 years. Credit spreads were also volatile with two spikes during the year seen after the initial days of the Russian invasion and then after the poorly received "mini—budget" in September. In conjunction with widening credit spreads, underlying government bond yields rose dramatically with 5 year UK Gilt yields rising from 0.80% to finish the year at circa 3.6%, 280bps higher. This caused fixed income as an asset class to have a very poor year as the absolute level of spread and yield widening from such a low initial base meant that any instrument with duration and any credit exposure saw material declines in value.

Markit iTraxx Europe Crossover index



The Markit iTraxx Europe Crossover index comprises 75 equally weighted credit default swaps on the most liquid sub-investment grade European corporate entities. This is the most liquid reference point for high yield credit in Europe. Spreads opened the year at 240bps and widened throughout the year, peaking at about 675bps in late September before retracing to close at c 475bps at the year end.

Market opportunities

The focus of the strategy remains on relatively short-dated lending. The widening seen over the last 12 months in credit spreads combined with the increase in underlying UK Gilt yields means there are opportunities to increase the coupons charged. Such new lending is also targeting senior secured loans thus seeking to improve the overall credit quality of the portfolio.

Company objectives

Financial

Objectives	KPIs
> **Stable income for investors:** targeting 6.5 pence per share dividend annually for investors	> 6.5 pence dividend declared or paid for full year 2022 *Total dividends paid from inception to date 37.225p versus 36.50p target*
> **Diversification:** the Company shall seek to meet its investment objective by investing into a diversified portfolio of Loans	> 37 loans and one wholly owned asset across 12 sectors

Environmental, social and governance

Objectives	KPIs
> **Integrate ESG considerations into the investment processes**	> RM Funds have a Responsible Investment Policy and are signatories to the Principles for Responsible Investing ("PRI")
> **Impact Goal:** to meet the funding needs of quality businesses who make a meaningful, positive contribution towards social and environmental outcomes that are linked to specific Sustainable Development Goals ("SDGs")	> Impact outcomes have increased as measured by average portfolio impact score rising over time

Sector objectives

Linking ESG & Impact to Investment Sectors

Our focus

RMII now seeks to focus on two investable impact areas with six sectors for new capital allocations in order to make positive contribution to achieving specific SDG outcomes in the UK: to date RMII has committed 59% of its capital to these sectors; Social infrastructure and Environmental infrastructure.

Investible impact areas

These areas are attractive from a lending perspective as they have a combination of demographic and regulatory support for their demand and in addition typically have tangible asset backing. There is no specialist debt vehicle set up to lend into these sectors and the lack of funding offers a considerable opportunity.

Key sectors

Social infrastructure

Healthcare

3 GOOD HEALTH AND WELL-BEING

Childcare & Education

4 QUALITY EDUCATION

Accommodation

11 SUSTAINABLE CITIES AND COMMUNITIES

Impact outcomes:

- *Improving* supply of quality, affordable housing and accommodation
- *Improving* quality and availability of childcare and education services
- *Improving* quality and accessibility of health and social care services

Environmental infrastructure

Clean Energy & Renewables

7 AFFORDABLE AND CLEAN ENERGY

Waste Management

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

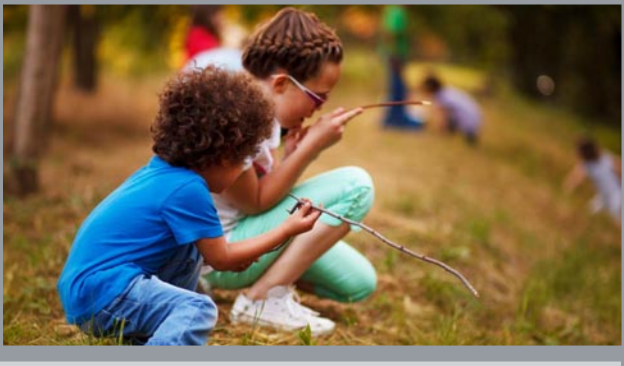
Energy Efficiency & Carbon Reduction

13 CLIMATE ACTION

Impact outcomes:

- *Improving* availability of sustainable energy solutions
- *Improving* recycling, waste and sustainable water use solutions
- *Improving* sustainability of buildings and transport

Case study: Barnes Day Care



Overview

RMII provided Utsaha Education ("Utsaha"), an international nursery operator, with a c.£3m corporate senior secured facility in June 2022. The Facility enabled Utsaha to acquire its first UK-based nursery, Barnes Day Care, a 30-children nursery in South-West London. Utsaha holds extensive experience in the nursery sector, having previously invested in south-east Asia cities, predominantly in Singapore, and now looking to expand their footprint in the under-served UK market.

Utsaha's business model is providing high quality childcare in a welcoming homely environment and has strategically partnered with RMII to secure its capital requirements for its expansionary strategy in the UK market.

30	London	Ofsted Good Provider
Capacity: 30 children	**Location**	**Ofsted rating**

Chair's statement

This year marks the sixth year since the Company's Initial Public Offering ("IPO") on the London Stock Exchange in December 2016 and was particularly challenging given significant movements seen in credit and interest rate markets.

37.22%

Inception to 31 December 2022 / NAV Total return

37.225p

Total dividend declared or paid / inception to 31 December 2022

92.49p

NAV as at 31 December 2022

Introduction

On behalf of the Board of Directors ("the Board"), I am pleased to present RM Infrastructure Income plc's ("RMII" or "the Company") Annual Report & Accounts for the year ended 31 December 2022.

This year marks the sixth year since the Company's Initial Public Offering ("IPO") on the London Stock Exchange in December 2016 and was particularly challenging given significant movements seen in credit and interest rate markets. The rise in energy prices over parts of the year, due to the Russian invasion of Ukraine, was staggering and it is welcome that we are now seeing prices normalise, albeit at elevated levels. Further pressure was put on the UK gilt market in late September by the "mini-budget" and risk-free rates, as represented by UK government bond yields, rose significantly. Our portfolio was structured to mitigate against such interest rate risk, and it is therefore very pleasing to see significant outperformance of the share price percentage total return versus more liquid loan and bond market benchmarks.

The year saw the Net Asset Value ("NAV") per Ordinary Share of the Company fall slightly as fair value markdowns were taken during the period. As in 2020 during the Covid period, we believed it was sensible to take fair value markdowns given the heightened levels of risk and the increase in risk free rates as well as credit spreads over the year. Our expectations are that some of these fair value markdowns, will be released during 2023 as the Investment Manager has made good progress with the enhanced monitoring loans, which have reduced over the period from three to one.

Income generation and NAV performance

In the six years since listing, the Company has returned to Shareholders 37.225 pence per Ordinary Share in dividends which have been entirely covered by earnings. During 2022 the dividend was covered by 0.975x with income, and we dipped into accrued revenue reserves in order to pay the dividend. This dividend cover is forecast to increase, as a higher net interest income from the portfolio is expected during 2023. Given the increase in government bond yield and credit spreads the Company can now make new loans at higher coupon rates which will feed through into higher gross revenue. This means that absent of any increase in credit losses, the Company is seeking to pay a higher dividend than the previous stated target of 6.5 pence per Ordinary Share for 2023 and beyond whilst these favourable conditions persist. The current range that the Investment Manager is indicating to the Board is that there will be sufficient income to pay a dividend of at least 7 pence per Ordinary Share which will equate to a current yield of 8.24% versus the year end share price.

Chair's statement

continued

On the 1 March 2023, the Company declared a fourth interim dividend for the year of 1.625 pence per Ordinary Share paid on the 31 March 2023, thus total dividends of 6.5 pence per Ordinary Share were paid for the year ended 31 December 2022.

At 31 December 2022, the published NAV per share was 92.49 pence per Ordinary Share (31 December 2021: 94.41 pence). The NAV percentage per Ordinary Share Total Return for the year was +5.0% (2021: 7.6%) and annualised over 2021 and 2022 gives a +6.29% per annum NAV Total Return. Since inception the NAV percentage Total Return on an annualised basis has been +5.49%.

Returns to Shareholders

The closing mid-market share price on 31 December 2022 was 85 pence per Ordinary Share compared with 95 pence per Ordinary Share as of 31 December 2021. The 10 pence per Ordinary Share decrease, combined with dividends, means the total percentage share price return for the year was +3.75% (2021: +16.7% and since IPO to date +24.74%).

On 31 December 2022, the share price discount to NAV was 8.1% which is slightly higher than the 6% maximum target and as a result there were share buy backs conducted in December totalling 204,629 Ordinary Shares all of which were bought back at 85 pence per Ordinary Share. After the period end a further 50,000 shares were bought back at 85.5 pence per Ordinary Share. Over the life of the Company a total of 4,638,222 Ordinary Shares have been acquired through buy backs, all which are held in treasury. It is our target during 2023 and the medium term to regain the premium rating of the shares to NAV; and then the Company will divest these treasury shares at a premium to NAV.

Portfolio overview

The overall portfolio size remained largely unchanged during the year, closing out at £126 million of invested capital (2021: £131 million) across 37 loans and 1 wholly owned asset (2021: 34 loans and 1 wholly owned asset).

Six new loans were made during the year, alongside further drawdowns from existing facilities, and there were repayments and divestments totalling c.£26m. The weighted average life of the portfolio reduced from 2.3 years to 1.5 years which is reflective of the desire to keep duration relatively short, providing the optionality to redeploy capital at higher yields. The average yield of the portfolio increased by 67bps, rising from 8.54% to 9.21%.

Overall, the credit quality of the portfolio improved as the above-mentioned capital received from repayments and divestments which was invested equally between senior secured and junior secured investments was redeployed entirely in senior secured investment loans. Further, these new investment loans generate an additional c.300bps which will increase the dividend cover in the near to medium term.

The Investment Manager's report will go into further detail, however, it is pleasing to note that out of the three borrowers that were on the enhanced monitoring list as of the start of the year, two have reached successful resolutions with only one remaining. The Investment Manager is also seeking to monetise the equity stake in Energie Fitness which was received during the restructuring of the business post the initial Covid wave in 2020. This was always scheduled to be a 3-year investment horizon and despite a delayed real start due to extra lockdowns I am pleased to report that this objective is broadly on track.

During the year the Board took the opportunity, when Covid restrictions were relaxed, to visit several of the projects funded by Shareholders. In July the Directors visited Trianco (Trent), an energy efficiency manufacturer based in Rotherham and spent several hours with management, discussing the business and touring the factory.

Since the Company was launched in 2016, when we were able, the Board has made an annual visit to RM Funds' offices in Edinburgh to meet with staff and members of the investment committee who are responsible for finding and vetting opportunities. This year we took the opportunity to visit the development at Clyde Street in Glasgow and meet the site managers before going on to Edinburgh.

In January 2023 the Board made visits to Southport and Lytham to visit two purpose-built care homes managed by Athena Healthcare Group. These two care homes provide 277 beds and will help to address the significant shortfall in adequate bed capacity for the UK's elderly population.

The Board then travelled to Milton Keynes to visit the head office of Energie Fitness to discuss the company's performance and strategy. The Board also had the opportunity to visit two gym franchisees nearby, one being the first franchisee to have opened nearly 18 years ago and the second one being a recently opened franchise.

In all cases the Directors were impressed by the level of professionalism of all the managers of each of the businesses, their enthusiasm and the relationship they have with RM Funds. In 2023 the Board intends to visit many more of the projects funded by Shareholders.

Committed to responsible investing

The Board and the Investment Manager have long been committed to high ESG standards and to responsible investing. The refreshed investment focus towards social and environmental infrastructure sectors enhances this commitment through investment in assets at the forefront of providing essential services to society. RM Funds' Responsible Investing Investment Policy ensures that these considerations are integrated into each individual investment process and the alignment of the portfolio to achieving contributions towards outcomes linked to UN Sustainable Development Goals 3, 4, 7, 11, 12 & 13.

The Board and the Investment Manager seek to understand and report to investors on the impact their capital has made to society and the planet. We have therefore engaged The Good Economy ("TGE") as the impact reporting and assurance partner for RMII. The first Impact Report was released in the Spring of 2022 (www.rm-funds.co.uk/responsible-investing-4/responsible-investing-3/) and the second impact report is scheduled for release during Q2 of 2023.

The Company will continue to target social good, and it is pleasing to see new transactions being committed to over the period contained sustainability-linked lending covenants which incentivise the borrower to achieve social and environmental outcomes as measured against specific objectives for each loan.

Outlook

Due to the increase in credit spreads and higher government bond yields the Investment Manager is making new loans at higher levels increasing the average portfolio yield. The portfolio average yield rose by 67bps over 2022 and this is set to rise further over 2023 thus generating additional net interest income. We therefore expect this to increase the level of dividend cover allowing for higher distributions absent of an increase in credit losses.

We are therefore seeking to target distribution for 2023 to be at least 7 pence per Ordinary Share which is a 7.7% increase in income for Shareholders over the distributions received in 2022. Using the share price at the time of writing of 84 pence per share this would equate to a dividend yield more than 8.33% and represents an increase of 68bps over the dividend yield of 7.65% based on the closing share price as at 31 December 2022.

Over the course of the financial year, the Company has operated in very challenging conditions. The discount levels at which our shares have traded at have been a function of rising yields. We recognised the issues and are seeking to address them by increasing the portfolio yield to higher, more attractive levels. Given our portfolio and the market backdrop in which we operate, this will naturally take some time. As detailed above, we expect the income yield paid to Shareholders to be higher than previously paid and we hope this increases the attractiveness of the shares, goes some way to addressing the discount we currently trade at and help restore the premium rating I targeted in last year's report. Notwithstanding that, on the 12 May 2021 the Company announced that if the shares trade at more than an average of zero percent discount for the six-month period to 31 March 2023, that a liquidity consultation process will take place prior to the AGM to be held on 30 May 2023.

In preparing the financial statements we have considered the upcoming liquidity opportunity consultation. As this consultation will not conclude until after the approval of these financial statements it means that there is material uncertainty over the going concern of the Company. The Board will honour that commitment and our brokers will consult with Shareholders shortly. We hope that Shareholders can take a longer-term view, recognise the increased dividend target, see the value within the portfolio and allow the Investment Manager to continue to invest in attractive opportunities on your behalf.

I look forward to continued engagement with Shareholders. Please do not hesitate to contact me through our brokers Singer Capital Markets or Peel Hunt if any additional information is required.

Norman Crighton
Chair

25 April 2023

Investment Manager's report

Strong and sustainable NAV & income performance

Over the course of the year, the portfolio generated a NAV Total Return of 4.98%, with total dividend distributions attributable to Shareholders for the year totalling 6.5 pence per Ordinary Share. Overall, the NAV per Ordinary Share decreased from 94.41 pence per Ordinary Share at 31 December 2021 to 92.49 pence per Ordinary Share at 31 December 2022. Over the past two years from January 2021 the Company has generated annualized NAV percentage Total Returns of 12.98% per annum and since IPO 5.49%, demonstrating the stable income and capital preservation which the Company is seeking to deliver for Investors.

Following the year end, an interim dividend in respect of the period from 1 October 2022 to 31 December 2022 was declared on 1 March 2023 and was paid to Shareholders on the 31 March 2023. These dividends totalling 6.5 pence per Ordinary Share for the year ended 31 December 2022 bring the total distributions since the Company's launch in December 2016 to 37.225 pence per Ordinary Share, exceeding the target set at IPO.

The portfolio yield increased by 72bps over the period and this increase is expected to continue over 2023 as any new loans are made with higher coupons. The Investment Manager has recommended to the Board that, absent of any increase in credit losses, the dividend can be increased to at least 7 pence per share for the period of 2023 and beyond if these favourable lending conditions persist.

Financial performance

Total income of £10.8m (2021: £11.2m) was marginally ahead of budget whilst expenses at £2.20m were marginally below budget leading to a profit before interest and tax of £8.6m, £429,000 ahead of budget. Set against this OakNorth Bank RCF costs were higher than budget with high utilisation combined with an increase in the cost of funds due to Bank of England Base Rate increases. Overall this led to a Profit after Interest cost that was £172,000 behind budget, a negative variance of 2.2% to budget. Given the challenging year and the provisions recorded versus income recognition the Investment Manager believes this is a satisfactory result.

The split between cash interest and Payment-in-Kind interest was respectively £7.9m and £2.8m, or 74% / 26%. To note that the way construction facilities were underwritten during the reporting period, meant that drawdown under the allocated interest reserve accounts were considered PIK interest, which optically looks less favourable than in previous years, though providing significant benefits regarding the running yield on committed construction facilities. When these above-mentioned construction facilities are removed from the analysis, then the Cash / PIK split looks more favourable versus 2021.

For the year ended 31 December 2022	
Income	£10,768,337
Total expenses	(£2,201,431)
Finance costs	(£1,102,169)
Total	**£7,464,737**
Dividends	(£7,655,526)
Loss after interest costs & before tax	**(£190,789)**

There were four dividends paid or declared in respect of the year ended 31 December 2022 totalling 6.5 pence per Ordinary Share.

Period	Payment date	Dividend proceeds
Q1 2022	24 June 2022	£1,914,916
Q2 2022	30 September 2022	£1,914,916
Q3 2022	30 December 2022	£1,914,916
Q4 2022	31 March 2023	£1,910,778

During the year ended 31 December 2022, £376,949 was treated as income but written down as a bad debt provision, thus not included in the 2022 revenue line item. This provision was taken because the timing of the income receipt is uncertain and there is uncertainty over the recoverability of such income. In total the Company balance sheet now has £1.159m of income provisions.

Share price performance

Negative share price performance combined with the widening of the share price premium to NAV from 0.6% at the year ended 31 December 2021 to -8.10% at the year ended 31 December 2022 meant that there was a negative share price total return of -3.75%. Since IPO the Total percentage share return achieved is 24.74% which is annualised since inception at 3.81% per annum.

This performance needs to be set against the wider negative market backdrop for fixed income and comparables to the broader sector peers.

Market environment

In the 2021 annual report outlook we noted *"as we look into 2022 it is likely that there will be further upwards pressure on government bond yields as inflationary pressures remain and central banks move into a tightening phase... negative outlook for general fixed income markets... credit spreads will likely move wider over the coming year."* All of this played out over the course of 2022 which was indeed a very difficult environment for credit, rates, and equities. The RMII portfolio was appropriately positioned with short duration exposure that minimised these wider credit spreads and higher underlying government bond yields.

The ITRX Markit Crossover index widened from circa 250 to nearly 700 post the mini budget in September and ended the year materially wider than where it started at circa 450. 2-year UK government bond yields started the year comfortably under 1% and peaked at over 4.5% in late September and closed out the year at over 3.5%.

The RMII portfolio did not suffer the volatility seen within these markets, however general fair value mark downs were taken during the year to reflect the widening in credit spreads and the increase in government bond yields.

Portfolio performance

Portfolio credit metrics improved over the year as measured by the proportion of senior loans and CBILS/RLS versus junior debt. As at the year end the portfolio was 63% invested within these types of loans versus 61% at the year ended 31 December 2021. The average life of the loan book reduced to 1.5 years as at the year-end (2021: 2.3 years) reflecting the continued strategic decision for the duration of the portfolio to remain as short as practically possible. As described on the last annual report such short duration minimises exposure to these continued inflationary pressures described above and is a key reason why RMII should offer an attractive proposition as an alternative credit investment versus more traditional corporate bond funds that typically are lower yielding with longer durations.

As at 31 December 2022, the overall number of loans within the portfolio remained relatively stable with 37 loans and 1 wholly owned asset (2021: 34 loans and 1 wholly owned asset) and total invested capital of £126m (2021: £131m).

The weighted average yield of the portfolio stood at 9.21% as at 31 December 2022, which is a 67bps uplift versus the previous year of 8.54% as at 31 December 2021. This has been driven by the Company's ability to redeploy loan repayments into higher yielding investments, with new loans over the year earning an additional c.300bps versus the repaid loans. As most of these new investments were made in the second half of 2022 and is ongoing, investors should see the full effect over the course of 2023.

It was an active year for the portfolio with new investments totalling c.£5.6m, drawdowns to existing facilities and re-investments totalling c.£15.5m and several repayments and divestments that totalled c.£26m during the year.

During the year, the Company completed on its first ESG sustainability-linked investment via a c.£6.2m senior secured investment for the construction of a 45-bed modern purpose-built care home near London. The loan contains a margin ratchet, which is linked to environmental building standards, and operational and governance conditions which align with the Company's ESG reporting framework and its desire to address certain sustainable development goals. Going forward and where applicable, the Company will look to further introduce sustainability and other ESG considerations linkage to the applicable margin.

The Company has contributed meaningfully to the provision of modern, purpose built and fit for purpose aged care capacity as two new sites in the northwest of England totalling 277 beds, funded by RMII were satisfactorily completed or nearing completion at the year end.

The exposure to core sectors as measured by their commitments has increased to 59.1%. as at 31 December 2022 vs 47.5% as of 31 December 2021. This inevitably will further increase over the course of 2023 as non-core sector investments come to maturity and are prepaid, with the most imminent one being the Company's asset-backed investments (c.11% of capital invested as at 31 December 2022).

The Company's approach regarding the conservative valuation of its investments remains unchanged with fair value mark downs worth approximately £5.8m or c.5 pence per Ordinary Share. These provisions are driven by what is defined as market risk and idiosyncratic risk. For market risk during 2022 as risk free rates rose and credit spreads widened it was sensible to widen yields across the portfolio to reflect such public market moves. Idiosyncratic risk refers to loan specific information which is reflected within specific loan pricing. Over 2022 provisions were increased to reflect the wider markets and idiosyncratic risks and this was in line with our approach during the Covid Pandemic of 2020 – our view is that fair value mark downs are likely to partially reverse over the course of 2023 as market conditions stabilise.

These fair value mark downs are in addition to the income provisions totalling £1.159m, or c.1 pence per Ordinary Share, described above.

During the year the number of investments on the enhanced monitoring list dropped from three to one, as outlined below:

1. Removed from enhanced monitoring: Trent Capital

(Loan reference 62 & 63)

Reduced leverage with c.£2.2m recovered via revenues from residential properties against which the Company had a secured charge with further modest deleveraging expected over 2023. Performance wise, the operating business Trianco has been performing profitably since the restructuring and is well positioned to thrive on the UK's agenda to meet its net zero objectives. Although the performance of the business has been encouraging, the full credit provisions worth c.£0.7m, or c.0.8 pence per ordinary share have been retained.

2. Removed from enhanced monitoring: Coventry PBSA property

(Loan reference 68)

This Coventry-based student accommodation property is fully owned by the Company, post its lender-led administration in 2021. Cladding remedial works have now been fully completed with occupancy at c.65% and expected near full occupancy for the next academic year of 2023/24. Now that this has been rehabilitated the Company is pursuing a legal claim against the former main contractor to recover all costs and loss of income incurred to date, these claims have not been accounted for within the NAV of RMII.

3. Still under enhanced monitoring: Hotel Development & Contractor Glasgow

(Loan reference 58, 79, 80 & 92)

This hotel was scheduled to open in June 2022 and has been delayed to April 2023 and is to be operated by Virgin Hotels under a 35-year Hotel Management Agreement. The total market value exposure that is correlated to the outcome of this asset is currently 10.6% of Company net assets. Credit provisions of £2.8m or c.2.4 pence per ordinary share were made.

PRI Principles for Responsible Investment

Responsible investing

RM Funds is a signatory to the Principles for Responsible Investment ("PRI"). The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance factors in investment decisions. RM Funds incorporates ESG criteria early on as part of the investment process and in addition there is active engagement wherever possible with portfolio Companies to help them improve their ESG processes. In practice this is delivered by the RM Funds Responsible Investing Investment Policy which is integral to RM's business philosophy

Investment Manager's report

continued

as we believe we can make a difference. This policy framework applies to all investment made by RM Funds and is governed by our principals and our commitments:

Our principles

- Respect for the internationally proclaimed human rights principles, equal opportunity independent of gender, race or religion; freedom of association and the right to bargain collectively;
- Working conditions that surpass basic health and safety standards;
- The conduct of good governance practices, in particular in relation to bribery and conflicts of interest; and
- Environmental responsibility and responsibility to active climate change engagement.

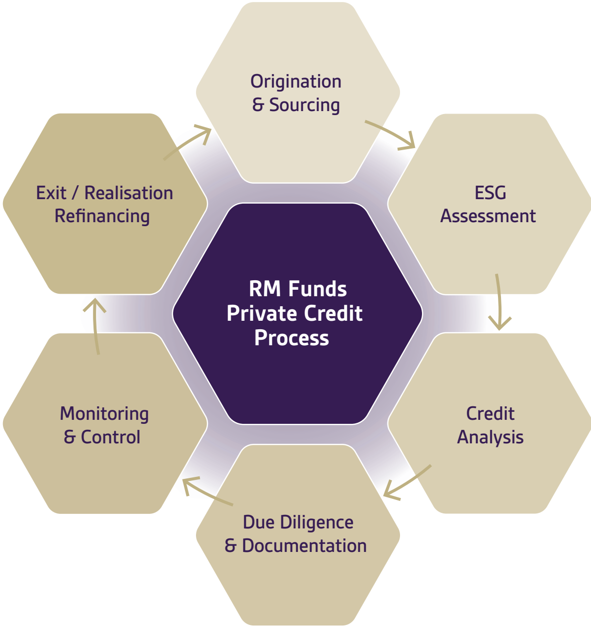
Our commitments

- Integrate the above principles into our decision-making process, by carefully considering ESG issues associated with any potential investment during the due diligence phase;
- Encourage portfolio companies to follow the above principles by implementing governance structures that provide appropriate level of oversight and by seeking disclosure on ESG issues;
- Provide ESG training and support to RM Fund's employees involved in the investment process, so that they may perform their work in accordance with the above principles and with this policy;
- Seek to be transparent in our efforts to integrate ESG considerations in investments and annually report on progress towards implementing the above principles;
- Comply with national and other applicable laws; and
- Help promote the implementation of the above principles; consider our alignment with other related conventions and standards set by Invest Europe, the UN Global Compact Initiative and the UN Principles for Responsible Investment (PRI); continuously strive to improve ESG performance within RM and our portfolio companies.

Investment Manager aligned to investor interests

At the IPO RM Funds purchased 500,000 Ordinary Shares and in line with the commitment to investors made at IPO has made an ongoing commitment and by purchasing RMII shares, the Investment Manager has shown a significant alignment of its interests with Shareholders. In addition to this the management team own additional shares in a personal capacity.

RM Funds has continued to purchase Ordinary Shares of the Company during the year and at the year-end RM Funds own 1,316,625 Ordinary Shares, which is an increase of 37,500 Ordinary Shares over the year.



Outlook for 2023

As described earlier in the report, 2022 was a very poor year for fixed income markets. The stage is set for a better 2023 and with 2-year UK government bond yields touching 4% and wider credit spreads and corporate bond yields look appealing in the short end. The Company is now able to recycle its capital and earn higher returns which absent of an increase in credit losses should allow for greater distributions for investors. This is therefore a promising outlook with potentially higher dividends and set against uncertain equity valuations such a stable income and NAV as targeted by RMII should appeal to a wide number of investors.

RM Capital Markets Limited

25 April 2023

Investment policy, results and other information

Investment objective

The Company aims to generate attractive and regular dividends through investment in secured debt instruments of UK SMEs and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share (such debt instruments, as further described below, being "Loans") sourced or originated by the Investment Manager with a degree of inflation protection through indexlinked returns where appropriate.

Investment policy

The Company will seek to meet its investment objective by making investments in a diversified portfolio of Loans to UK SMEs and mid market corporates, special purpose vehicles and/or to individuals. These Loans will generally be, but not limited to, senior, subordinated, unitranche and mezzanine debt instruments, documented as loans, notes, leases, bonds or convertible bonds. Such Loans shall typically have a life of 210 years. In certain limited cases, Loans in which the Company invests may have equity instruments attached, ordinarily any such equity interests would come in the form of warrants or options attached to a Loan. Typically the Loans will have coupons which may be fixed, indexlinked or LIBOR linked.

For the purposes of this investment policy, UK SMEs include entities incorporated outside of the UK provided their assets and/ or principal operations are within the UK. The Company is permitted to make investments outside of the UK to midmarket corporates.

Loans will be directly originated or sourced by the Investment Manager who will not invest in Loans sourced via or participations through, peer to peer lending platforms.

Loans in which the Company invests will be predominantly secured against assets such as real estate or plant and machinery and/or income streams such as account receivables.

The Company will make Loans to borrowers in a range of Market Sectors within certain exposure limits which will vary from time to time, according to market conditions and as determined by the Board, subject to the Investment Restrictions set out below.

The Company will at all times invest and manage its assets in a manner which is consistent to the spreading of investment risk.

Investment restrictions

The following investment limits and restrictions will apply to the Company's Loans and business which, where appropriate, shall be measured at the time of investment or once the Company is fully invested:

> the amount of no single Loan shall exceed 10% of Gross Assets;

> exposure to a single borrower shall not exceed 10% of Gross Assets;

> loans will be made across not less than four Market Sectors;

> not less than 70% of Gross Assets will be represented by loans denominated in sterling or hedged back to sterling;

> loans made to borrowers in any one Market Sector shall not exceed 40% of Gross Assets;

> loans with exposure to project development/construction assets shall not exceed 20% of Gross Assets;

> the Company will not provide loans to borrowers whose principal business is defence, weapons, munitions or gambling;

> the Company will not provide Loans to borrowers which generate their annual turnover predominantly from tobacco, alcohol or pornography; and

> the Company will not invest in other listed closed-ended funds.

In the event of a breach of the investment guidelines and restrictions set out above, the Investment Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the Investment Manager will look to resolve the breach with the agreement of the Board.

The Company intends to conduct its affairs so as to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, and its investment activities will therefore be subject to the restrictions set out above.

Borrowing and gearing

The Company intends to utilise borrowings for investment purposes as well as for share buybacks and shortterm liquidity purposes. Gearing represented by borrowings, including any obligations owed by the Company in respect of an issue of zero dividend preference shares (whether issued by the Company or any other member of its group) or any thirdparty borrowings, will not, in aggregate exceed 20% of Net Asset Value calculated at the time of drawdown.

Hedging and derivatives

The Company may invest in derivatives for efficient portfolio management purposes. In particular the Company can engage in interest rate hedging. Loans will primarily be denominated in sterling, however the Company may make limited Loans denominated in currencies other than sterling and the Board, at the recommendation of the Investment Manager, may look to hedge any other currency back to sterling should they see fit.

In accordance with the requirements of the UK Listing Authority, any material change to the Company's investment policy will require the approval of Shareholders by way of an ordinary resolution at a general meeting.

Investment policy, results and other information *continued*

Dividend policy

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

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

The Company targeted an annualised dividend yield in excess of 6.5% for the financial year to 31 December 2022.

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

Results and dividend

The Company's revenue return after tax for the year ended 31 December 2022 amounted to £7,462,000 (2021: £7,742,000). The Company made a capital loss after tax of £2,072,000 (2021: capital profit of £1,263,000). Therefore, the total return after tax for the Company was £5,390,000 (2021: £9,005,000).

The first interim dividend of 1.625p per Ordinary Share was declared on 25 May 2022 in respect of the period from January to March 2022. The second interim dividend of 1.625p per Ordinary Share for the quarter ended 30 June 2022 was declared on 3 August 2022 and the third interim dividend of 1.625p per Ordinary Share for the quarter ended 30 September 2022 was declared on 1 November 2022. On 1 March 2023, the Board declared a fourth interim dividend of 1.625 pence per Ordinary Share for the quarter to 31 December 2022.

Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) Dividends

A fourth interim dividend for the quarter ending 31 December 2022 of 1.625p per share was paid to Shareholders on the 31 March 2023 bringing total payments for the year to 6.5p per share, thus meeting the annual target.

(ii) Total return

The Company's total return is monitored by the Board. The Ordinary Shares generated a NAV total return of +4.98% (2021: +7.6%) in the year ended 31 December 2022.

(iii) Discount/premium to NAV

The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The Ordinary Share price closed at a 8.1% discount (2021: premium of 0.6%) to the NAV as at 31 December 2022. To address the discount, 204,629 shares were bought back during the year at 85 pence per share. This added 0.15 pence per Ordinary Share to the NAV. Following the Company's year end, 50,000 shares have been bought back.

(iv) Control of the level of ongoing charges

The Board monitors the Company's operating costs. Based on the Company's average net assets for the year ended 31 December 2022, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.86% (2021: 1.92%).

Risks and risk management

Principal and emerging risks and uncertainties

The Board is responsible for the management of risks faced by the Company and delegates this role to the Audit and Management Engagement Committee (the "Committee"). The Committee periodically carries out a robust assessment of principal and emerging risks and uncertainties and monitors the risks on an ongoing basis. The Committee considers both the impact and the probability of each risk occurring and ensures appropriate controls are in place to reduce risk to an acceptable level. The experience and knowledge of the Board is invaluable to these discussions, as is advice received from the Board's service providers, specifically the AIFM who is responsible for the risk and portfolio management services and outsources the portfolio management to the Investment Manager. The Committee has a dynamic risk matrix in place to help identify key risks in the business and oversee the effectiveness of internal controls and processes.

During the year under review the Committee was particularly concerned with the increase in geopolitical risk following the outbreak of war in the Ukraine. The subsequent rise in global energy prices, inflation and rising interest rates worldwide have led to a more uncertain investment environment. The Committee continues to review the processes in place to mitigate risk; and to ensure that these are appropriate and proportionate in the current market environment.

The principal and emerging risks, together with a summary of the processes and internal controls used to manage and mitigate risks where possible are outlined in the following paragraphs.

(i) Market risks

Availability of appropriate investments

There is no guarantee that loans will be made in a timely manner.

Before the Company is able to make or acquire loans, the Investment Manager is required to complete necessary due diligence and enter into appropriate legal documentation. In addition, the Company may become subject to competition in sourcing and making investments. Some of the Company's competitors may have greater financial, technical and marketing resources or a lower cost of capital and the Company may not be able to compete successfully for investments. Competition for investments may lead to the available interest coupon on investments decreasing, which may further limit the Company's ability to generate its desired returns.

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

Market sectors

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

Valuation

The Company's approach regarding the conservative valuation of its investments remains unchanged, with fair value write downs driven by market risk and idiosyncratic risk, with idiosyncratic risk relating to loan specific information which is reflected within specific loan pricing.

Management of risks

The Company has appointed an experienced Investment Manager who directly sources loans. The Company is investing in a wide range of loan types and sectors and therefore benefits from diversification.

Investment restrictions are relatively flexible giving the Manager ability to take advantage of diverse loan opportunities.

For market risk during 2022 as risk free rates rose and credit spreads widened, yields were widened across the portfolio to reflect such public market moves.

Provisions were increased to reflect the wider market and idiosyncratic risks and this was in line with the Company's approach during the Covid-19 pandemic of 2020. Fair value mark downs are expected to partially reverse over the course of 2023 as market conditions stabilise.

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

(ii) Risks associated with meeting the Company's investment objective or target dividend yield

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

Management of risks

The Investment Manager has a well-defined investment policy and process which is regularly and rigorously reviewed by the independent Board of Directors and performance is reviewed at quarterly Board meetings. The Investment Manager is experienced and employs its expertise in making investments in a diversified portfolio of loans. The Investment Manager has a target portfolio yield which covers the level of dividend targeted by the Company. The Board reviews the position at Board meetings.

Risks and risk management

continued

(iii) Financial risks

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

Further details on financial risks and the management of those risks can be found in note 19 to the financial statements.

(iv) Corporate governance and internal control risks

The Company has no employees, and the Directors have all been appointed on a non-executive basis. The Company must therefore rely upon the performance of third-party service providers to perform its executive functions. In particular, the AIFM, the Investment Manager, the Administrator, the Company Secretary and the Registrar, will perform services that are integral to the Company's operations and financial performance.

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

Management of risks

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

(v) Regulatory risks

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

Management of risks

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

Emerging risks

The Board also has robust processes in place to identify and evaluate emerging risks.

(vi) Business interruption

Failure in services provided by key service providers, meaning information is not processed correctly or in a timely manner, resulting in regulatory investigation or financial loss, failure of trade settlement, or potential loss of investment trust status.

Failure to identify emerging risks may cause reactive actions rather than being proactive and the Company could be forced to change its structure, objective or strategy and, in worst case, could cause the Company to become unviable or otherwise fail.

The ongoing impact of COVID-19 on the markets and the Company's financial position continue to be monitored by the Investment Manager and the Board.

During the year under review the Committee was particularly concerned with the increase in geopolitical risk following the outbreak of war in the Ukraine. The subsequent rise in global energy prices, inflation and rising interest rates worldwide have led to a more uncertain investment environment. The Company's portfolio has no direct exposure to Russia or Ukraine and the Company's cash position remains robust, however the impact of sanctions and exposure via the underlying businesses of multinational companies can have a material impact on investment returns.

Management of risks

Each service provider has business continuity policies and procedures in place to ensure that they are able to meet the Company's needs and all breaches of any nature are reported to the Board.

The following is a description of the Company's service providers who assist in identifying the Company's emerging risks to the Board.

1. **Investment Manager:** the Investment Manager provides a report to the Board at least quarterly on industry trends, insight to future challenges in the sector, including the regulatory, political and economic changes likely to impact the Company. The Chair also has contact with the Investment Manager on a regular basis to discuss any pertinent issues;
2. **Alternative Investment Fund Manager:** the AIFM maintains a register of identified risks including emerging risks likely to impact the Company, which is updated quarterly following discussions with the Investment Manager and other service providers. The risks are documented on a risk register, and classified in the following categories: Market Risks; Risks associated with Investment Objective; Financial Risks; Corporate Governance Risks; Regulatory Risks and Emerging Risks. Any changes and amendments to the risk register are highlighted to the Board on a quarterly basis;

3. **Brokers:** provide advice periodically, specific to the Company on the Company's sector, competitors and the investment company market whilst working with the Board and Investment Manager to communicate with Shareholders;
4. **Company Secretary:** briefs the Board on forthcoming legislation and regulatory change that might impact the Company. The Secretary also liaises with the Company's Legal Adviser, Auditor and the AIC (including other regulatory bodies) to ensure that industry and regulatory updates are brought to the Board's attention.

The Board regularly reviews the Company's risk matrix, focussing on risk mitigation and ensuring that the appropriate controls are in place. Regular review ensures that the Company operates in line with the risk matrix, prospectus and investment strategy. Emerging risks are actively discussed throughout the year to ensure that risks are identified and managed so far as practicable. The experience and knowledge of the Board is invaluable to these discussions, as is advice received from the Board's service providers.

All key service providers produce annual internal control reports for review by the Audit and Management Engagement Committee. These reviews include consideration of their business continuity plans and the associated cyber security risks. Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyberattack. Penetration testing is carried out by the Investment Manager and key service providers at least annually. Details of the Directors' assessment of the going concern status of the Company, including consideration of the uncertainty resulting from the upcoming liquidity opportunity consultation, is given on page 31. The Investment Manger complies with all sanctioning regimes and presently views Russia as uninvestable.

(vii) ESG and Climate Change

The impact of climate change has come increasingly into focus and is considered an emerging risk by both the Board and its Investment Manager. While the Company itself faces limited direct risk from climate change, the Company's underlying holdings selected by the Investment Manger are impacted. While efforts to mitigate climate change continue, the physical impacts are already emerging in the form of changing weather patterns. Extreme weather events can result in flooding, drought, fires, storm damage, potentially impairing the operations of a portfolio company at a certain location, or impacting locations of companies within their supply chain. Significant changes in climate, or the Government measures to combat it, could present a material risk to the Company. There is also potential reputational damage from non-compliance with regulations or incorrect disclosures.

Management of risks

The Company incorporates ESG considerations into its investment process and more detail can be found on pages 25 and 26 of the Annual Report. The Investment Manager also uses its position to engage with and influence companies towards taking positive steps to contribute to ESG and against climate change. The Company's ESG Policy, which is updated annually is also published on the Company's website and the AIC website. The Board have considered the impact of climate change on the financial statements as documented in the Notes to the financial statements on page 59.

The Company released its first annual Impact Report provided by The Good Economy, an independent advisory firm specialising in impact measurement and management. The Report, covering the 12-month period to end March 2022, assesses the Company's 12-month performance against its stated impact objectives relating to UN Sustainable Development Goals: Healthcare, Education, Housing, Affordable and clean energy, Climate action and Responsible consumption and production.

RM Funds is a signatory to the Principles of Responsible Investment Initiative ("PRI") and reports annually according to the PRI reporting framework.

Investment trusts are currently exempt from the Task Force on Climate-Related Financial Disclosures ("TCFD") disclosure, however the Board will continue to monitor the situation.

Stakeholder engagement

Promoting the success of the Company

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole. This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

The Board, together with the Investment Manager, sets an overall investment strategy and reviews this on an ongoing basis. The Board is ultimately responsible for all stakeholder engagement, however as an externally managed investment company, the Company does not have any employees, rather it employs external suppliers to fulfil a range of functions, including investment management, secretarial, administration, custodial, broking, valuation, marketing and banking services. All these service providers help the Board to fulfil its responsibility to engage with stakeholders and it should be noted are also, in turn, stakeholders themselves.

The Board has identified the major stakeholders in the Company's business. On an ongoing basis, the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

Stakeholder	Engagement and key Board decisions
Company service providers	The Board believes that positive relationships with each of the Company's service providers and between service providers is important in supporting the Company's long-term success. In order to foster strong working relationships, the Company's key service providers (the Investment Manager, AIFM, Broker, Company Secretary and Administrator) are invited to attend quarterly Board meetings to present their respective reports which enables the Board to exercise effective oversight of the Company's activities. Separately, the Auditor is invited to attend the Audit and Management Engagement Committee meeting at least twice per year. The Audit and Management Engagement Committee Chair maintains regular contact with the Audit Partner to ensure the audit process is undertaken effectively. The Board and advisers seek to maintain constructive relationships with the Company's suppliers on behalf of the Company through regular communications, meetings and the provision of relevant information and update meetings. The Board has also spent time engaging with the Company's key service providers outside of scheduled Board meetings to develop its working relationship with those service providers and ensure the smooth operational function of the Company. Since the Company was launched in 2016, the Board has made an annual visit to the Investment Manager's offices in Edinburgh to meet with staff and members of the investment committee who are responsible for finding and vetting opportunities. One of the most significant service providers for the Company's long-term success is the AIFM who have engaged the Investment Manager for the purpose of providing investment advisory services to the Company. The Board regularly monitors the Company's investment performance in relation to its objectives and investment policy and strategy. The Board receives and reviews regular reports and presentations from both the AIFM and Investment Manager and seeks to maintain regular contact to ensure a constructive working relationship. Representatives of the Investment Manager attend Board meetings. The Investment Manager's remuneration is based on the NAV of the Company which aligns their interests with those of Shareholders. On an annual basis, the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's Shareholders. The Board appoints Joint Corporate Brokers, Peel Hunt and Singer Capital Markets. The Board appreciates and values the Company's brokers.

Stakeholder	Engagement and key Board decisions
Shareholders	The Company offers investors a different asset class, with a substantial yield generated on a sustainable basis from long-term assets with predictable income streams and a strong pipeline. Any lending business needs to correctly assess and manage credit. The Company has all these characteristics. To help the Board in its aim to act as fairly as possible between the Company's members, it seeks to ensure effective communication is provided to all Shareholders. Meetings with Shareholders help the Board to better understand their needs and concerns and will inform the Board's decision making. The Board looks to attract long-term investors in the Company and in doing so, it has sought out regular opportunities to communicate with Shareholders through: > Annual and interim reports > Dedicated Company website > Regular market announcements > Monthly factsheets > Investor roadshows and presentations > Dialogue with shareholders > Annual General Meeting > Annual Capital markets day The Board encourages Shareholders to attend and participate in the Company's Annual General Meeting ("AGM") in normal circumstances and the Investment Manager attends, providing a presentation on the Company's performance during the year, challenges and outlook for the future. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM. In normal circumstances the Board and Investment Manager, with the help of the Company's Brokers, organise an annual Capital Markets Day. The event includes presentations by the Company's Investment Manager and certain borrowers funded by the Company since its launch. The Board believes that Shareholders can only make informed decisions if they have access to relevant information on a timely basis. To provide transparency a variety of methods of communication are used. The Company's website www.rm-funds.co.uk/rm-infrastructure-income/ is considered an essential communication channel and information hub for Shareholders. As such, it includes full details of the investment objective, along with news, opinions, disclosures, results and key information documents. The Annual and Interim reports and accounts are published on the Company's website and available as a printed copy on request. The date of the AGM is published in advance (online and within the Annual Report) and the full Board is normally available to meet and speak with all Shareholders who attend it. Directors are also available to meet with Shareholders during the year. In addition, factsheets, providing performance information are published monthly and are also available on the Company's website. The Company has joint corporate brokers, which allows the Board to successfully market the Company to as broad a range of shareholders as possible, thereby improving the rating the shares currently trade on, increasing secondary market liquidity for existing Shareholders and spreading fixed costs across a greater asset base.

Stakeholder engagement

continued

Stakeholder	Engagement and key Board decisions
Borrowers	During the year the Board took the opportunity, when Covid restrictions allowed, to visit several of the projects funded by Shareholders. In July 2022 the Directors visited Trianco (Trent), an energy efficiency manufacturer based in Rotherham and spent several hours with management, discussing the business and touring the factory. In August 2022, ahead of the Board meeting, the Board also took the opportunity to visit the development at Clyde Street in Glasgow and meet the site managers. Following the year end, the Board visited Southport and Lytham to visit two purpose-built care homes managed by Athena Healthcare Group. The Board also travelled to Milton Keynes to visit the head office of Energie Fitness to discuss the company's performance and strategy and also two gym franchisees nearby. The Investment Manager ensures that the Company applies the correct approach to credit, limiting the exposure and reducing any loss in the event of default. The Company's credit risk is well controlled, significantly reducing the risk that impairments will put the dividend under pressure. When considering prospective borrowers, the Investment Manager takes into account two credit considerations: > **how much debt can the borrower afford to take on?** The Investment Manager will assess the maximum level of the debt the borrower can afford by using internal proprietary models. The exposure of the borrower is determined by the levels of visible net cash-flows the borrower has. The Investment Manager believes that this is the most suitable metric for determining repayment by the borrower rather than simple turnover or sales-based metrics; and > **how secure are the assets and/or the cash-flows that the Company has security over?** The Investment Manager will assess the assets of the borrower and their likely residual values and/or cash flows and their continued viability. The Investment Manager has long standing relationships with Investment Banks, Commercial Banks, Challenger Banks, Financial Advisory Firms, Sponsors and Borrowers, providing access to investment opportunities.
Wider community and the Environment	The Investment Manager, as steward of the Company's assets engages with the portfolio companies to ensure high standards of governance. The investment strategy of the Company is predicated upon the commitment of portfolio companies to act in the interests of all stakeholders. In making investment decisions, the Investment Manager takes into account qualitative measures such as the environmental and social impact of a company as well as financial and operational measures. The Company has articulated its policy on ESG factors involved in the investment decision making and evidence of constructive engagement with investee companies. See pages 25 and 26. The ESG policy is available on both the Company's website and the AIC's website. During the year, the Company released its first annual Impact Report provided by The Good Economy, an independent advisory firm specialising in impact measurement and management. The Report assesses the Company's 12-month performance against its stated impact objectives relating to UN Sustainable Development Goals: Healthcare, Education, Housing, Affordable and clean energy, Climate action and Responsible consumption and production.

In summary, the Directors are cognisant of their duties enshrined in Section 172 of the Companies Act 2006 to make decisions taking into account the long-term consequences of all the Company's key stakeholders and reflect the Board's belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

Environmental, Social and Governance ("ESG")

In recognition of the need to fulfil the Company's investment objective of generating attractive and regular dividends, the Board works closely with the Investment Manager in developing its investment strategy and underlying policies, in order to fulfil its investment objective, in an effective and responsible way in the interests of Shareholders, potential investors and the wider community.

RM Funds seek to minimise their operation footprint and in 2022 commissioned a study by BeZero on the firms carbon footprint: www.rm-funds.co.uk/responsible-investing-4/

RM Funds wishes to better understand their carbon intensity and develop carbon mitigation and offsetting strategies over the next two years.

The Board and Investment Manager recognise that investments can have a direct impact on society and the planet and with this comes a responsibility to positively allocate capital to companies who act to avoid harm, benefit stakeholders or contribute to solutions.

Our philosophy is to give investors visibility over the impact of our investments and to endeavour to report on progress. RM seeks to actively and productively engage with investee companies to achieve mutually beneficial outcomes.

Wherever possible RM seeks to identify investments beneficial for contributing towards defined Sustainable Development Goal ("SDG") outcomes.

RM Funds is signatory to the United Nations Principles for Responsible Investment ("UN PRI"), is fully committed to the UK Stewardship Code and RM Funds is proud to publicly support the Paris Agreement and Task Force on Climate-related Financial Disclosures ("TCFD"). The 2021 PRI Scorecard can be reviewed on the Company website: www.rm-funds.co.uk/wp-content/uploads/2022/10/2021-Assessment-Report-for-RM-Funds-1.pdf

The Board and the Investment Manager believe that responsible investment is important and have long been committed to high ESG standards, integrating ESG factors into the investment process and ensuring there is active engagement wherever possible with portfolio companies to help them improve their ESG processes.

The UN PRI is a framework of six principles which RM Funds, as signatory, has incorporated into its business (https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment). The UN PRI is a network of those in the investment community who work together to ensure that ESG considerations are integrated into the investment process. Further details can be found at https://www.unpri.org/PRI. As a signatory to the Principles, the Investment Manager publicly commits to adopt and implement them, where consistent with their fiduciary responsibilities. The Board is supportive of the Investment Manager's approach.

RM Funds' has an extensive Responsible Investment Policy which negatively screens any investment which does not align with our ESG philosophy. In considering ESG issues and factors, RM Funds takes into account the requirements of the UN Guiding Principles on Business and Human Rights, the factors set out in the SASB Materiality Map, the targets of the Sustainable Development Goals, and the measures needed to meet the Paris Climate Commitment. Furthermore, RMII seeks to positively allocate capital to sectors and investments that can meaningfully help achieve contributions towards UN Sustainable Development Goals 3, 4, 7, 11, 12 & 13 (https://www.un.org/sustainabledevelopment/sustainable-development-goals/).

In partnership with The Good Economy, RM Funds has developed an impact framework that scores transactions according to the ESG and Impact outcomes. The scoring framework is designed to assess the core borrower ESG performance in conjunction with the impact outcomes of the capital invested. The approach has been deliberately aligned with recognised impact standards, and incorporates a score that is the sum of identifiable Environmental & Social outcomes, combined with factors that recognise our capital contribution and borrower intentionality towards the desired outcomes. External rigour is provided by The Good Economy, who act as the impact assurance and reporting partner for our investors.

The Company is categorised as a lower energy user under the HMRC Environmental Reporting Guidelines March 2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company's energy and carbon information is not therefore disclosed in this report.

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Culture

A company's culture would typically be defined as the beliefs and behaviours that determine how a company's employees and management interact. As an investment trust, the Company has no employees but it recognises the importance of culture and the need to align the culture with the Company's investment policy, values and strategy. The Board's culture promotes strong governance and debate and the Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships in which it operates, mindful of the interests of all stakeholders

Employees

The Company has no employees. As at 31 December 2022, the Company had three Directors of whom one is female and two are male. The Board's policy on diversity is contained in the Corporate Governance Report (see page 37).

Environmental, Social and Governance ("ESG") *continued*

Social, community and human rights issues

The Company, as an investment company, has no direct impact on social, community, environmental or human rights matters.

Modern slavery disclosure

Due to the nature of the Company's business, being a Company with no employees that does not offer goods or services directly to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk in relation to this matter.

Board composition and succession planning

The Directors have a broad range of relevant skills required to fulfil their duties as custodians of Shareholders investments. The composition of the Board is reviewed at each board meeting and any issues identified will be addressed as deemed necessary.

As the Board approaches its tenth anniversary, it is the intention that by then the existing Directors will have resigned to be replaced by a fresh Board. Further details of this process will be given in the next annual report.

Outlook

The outlook for the Company is discussed in the Chair's Statement on page 13.

Strategic report

The Strategic Report set out on pages 1 to 26 of this Annual Report was approved by the Board of Directors on 25 April 2023.

For and on behalf of the Board

Norman Crighton
Chair

25 April 2023

Governance

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 26.

Corporate governance

The Corporate Governance Statement on pages 28 to 44 forms part of this report.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The manner in which the Company conducts its affairs meets the requirements for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. The Company has received approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2022 and intends to continue to do so.

Investment Manager

RM Capital Markets Limited ("RM Funds") is the Company's Investment Manager and is regulated by the Financial Conduct Authority.

The Investment Manager is appointed under a contract subject to 12 months' notice.

On 12 May 2020 the Investment Management Agreement (the "IMA"), dated 30 November 2016, between the Company, the Investment Manager and the AIFM was amended. Following the amendment to the IMA, the Investment Manager is entitled to a management fee calculated at the rate of:

a) 0.875 per cent. of the prevailing Net Asset Value ("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.

In addition, the term of the IMA was extended. Initially the IMA was subject to 12 months' notice, provided such notice could not be given earlier than the third anniversary of the initial admission of RMII's shares to trading on the London Stock Exchange's main market for listed securities which took place on 15 December 2016. Following the amendment of the IMA, the appointment of the Investment Manager is subject to 12 months' notice provided such notice cannot be given earlier than 1 April 2023.

The Investment Manager continues to purchase shares in the Company on a regular basis and the IMA provides that the Investment Manager must apply up to 10 per cent. of the Management Fee received quarterly (subject to a minimum of £10,000 being so applied) by subscribing and/or purchasing shares in RMII. Although the IPO lock-in period has expired (as at 15 December 2019) any shares that the Investment Manager is issued as part of its management fee are locked-in for a 12 month period from the date of issue and in addition there was a 12 month period (to 15 December 2021) where any disposal of shares needed to be done through the Company's broker so as to create an orderly market in the shares.

In accordance with the Directors' policy on the allocation of expenses, 100% of the management fee payable is charged to revenue.

The Board reviews this policy on a periodic basis and confirms this allocation remains consistent with their expectations of future returns from the portfolio.

Alternative Investment Fund Manager ("AIFM")

With effect from 2 November 2022, the name of the Company's Alternative Investment Fund Manager ("AIFM") changed from Sanne Fund Management (Guernsey) Limited to FundRock Management Company (Guernsey) Limited. All services provided to the Company by the AIFM remained unchanged.

FundRock Management Company (Guernsey) Limited act as AIFM of the Company for the purposes of the Alternative Investment Fund Manager's Directive ("AIFMD") subject to the overall supervision of the Board. The AIFM has delegated responsibility for the management of the Company's portfolio to the Investment Manager through an Investment Management Agreement.

Under the terms of the AIFM Agreement and with effect from Admission, the AIFM shall be entitled to receive from the Company a fee to be calculated and accrued monthly in arrears at a rate equivalent to 0.125% of the Company's NAV subject to an annualised minimum of £85,000 applied on a monthly basis. An annual review of the minimum fee will take place on 1 May each year. The AIFM is also entitled to reimbursement of reasonable expenses incurred by it in the performance of its duties.

The AIFM Agreement is terminable by either the AIFM or the Company giving to the other not less than six months' written notice. The AIFM Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the AIFM or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The AIFM Agreement shall terminate immediately if the Investment Management Agreement is terminated for whatever reason.

The AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the Gross Method and the Commitment Method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 120%. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at the year-end is shown below:

	Gross method	Commitment method
Maximum leverage limit	120%	120%
Actual leverage at 31 December 2022	113%	116%

Management engagement

The Board has reviewed the Investment Manager's and AIFM engagement, including its management processes, risk controls and the quality of support provided to the Company and believes that its continuing appointment, on its current terms, remains in the interests of Shareholders at this time. Such a review is carried out on an annual basis. The last review was undertaken at a meeting of the Audit and Management Engagement Committee held on 1 November 2022.

Special reserve

In order to increase the distributable reserves available to facilitate the payment of future dividends, on 15 March 2017, the amount standing to the credit of the share premium account of the Company immediately following completion of the first issue of Ordinary Shares was cancelled and transferred to a Special reserve. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this Special reserve, taking into account the Company's investment objective. Dividends will normally be funded through interest received through investments in Loans sourced or originated by the Investment Manager alternatively by the revenue reserve.

Share issues

The Board recommends that the Company be granted a new authority to allot up to a maximum of 11,758,635 Ordinary Shares (representing approximately 10% of the shares in issue, excluding Shares held in treasury, at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares and/or selling shares from treasury. Resolutions to this effect will be put to Shareholders at the AGM and are contained in the Notice of AGM.

The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares.

Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchases as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum-income) NAV per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. The Company bought back 204,629 Ordinary Shares into treasury during the year ended 31 December 2022.

Discount management

The Company may seek to address any significant discount to NAV at which its Ordinary Shares of the Company may be trading, through tender offers, buy-backs and the provision of a liquidity opportunity consultation, as appropriate.

The Directors will consider repurchasing shares in the market if they believe it to be in Shareholders' interests.

The Directors may, at their absolute discretion, use available cash to purchase in the market, shares of a class in issue at any time, subject to having been granted authority to do so, should the shares of such class trade at an average discount to NAV (calculated daily in accordance with the methodology set out below) of more than 6% as measured each month over the preceding six month trading period. The average discount will be calculated by dividing the sum of the discount or premium (as the case may be) on each business day in a calendar month (adjusted for dividends) by the number of such business days. The premium or discount on any given day is to be calculated by reference to the closing share price and the NAV announced for that month.

In exercising their powers to buy back shares, the Directors have complete discretion as to the timing, price and volume of shares so purchased. No expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

The Directors have the authority to make market purchases of Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be purchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

Directors' report

Continued

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each Annual General Meeting ("AGM") of the Company and such a resolution will be put forward at the forthcoming AGM. Purchases of Ordinary Shares will be made within guidelines to be established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Articles of Association, the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Since the Company's year end, the Board decided to make use of its share buyback powers as a means of correcting any imbalance between supply of and demand for the Ordinary Shares.

The Company began a programme of share buybacks on 7 April 2020. The Company has bought back a total of 4,638,222 Ordinary Shares, representing 9.2% of the opening issued share capital, at an average discount of 9.1%. The effect of these repurchases has been to enhance NAV by 0.15 pence per Ordinary Share. Since the year end the Company has bought back 50,000 Ordinary Shares, which are held in treasury.

Liquidity opportunity consultation

Within its 2020 Annual Report & Accounts issued on the 29 March 2021, the Company announced that in connection with the proposal detailed in its 2016 IPO Prospectus, and in order to offer Shareholders a liquidity opportunity prior to its fourth AGM (held on 8 June 2021), it would engage with Shareholders to consider their liquidity needs and structure a set of proposals that were suitable and cost effective.

The Company consulted widely with Shareholders, representing 90% of shares in issue at that time and Shareholders were overwhelmingly supportive of the Company's performance, particularly during the pandemic and its recovery, as well as the updated investment focus and strategy. There was very limited appetite from those Shareholders to participate in a liquidity opportunity.

As a result of this positive feedback, the lack of Shareholder demand for a near-term liquidity opportunity, and noting the disproportionate administrative and cost burden of putting together formal liquidity proposals, the Board determined that the next liquidity opportunity would be put to Shareholders in three years' time.

Following the extensive consultation exercise with Shareholders the Board confirmed that the weighted average life of the portfolio would not materially exceed three years, immediately prior to the next liquidity opportunity consultation. In addition, should the shares trade at an average discount of more than zero per cent. as measured over the six-month period commencing on 1 October 2022 and ending on 31 March 2023, the Board would seek to bring the liquidity opportunity consultation forward by 12 months, to two years' time i.e. prior to the AGM to be held on 30 May 2023. As outlined in the Chairman's statement on page 13 the Board will honour this commitment and the Company's joint brokers will be consulting with Shareholders shortly. The proposed liquidity opportunity consultation creates uncertainty which is reflected in the going concern assessment on page 31 and notes to the financial statements on page 60.

Market information

The Company's share capital is listed on the London Stock Exchange. The NAV per Share is calculated in sterling for each business month that the London Stock Exchange is open for business. The monthly NAV per Share is published through a regulatory information service.

Capital structure and voting rights

At the year end, the Company's issued share capital comprised 117,636,359 Ordinary Shares of 1 pence nominal value, excluding shares held in treasury. Each holder of Shares is entitled to one vote.

All Shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy, at the end of this document, and have been set in accordance with the Companies Act 2006.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Shares.

Therefore as at 31 December 2022, there were 117,636,359 Ordinary Shares in issue, minus treasury shares. During the year, the Company has bought 204,629 Ordinary Shares, which are held in treasury. Since the year end, the Company has bought 50,000 Ordinary Shares.

Significant Shareholders

As at 31 December 2022, the Directors have been formally notified of the following interests comprising 3% or more of the issued share capital of the Company:

	Ordinary Shares held	% of voting rights held
Hawksmoor Investment Management	11,817,638	10.03%
CCLA Investment Management	11,461,152	9.72%
FS Wealth	6,218,171	5.27%
Quilter plc	5,568,415	4.72%
Brooks Macdonald Asset Management Limited	5,375,799	4.54%

Since the year end, the Company has not been formally notified of any changes in the above shareholdings.

Settlement of Ordinary Share transactions

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

Revolving credit facility ("RCF")

The Company has a revolving credit facility with OakNorth Bank. On 26 March 2021, the Company renewed and amended its Revolving Credit Facility with OakNorth Bank. Under the terms of the amended Revolving Credit Facility, the Company may draw down loans up to an aggregate value of £10.5 million, on materially similar terms as the Company's previous RCF.

During the year, the Company drew cumulative amount of £12.6 million from the revolving credit facility and repaid cumulative amount of £14.9 million. The remaining balance as at 31 December 2022 amounts to £17.3 million. The RCF facility expires on 26 March 2024.

Custodian

US Bank Global Corporate Trust Services act as the Company's custodian.

Company Secretary & Administrator

Apex Listed Companies Services (UK) Limited (formerly Sanne Fund Services (UK) Limited) provide company secretarial and administration services to the Company, including calculation of its daily NAV. Sanne Group acquired the PraxisIFM Funds Business in December 2021 and Sanne Group was subsequently acquired by the Apex Group in August 2022. However, the personnel servicing the Company's business remain largely unchanged including the continuing appointment of the Company Secretary.

Valuation agent

Mazars LLP has been re-appointed as the Company's valuer to value the Company's loan investments in accordance with IFRS.

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Notice of general meetings

At least 21 days' notice shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than 21 days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed, in which case a general meeting may be convened by not less than 14 days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than 14 days. The Company would only ever use the shorter notice period where it is merited by the purpose of the meeting and will always endeavour to give shareholders at least 21 days' notice.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Company, which should be read in conjunction with the viability statement.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of this document. In reaching this conclusion, the Directors have considered the Company's portfolio of loan investments of £120.0 million (2021: £126.7 million) as well as its income and expense flows and the cash position of £3.0 million (2021: £3.3 million). The Company's net assets at 31 December 2022 were £108.8 million (2021: £111.3 million). The total expenses (excluding finance costs and taxation) for the year ended 31 December 2022 were £2.2 million (2021: £2.6 million), which represented approximately 1.86% (2021: 1.92%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

The financial markets have experienced considerable turmoil as a result of the ongoing impact of Covid-19 and the conflict in Ukraine that has impacted markets throughout the world, including the United Kingdom. The Board is keeping the development of these situations under close scrutiny. The Board has noted the rise in interest rates. With regards to any further interest rate increases by global central banks, the portfolio remains well positioned through the Investment Manager's focus on creating a portfolio of high yielding and short duration loans that do not hold significant exposure to interest rate movements. The Board does not believe that these situations will affect the Company's going concern status.

The Directors have fully considered each of the Company's loans. Income obligations have been met by borrowers and there is a diverse portfolio of Loan investments. 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 Company currently has more than sufficient liquidity available to meet any future obligations. The Investment Manager has performed stress tests on the Company's income and expenses and the Directors remain comfortable that the Company has substantial operating expenses cover and adequate liquidity.

The financial statements have been prepared on the going concern basis. The Directors have concluded that there is a reasonable expectation that the Company will have adequate liquidity and cash balances to meet its liabilities as they fall due and continue in operational existence for the foreseeable future and continue as a going concern for the period to 31 March 2024.

Material uncertainty regarding liquidity opportunity consultation

While the Directors have concluded the Company's financial statements shall be prepared on a going concern basis, the Directors note that the upcoming liquidity opportunity consultation creates material uncertainty.

Directors' report

Continued

Viability statement

The Directors have assessed the viability of the Company for the five years to 31 December 2027 (the "Period'') as they consider this to be an appropriate time horizon, taking into account the long-term nature of the Company's investment strategy, the principal and emerging risks outlined on pages 17 to 21 and weighted average life of the Company's loan instruments. The 5 year viability period and assessment is prepared on the assumption that the liquidity event (which gives rise to a material uncertainty on going concern as described on page 30) will not result in a significant change in the current strategy of the Company.

The Directors have also considered the impact on the Russia/Ukraine conflict. However, the Company's portfolio has no direct exposure to Russia or Ukraine and the Company's business model remains sound.

The Directors have also considered that should the Company's shares trade at an average discount of more than zero per cent. as measured over the six-month period commencing on 1 October 2022 and ending on 31 March 2023, the Board will seek to bring forward a liquidity opportunity consultation by 12 months i.e. prior to the AGM in 2023.

In their assessment of the prospects of the Company, the Directors have considered each of the principal risks and uncertainties set out above and the liquidity and solvency of the Company. The Directors have considered the Company's income and expenditure projections and believe that they meet the Company's funding requirements. Portfolio activity and market developments are discussed at each quarterly Board meeting. The internal control framework of the Company is subject to a formal review on a regular basis.

The Company's income from investments provides substantial cover to the Company's operating expenses and any other costs likely to be faced by the Company over the Period of their assessment.

The Chair's Statement and Investment Manager's Report present the positive long-term investment case for secured debt instruments which also underpins the Company's viability for the Period.

Based on this assessment, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the Period.

Directors' indemnities

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

Annual General Meeting

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ("AGM") to be held on 30 May 2023.

Issuance of Ordinary Shares and dis-application of pre-emption rights

Resolutions 9 and 10 provide authority to issue Ordinary Shares and to dis-apply pre-emption rights.

The Directors intend to use the net proceeds of any issuance to invest in loans, predominately secured against assets such as real estate or plant and machinery, in accordance with the Company's investment objective and Investment Policy and for working capital purposes.

At the forthcoming AGM, the Board is seeking authority to allot up to a maximum of 11,758,635 Ordinary Shares (representing approximately 10% of the Ordinary Shares in issue at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares. The authority granted under resolutions 9 and 10 will expire at the conclusion of the Annual General Meeting to be held in 2024. The full text of resolution 1 to 12 are set out in the Notice of Meeting on pages 84 and 85.

The authority granted by Shareholders to issue Ordinary Shares will provide flexibility to grow the Company and further expand the Company's assets. Ordinary Shares issued under this authority will only be issued at a premium to the NAV (cum-income) after taking into account the costs of issue. Ordinary Share issues are at the discretion of the Board.

Authority to purchase own shares

At the Company's AGM on 31 May 2022, the Directors were granted authority to make market purchases of up to 14.99% of the Ordinary Shares in issue, equating to a maximum of 17,664,364 Ordinary Shares. During the year ended 31 December 2022, the Company bought back a total of 204,629 Ordinary Shares. The effect of these repurchases has been to enhance NAV by 0.15 pence per Ordinary Share. Since the year end the Company has bought back 50,000 Ordinary Shares, which are held in treasury.

The authority to make market purchases expires at the conclusion of the AGM of the Company on 30 May 2023. The Directors recommend that a new authority to purchase up to 17,626,195 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury Shares, at the date of the AGM are purchased) be granted and a resolution to that effect will be put to the AGM.

Purchases of Ordinary Shares will be made within guidelines to be established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled. Purchases of Ordinary Shares may be made only in accordance with the Articles of Association, the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

The Companies Act 2006 permits companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This provides the Company with the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum-income) NAV per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders.

Unless otherwise authorised by Shareholders, Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

Authority to pay dividends as interim dividends

Resolution 8 is an ordinary resolution and provides authority to declare and pay all dividends of the Company as interim dividends.
The last dividend in respect of any financial year is declared prior to the AGM therefore, it is declared as a fourth interim dividend and no final dividend is payable. The Board understands that this means that Shareholders will not be given the opportunity to vote on the payment of a final dividend. However, the Board believe that the payment of a fourth interim dividend as opposed to a final dividend is in the best interests of Shareholders, as it provides them with regularity on the frequency of dividend payments and avoids the delay to payment which would result from the declaration of a final dividend. A resolution will be put forward at the AGM to approve the policy of declaring and paying all dividends of the Company as interim dividends. The Company targeted an annualised dividend of 6.5p for the financial year to 31 December 2022.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) the Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, an ordinary resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put forward at the forthcoming Annual General Meeting and the Board will seek authority to determine their remuneration for the forthcoming year.

By order of the Board

Ciara McKillop
For and on behalf of
Apex Listed Companies Services (UK) Limited
Company Secretary

25 April 2023

Corporate governance

Introduction

The Board of the Company has considered the Principles and Provisions of the 2019 Association of Investment Companies ("AIC") Code of Corporate Governance. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council ("FRC"), provides more relevant information to Shareholders. AIC members who report against the AIC Code fully meet their obligations under The UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

The Company has complied with the Principles and Provisions of the AIC Code during the financial year ended 31 December 2022.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

During the financial year ended 31 December 2022, the Company has complied with the recommendations of the AIC Code and the relevant provisions of The UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

(i) the role of the Chief Executive;

(ii) the appointment of a Senior Independent Director;

(iii) executive Directors' remuneration; and

(iv) the need for an internal audit function.

The Board considers that these provisions are not relevant to this externally managed investment company. The Company has no employees and all the day-to-day management and administrative functions are outsourced to third parties.

The Audit and Management Engagement Committee has considered the need for an internal audit function and deemed that it is not appropriate given the nature and circumstances of the Company but keeps the needs for an internal audit function under periodic review.

The Board

The Board has overall responsibility for the effective stewardship for the Company's affairs. Its primary responsibility is to promote the long-term sustainable success of the Company, generate value for shareholders and have regard to stakeholder interests. It also establishes the Company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. It has a number of matters formally reserved for its approval including strategy, investment policy, treasury matters, dividend and corporate governance policy. The Board approves the financial statements, revenue budgets and reviews the performance of the Company. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

The Board considers the balance of skills, knowledge, diversity (including gender and ethnicity) and experience, amongst other factors when reviewing its composition and encourages applications from candidates from a broad range of background and experience and will seek to appoint the most suitable candidate. The Board has considered the recommendations of the McGregor-Smith and the Hampton Alexander reviews as well as the Parker review, but does not consider it appropriate to establish targets or quotas in these regards. The Board has considered the new FCA Listing Rule 9.8.6R (9)(a) requirements which apply to accounting periods commencing on or after 1 April 2022 and will report in detail on diversity targets for the year ending 31 December 2023. However, it should be noted that the Board currently comprises three Non-executive Directors of whom 33% are female, the Chair of the Audit and Management Engagement Committee is female and all Directors are classified as White British or Other White. All the Directors have served during the entire period since their appointment on 13 November 2016. As the Board approaches its tenth anniversary, it is the intention that by then the existing Directors will have resigned to be replaced by a fresh Board. Further details of this process will be given in the next annual report.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below:

Norman Crighton (Non-executive Chair)

Norman is currently a Non-executive Chair of Harmony Energy Income Trust plc, Weiss Korea Opportunity Fund and AVI Japan Opportunity Trust. Norman was, until May 2011, an Investment Manager at Metage Capital Limited where he was responsible for the management of a portfolio of closed-ended funds and has over 30 years' experience in closed-end funds having worked at Olliff and Partners, LCF Edmond de Rothschild, Merrill Lynch, Jefferies International Limited and latterly Metage Capital Limited. His experience in investment banking covers analysis and research as well as sales, market making, proprietary trading and corporate finance.

Guy Heald (Non-executive Director)

Guy has spent most of his career in banking, not only specialising in markets, but also in general management positions overseeing all aspects of banking, including lending. He worked in London, New York and Tokyo and has an extensive knowledge of companies needs for financing and managing interest rate, liquidity and foreign exchange risks. During his career he worked for Brown Shipley, Chemical Bank and HSBC where he held senior positions including Head of Global Markets and Chief Executive Officer at HSBC Japan. After leaving banking in 2003 he has served as an adviser, Non-executive Director and trustee of several charities as well as starting a number of successful family companies of his own. The SME market is of particular interest to Guy, specifically the challenges facing companies in their pursuit for growth, as he invests venture and growth capital himself.

Marlene Wood (Non-executive Director and Chair of the Audit and Management Engagement Committee)

Marlene is a chartered accountant with a broad range of experience in both the private and public sector and is currently a Non-executive Director and Chair of the Audit Committee of Atrato Onsite Energy plc and Home REIT plc. She was formerly Non-executive Director and Chair of the Audit Committee for GCP Student Living plc.

Marlene has over 20 years' experience in the commercial property sector having been finance director for Miller Developments raising finance for major property transactions both in the UK and Europe. Her experience covers governance and risk management as well as financial oversight and debt raising.

Composition

The Board believes that during the year ended 31 December 2022 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Investment Manager and are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Board has not appointed a Senior Independent Director ("SID"). Given the size and composition of the Board it is not felt necessary to separate the roles of Chair and SID.

Tenure

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board. The Board does not believe that length of service in itself necessarily disqualifies a director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. The Board has adopted corporate governance best practice and has a succession plan in place. All Directors must stand for annual reappointment. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Investment Manager.

In accordance with the Company's Articles of Association, at each Annual General Meeting, every Director shall retire from office and offer themselves for re-election. Resolutions for the re-election of each Director will be proposed as ordinary resolutions at the Annual General Meeting of the Company to be held on 30 May 2023.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis. The Board's policy for the appointment of Non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity.

The Directors, in order to fulfil their duties, are able to take independent professional advice at the expense of the Company. A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Board committees

The Company has established an Audit and Management Engagement Committee ("Committee") which is chaired by Marlene Wood and consists of all the Directors. A report of the Audit and Management Engagement Committee is included in this Annual Report on pages 42 and 43.

The Company has not established a nomination committee or a remuneration committee because all of the Directors are Independent Non-executive Directors of the Company. Therefore, the Board as a whole will consider any further Director appointments, remuneration, length of service and any other relevant matters.

Corporate governance

Continued

The Audit and Management Engagement Committee meets at least twice a year or more often if required. The Audit and Management Engagement Committee's principal duties are to consider the appointment, independence, objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Committee also examines the effectiveness of the Company's risk management and internal control systems and receives information from the AIFM and the Portfolio Manager. In addition the terms of the appointment of the Investment Manager are annually reviewed as well as, the Investment Manager's performance and the terms of the Investment Management and AIFM Agreements. The Committee also reviews the continued appointment and performance of the Company's other service providers.

Meeting attendance

The actual number of formal meetings of the Board and Committee during the year under review is given below, together with individual Director's attendance at those meetings.

Directors	Quarterly Board	Audit and Management Engagement Committee
Norman Crighton	4/4	3/3
Marlene Wood	4/4	3/3
Guy Heald	4/4	3/3

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

Division of responsibilities

The following sets out the division of responsibilities between the Chair, Board and the Committee Chair.

Role of the Chair

> Leadership to the Board;
> Ensure the Board are provided with sufficient information in order to ensure they are able to discharge their duties;
> Ensure each Board member's views are considered and appropriate action taken;
> Ensure that each Committee has the support required to fulfil their duties;
> Engage the Board in assessing and improving its performance;
> Oversee the induction and development of Directors;
> Support the Investment Manager and other service providers;
> Seek regular engagement with major Shareholders in order to understand their views on governance and performance against the company's investment objective and investment policy;
> Ensure the Board as a whole has a clear understanding of the views of Shareholders;
> Ensure regular engagement with each service provider; and
> Keep up to date with key developments.

Role of Audit and Management Engagement Committee Chair

> Ensure appropriate papers are considered at meetings;
> Review the half-yearly and annual reports;
> Review the Company's internal financial controls and the internal control and risk management systems of the Company and its third party service providers;
> Make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;
> Review the scope, results, cost effectiveness, independence and objectivity of the external auditor;
> Develop and implement policy on the engagement of the external auditor to supply non-audit services and taking into account relevant guidance regarding the provision of non-audit services by the external audit firm; and
> Consider the terms of appointment of the Investment Manager and annually review the appointment and the terms of the Investment Management Agreement.
> Ensure committee members views and opinions are appropriately considered;
> Seek engagement with Shareholders on significant matters related to their areas of responsibility; and
> Maintain relationships with advisers; and
> Consider appointing independent professional advice where deemed appropriate.

Role of the Board

Strategy and management

> Responsibility for overall management of the Company
> Review of the performance of the AIFM and the investment manager
> Review of the performance of key service providers
> Consideration of any change of investment policy
> Support the Board Chair and service providers in fulfilling their role
> Provide appropriate opinion, advice and guidance to the Chair and fellow Board members;

Share capital
- Changes to the Company's share capital
- Changes to the Company's listing status

Financial reporting
- Approval of half-yearly financial reports and results announcements
- Approval of annual report and accounts and any contents therein
- Approval of initial accounts and interim accounts
- Approval of interim dividends and recommendation of final dividends (if any)

Internal controls
- Oversight of appropriate system of internal controls
- Receiving reports on controls from the AIFM, investment manager and administrator
- Conducting an annual assessment of the controls of the above service providers
- Statement on internal controls to be made in Annual Report

Contract review
- All material contracts entered into or terminated by the Company

Communication
- Approval of all resolutions to be put forward at meetings
- Approval of all circulars, prospectuses and listing particulars

Board composition
- Changes to structure, size or composition of the Board
- Succession planning
- Determining the remuneration of the Directors
- Determining insurance cover requirements for the Board

Corporate governance
- Review of the Company's corporate governance processes and arrangements
- Considering the performance of the Company's Directors
- Considering the Directors' independence

Other
- Any other matters, which the Board deems to be appropriate for its reservation.

Board diversity

Whilst having regard to the size of the Company and its cost base, the Company's policy is that the Board should have an appropriate level of diversity in the boardroom, taking into account relevant skills, gender, social and ethnic backgrounds, cognitive and personal strengths.

Brief biographies of the Directors are shown on pages 34 and 35. The policy is to ensure that the Company's Directors bring a wide range of knowledge, experience skills, backgrounds and perspectives to the Board. There will be no discrimination on the grounds of gender, religion, race, ethnicity, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Investment Manager. Consideration is given to the recommendations of the AIC Code and the Board supports the recommendations of the Hampton Alexander Review.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, so as to ensure it is aligned with the Company's strategic priorities. The performance appraisal process is described below. The Board believes its composition is appropriate for the Company's circumstances. However, in line with the Board's succession planning and tenure policy, or should strategic priorities change, the Board will review and, if required, adjust its composition. As at date of this Report, the Board comprises two male and one female Board member.

The Board will take account of the targets set out in the FCA's Listing Rules, which are set out below. As an externally managed investment company, the Board employs no executive staff, and therefore does not have a Chief Executive Officer ("CEO") or a Chief Financial Officer ("CFO") – both of which are deemed senior board positions by the FCA. However, the Board considers the Chair of the Audit and Management Engagement Committee to be a senior board position and the following disclosure is made on this basis. Other senior board positions recognised by the FCA are Chair of the Board. In addition, the Board has resolved that the Company's year end date be the most appropriate date for disclosure purposes. The following information has been provided by each Director. There have been no changes since 31 December 2022.

Corporate governance

Continued

Board composition as at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	67%	1
Women	1	33%	1
Prefer not to say	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or Other White (including minority-white groups)	3	100%	2
Asian/Asian British	–	–	–
Prefer not to say	–	–	–

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the Chair, the Audit and Management Engagement Committee, the Investment Manager and the Company's main service providers.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chair and discussed with the Board. A separate appraisal of the Chair was carried out by the other members of the Board and the results reported back to the Chair of the Board by the Chair of the Audit and Management Engagement Committee. The results of the performance evaluation were positive and demonstrated that the Investment Manager, main service providers, Board, Chair, Committee Chair and individual Directors showed the necessary commitment for the effective fulfilment of their duties.

Internal control

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. Through these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year up to the date of this report.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires and the Board monitors the internal control framework established by the Investment Manager, the AIFM, the Administrator and the Company's Custodian to provide reasonable assurance on the effectiveness of internal financial controls.

These key procedures include review of management accounts and NAV and monitoring of performance at quarterly Board meetings, valuation of loans by an independent valuer, segregation of the administrative function from that of cash, custody and investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, robust procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the financial statements is on page 44 and a Statement of Going Concern is on page 31. The Report of the Independent Auditor is on pages 45 to 52.

Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Investment Manager on key operational issues. The Investment Manager and/or AIFM report in writing to the Board on all operational and compliance issues.

The Directors review management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Company. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the Investment Manager and the other key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of the Administrator's and the Registrar's internal controls report. There are no significant findings to report from the review.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report on pages 19 to 21.

Shareholder relations

The Company seeks to provide a minimum of 20 working days' notice of the Annual General Meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

In line with the requirements of the Companies Act 2006, the Company will hold an AGM of Shareholders to consider the resolutions laid out in the Notice of Meeting. The Board encourages Shareholders to attend and participate in the Company's forthcoming AGM on 30 May 2023 at 6th Floor, 125 London Wall, London EC2Y 5AS.

If Shareholders are unable to attend the meeting in person, they are strongly encouraged to vote by proxy and to appoint the "Chairman of the AGM" as their proxy. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 86 to 88. The lodging of a form of proxy (or an appointment of a proxy through CREST) will not however prevent a Shareholder from attending the AGM and voting in person if they so wish (subject to any future restrictions which may be imposed by the UK Government in response to the COVID-19 pandemic).

The Company's Brokers and Investment Manager, together with the Chair, seeks regular engagement with major Shareholders in order to understand their views on governance and performance against the Company's investment objective and investment policy.

Exercise of voting powers and stewardship code

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council, but the UK Stewardship Code has limited applicability to the Company's circumstances as the Company holds loan investments.

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Company's (Accounts and Reports) (Amendment) Regulations 2013. An Ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

The Directors' Remuneration Report is put forward for approval by Shareholders on an annual basis. The result of the Shareholder resolution on the Remuneration Report is non-binding on the Company, although it gives Shareholders an opportunity to express their views, which will be taken into account by the Board.

The law requires the Company's auditor to audit certain areas of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 45.

Remuneration

The Company currently has three Non-executive Directors.

As detailed in the Company's prospectus dated 12 March 2018, Directors' fees are payable at the rate of £30,000 per annum for each Director other than the Chair, who is entitled to receive £36,000. The Chair of the Audit and Management Engagement Committee is entitled to additional fees of £3,000 per annum.

The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size and will also enable the Company to attract appropriately experienced additional Directors in the future.

The Board reviews the fees payable to the Directors on an annual basis.

Directors' service contracts

The Directors do not have service contracts with the Company and are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by Shareholders on an annual basis.

Directors' indemnities

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which a Director might otherwise be entitled, every past or present Director or officer of the Company (except the auditors) may, at the discretion of the Board, be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation or connection to the affairs or activities of the Company.

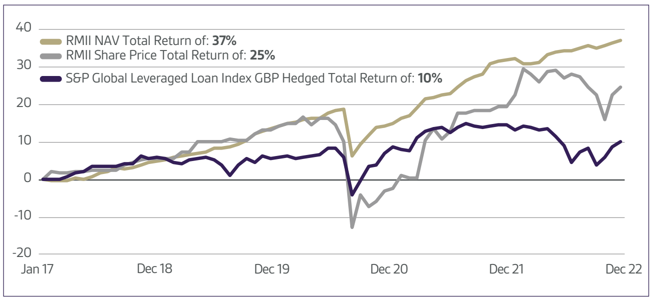
In addition, the Board has purchased and maintains insurance at the expense of the Company for the benefit of such persons indemnifying them against any liability or expenditure incurred by them for acts or omissions as a Director or Officer of the Company.

Director search and selection fees

No Director search and selection fees were incurred in the year ended 31 December 2022.

Performance

The following chart shows the performance of the Company's share price on a total return basis in comparison to the S&P Global Leveraged Loan Index GBP Hedged total return (the Company's comparator) since the Company doesn't have a set benchmark.



Directors' emoluments for the year ended 31 December 2022 (Audited)

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

	Fees for the year ended 31 December 2022 £'000	Fees for the year ended 31 December 2021 £'000
Norman Crighton	36	36
Marlene Wood	33	33
Guy Heald	30	30

There were no taxable benefits claimed during the years ended 31 December 2022 or 31 December 2021. None of the above fees were paid to third parties.

	% change 2019 to 2020	% change 2020 to 2021	% change 2021 to 2022
Norman Crighton	Nil	Nil	Nil
Marlene Wood	Nil	Nil	Nil
Guy Heald	Nil	Nil	Nil

A non-binding Ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 December 2021 was put forward at the Annual General Meeting held on 31 May 2022. The resolution was passed with 100% of the proxy votes cast (including discretionary votes) being in favour of the resolution. A non-binding ordinary resolution to approve the Directors' Remuneration Report contained in the Annual Report for the year ended 31 December 2022 will be put forward for approval at the Company's Annual General Meeting to be held on 30 May 2023.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 8 June 2021. The resolution was passed with 99.99% of the proxy votes cast (including discretionary votes) being in favour of the resolution. The Directors' Remuneration Policy will next be put forward for approval at the Annual General Meeting to be held in 2024.

The Board takes an active role in shareholder engagement and particularly voting outcomes. Shareholders have the opportunity to express their views and ask questions in respect of the Remuneration Policy and Remuneration Implementation Report at the AGM.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Company.

	Fees for the year ended 31 December 2022 £'000	Fees for the year ended 31 December 2021 £'000
Income	10,768	11,164
Directors' fees	99	99
Investment management fees and other expenses	2,201	2,512
Dividends paid and payable to Shareholders	7,656	7,666

Directors' holdings (Audited)

The Directors had the following shareholdings at 31 December 2022 and as at the date of this report, all of which are beneficially owned.

	Ordinary Shares as at 31 December 2022	Ordinary Shares as at date of this report	Ordinary Shares as at 31 December 2021
Norman Crighton	29,982	29,982	29,982
Guy Heald	20,000	20,000	20,000
Marlene Wood	20,000	20,000	20,000

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on the Remuneration Policy and Remuneration Report summarises, as applicable, for the financial year ended 31 December 2022:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year ended 31 December 2022; and

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

Norman Crighton
Chair

25 April 2023

Report of the Audit and Management Engagement Committee

Role of the Audit and Management Engagement Committee

The AIC Code of Corporate Governance recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent Non-executive Directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience and the Committee as a whole has experience and knowledge relevant to the sector. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code and the terms of reference of the Audit and Management Engagement Committee are available on the Company's website.

The Audit and Management Engagement Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit and Management Engagement Committee also reviews the Company's internal financial controls and its internal control and risk management systems. In addition, the terms of the appointment of the Investment Manager are annually reviewed as well as, the Investment Manager's performance and the terms of the Investment Management and AIFM Agreements. The Committee also reviews the continued appointment and performance of the Company's other service providers.

Composition

In view of the size of the Board, all of the Directors of the Company are members of the Audit and Management Engagement Committee. The Audit and Management Engagement Committee has formal written terms of reference and copies of these are available on request from the Company Secretary. The Audit and Management Engagement Committee collectively has recent and relevant financial experience.

Meetings

There have been three Audit and Management Engagement Committee meetings in the year ended 31 December 2022. All Committee members attended these meetings.

Financial statements and significant accounting matters

The Audit and Management Engagement Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 31 December 2022.

Valuation and existence of bonds and private loan investments

The Company holds assets in bonds and private loan investments. The valuation and existence of these bonds and private loan investments are the most material matter in the production of the financial statements. The bonds and private loan investments are valued by an independent valuer and the valuations at year end were agreed to the valuer's report. The valuation process has been comprehensively reviewed during the year, and is monitored, by the Board, the Manager and the AIFM. The process includes quantitative and qualitative analysis, with the analysis performed on a loan-by-loan basis and the valuation of each loan taking into account the relevant risks and returns associated with that loan. The Audit and Management Engagement Committee reviewed valuation reports and also the procedures in place for ensuring accurate valuation and existence of investments and recommended these to the Board for review and approval.

Recognition of income

Income may not be accrued in the correct period. The Audit and Management Engagement Committee reviewed the Administrator's procedures for recognition of income and is comfortable that these are appropriate. The Audit and Management Engagement Committee has reviewed the internal controls report of the Company's Administrator, which includes controls in relation to the recognition of income, recoverability of income and provisions made against recoverability of income. The Audit and Management Engagement Committee also reviews investment yields on the quarterly investment manager report for variations and significant movements.

Geo-politics

The Russian invasion of Ukraine at the beginning of the year, and the subsequent hike in global energy prices has further shaken a fragile investment environment. Committee members have also sought reassurance that external providers were not in breach of sanctions implemented against Russia following the invasion of Ukraine.

Going concern and viability statements

Having reviewed the Company's financial position, liabilities principal risks and uncertainties, the Audit and Management Engagement Committee recommended to the Directors that it was appropriate for the Directors to prepare the financial statements on the going concern basis. While the going concern basis was considered appropriate, the Committee note that the proposed liquidity opportunity consultation creates a material uncertainty.

The Going concern assessment and viability statements can be found on pages 31 and 32.

Conclusion with respect to the Annual Report and financial statements

The Audit and Management Engagement Committee has concluded that the financial statements for the year ended 31 December 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit and Management Engagement Committee has reported its conclusions to the Board of Directors. The Audit and Management Engagement Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the Annual Report.

European Single Electronic Format ("ESEF")

The ESEF regulations which require the Company to publish their annual financial statements in a common electronic format apply to the Company for this accounting year ending 31 December 2022.

Internal controls and risk management

The Directors have a dynamic risk register in place to help identify key risks and ensure there are measures in place to manage and mitigate risk; and oversee the effectiveness of internal controls and processes. The risk assessment programme provides a visual reflection of the Company's identified principal and emerging risks. The Audit and Management Engagement Committee carries out, at least annually, a robust assessment of the principal and emerging risks and uncertainties and monitors the risks on an ongoing basis.

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with most investment trusts, investment management, accounting, company secretarial, registrar and depositary services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis and the Committee receives regular reports.

Audit tenure

Ernst & Young LLP was selected as the Company's auditor at the time of the Company's launch following a competitive process and review of the Auditor's credentials. The auditors provided this service for four years, with Sue Dawe as Audit Partner. In accordance with auditor rotation best practice and the Company's extended first accounting period, Sue Dawe was replaced as Audit Partner by Ahmer Huda for the audit for the year ended 31 December 2021.

The appointment of the external auditor is reviewed annually by the Audit and Management Engagement Committee and the Board and is subject to approval by Shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP in November 2017.

Effectiveness of external audit

The Audit and Management Engagement Committee is responsible for reviewing the effectiveness of the external audit process. The Audit and Management Engagement Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit and Management Engagement Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit and Management Engagement Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the Shareholders of the Company.

Provision of non-audit services

The Audit and Management Engagement Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit fees were payable to the Auditor in the year ended 31 December 2022.

M. Wood

Marlene Wood
Audit and Management Engagement Committee Chair

25 April 2023

Directors' responsibility statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the company financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

> select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

> make judgements and accounting estimates that are reasonable and prudent;

> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

> provide additional disclosures when compliance with the specific requirements of UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance;

> in respect of the financial statements, state whether UK-adopted international accounting standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Directors' responsibility statement

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

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

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

The Directors consider that the financial statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Norman Crighton
Chair

25 April 2023

Independent Auditor's report

to the members of RM Infrastructure Income PLC

Opinion

We have audited the financial statements of RM Infrastructure Income plc ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Material uncertainty related to going concern

We draw attention to Note 2c in the financial statements, which indicates that the Company is consulting on a potential liquidity opportunity within 12 months. As stated in Note 2c, this event indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We draw attention to the viability statement in the Annual Report on page 32, which indicates that an assumption to the statement of viability is that the Company's strategy and operations will not change following the liquidity opportunity. The Directors consider that the material uncertainties referred to in respect of going concern may cast significant doubt over the future viability of the Company should the outcome of the liquidity opportunity consultation impact the Company's current intentions and strategy. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 30 June 2024 which is at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue and expenses forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Inspecting the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants and gearing policy in the scenarios assessed by the Directors and performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants and gearing policy.
- Considering the mitigating factors included in the revenue forecasts and covenant calculations that are within control of the Company. Reviewing the Company's assessment of the liquidity of investments held and evaluating the Company's ability to sell those investments to cover working capital requirements of the Company should revenue decline significantly

We reviewed the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting; and
- the Directors' identification in the financial statements of the material uncertainty related to the entity's ability to continue as a going concern over a period to 30 June 2024.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independent Auditor's report

Continued

Overview of our audit approach

Key audit matters	> Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised gains and losses. > Risk of incomplete or inaccurate revenue recognition from the investment portfolio.
Materiality	> Overall materiality of £1.09m which represents 1% of total Shareholders' funds.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team and our unquoted investment valuation specialists.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the most significant future impacts from climate change on its operations will be from additional costs and risks for portfolio companies. The Company notes that while efforts to mitigate climate change continue, the physical impacts are already emerging in the form of changing weather patterns. Extreme weather events can result in flooding, drought, fires, storm damage, potentially impairing the operations of a borrowers business. These are explained on pages 19 to 21 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements. We made enquiries of the manager and the external valuer to understand the extent of the potential impact of climate change and related policies on the investment portfolio noting no material impact on the current fair value. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainties related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised gains and losses *(as described on page 42 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 60)*		
The valuation of the investment portfolio at 31 December 2022 was £119.97m (2021: £126.67m) consisting primarily of unquoted private loan investments of £109.49m (2021: £115.73m). The remaining investment portfolio consists of quoted private loans and bond investments of £6.89m (2021: £7.34m) and unquoted equity assets of £3.60m (2021: £3.60m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. Private loans, bonds and equities are recognised at fair value through profit and loss. Unquoted investments are valued at fair value by the Directors. The valuation of the unquoted investments, and the resultant impact on the unrealised gains/(losses), is the area requiring the most significant judgement and estimation in the preparation of the financial statements.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding investment valuation and legal title by performing our walkthrough procedures with the Investment Manager, Independent Valuer and Administrator in order to evaluate the design and implementation of controls. **All Investments** > We agreed all investments held at 31 December 2022 per the investment portfolio to the valuation report as prepared by the independent valuer. > We recalculated the unrealised gains and losses on all investments as at 31 December 2022 using the bookcost reconciliation. > We reviewed the financial statements to ensure that there are adequate disclosures regarding valuation uncertainty and assumptions made in the valuation, including the fair value hierarchy and required sensitivity analysis under IFRS 13 "Fair value measurement". > We agreed the investment valuation and existence to independent confirmations received from the Custodian, Lawyers and/or borrowers as at 31 December 2022. **For the quoted portfolio (level 2 investment)** > We agreed the price of the quoted portfolio to independent market sources. > We reviewed the depth of broker quotes as at 31 December 2022 to assess the liquidity of the quoted portfolio to confirm the year end price was a fair value price. > We reviewed the quoted private loan for indicators that the investment was distressed by comparing par value to the traded price. *Continued overleaf >*	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised gains and losses.

Independent Auditor's report

Continued

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised gains and losses Continued		
	For the unquoted portfolio (level 3 investments) We engaged our valuation specialists to perform a detailed quantitative and qualitative review of a sample of unquoted private loans and the equity investment to ascertain whether the valuation is within an expected range. The procedures included: > We discussed the portfolio with the Investment Manager to develop an understanding of the performance of each investment. > We discussed the portfolio with the independent valuer to understand any current year changes to the valuation methods adopted and performed an evaluation of those methods relative to industry best practice. > We performed a qualitative review of a sample of unquoted investment valuations as at 31 December 2022, examining key valuation inputs and assumptions applied. > We performed a quantitative review through the use of discounted cash flow methods using an estimated internal rate of return for each subject investment based on the changes in the price risk and benchmark credit curves. > We performed an analysis of key changes in valuations during the year including a consideration of market trends and interest rate movements. > For the sample of unquoted private loans and the equity investment reviewed by our valuation specialists, we obtained evidence, where available, such as collateral valuation reports and/or legal contracts to verify the value and existence of collateral associated with the secured loans. > Where our testing identified instances where valuations were outside the expected range, we held further discussions with the Investment Manager and Independent Valuer. In those discussions, we discussed market trends and the valuation process and requested further support and justifications for the valuation assumptions. We concluded that all sampled valuations were not materially misstated and communicated where valuations were above our reporting threshold. > We corroborated a sample of inputs used by management's specialist in the valuation to information which has been substantively tested as part of our audit, such as revenue modelling.	

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Risk of incomplete or inaccurate revenue recognition from the investment portfolio *(as described on page 42 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 61)*		
The income received for the year to 31 December 2022 was £10.77m (2021: £11.16m), consisting primarily of interest income from the investment portfolio. There is a risk of incomplete or inaccurate recognition of income through the failure to recognise proper income entitlements or applying appropriate accounting treatment.	**We performed the following procedures:** > We obtained an understanding of the Administrator's processes and controls surrounding revenue recognition by reviewing their internal controls report and performing our walkthrough procedures with the Investment Manager and Administrator to evaluate the design and implementation of controls. > We agreed the recognition and accounting treatment of a sample of interest and payment in kind ("PIK") income from the income report to the coupon terms or loan agreements. We recalculated the interest amount on a time apportioned basis and applied exchange rates obtained from an independent data vendor, where relevant, and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. > We agreed a sample of interest payments recorded by the Company to coupon terms available from an independent data vendor or loan agreements to test completeness of the income recorded. > For a sample of accrued interest, we recalculated the accrual and agreed the interest rates and payment dates to the loan documentation or coupon terms, agreed the principal outstanding and recalculated the interest receivable. We confirmed this was consistent with cash received as shown on post year end bank statements, where paid. > We assessed the recoverability of the accrued income to ensure that an appropriate provision is recorded against doubtful receipts. We achieved this by assessing the ageing of accrued income and comparing the size of the accrual to income received in the period to identify any overdue income. We challenged managements policy in order to appraise the rationale for the bad debt provision.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition from the investment portfolio.

Independent Auditor's report

Continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.09m (2021: £1.11m), which is 1% (2021: 1%) of Shareholders' funds. We believe that Shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2021: 75%) of our planning materiality, namely £0.54m (2021: £0.83m). We have set performance materiality at this percentage given findings raised in the prior year audit.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.37m (2021: £0.39m) being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of £0.05m (2021: £0.06m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Aside from the impact of the matters disclosed in the material uncertainties related to going concern section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 31;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 32;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 32;
- Directors' statement on fair, balanced and understandable set out on page 44;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 44;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 20; and
- The section describing the work of the Audit and Management Engagement Committee set out on page 42.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 44 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent Auditor's report

Continued

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted international accounting standards, the Companies Act 2006, Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Miscellaneous Reporting Requirements and Section 1158 of the Companies Act 2010.
- We understood how the Company is complying with those frameworks by complying with those frameworks through discussions with the Audit and Management Engagement Committee and Company Secretary and through review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to the incomplete or inaccurate income recognition from the investment portfolio and incorrect valuation or ownership of the unquoted investments, and the resulting impact on unrealised gains and losses. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Management Engagement Committee, we were appointed by the Company on 15 November 2017 to audit the financial statements for the period ended 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the periods from our appointment through to 31 December 2022
- The audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Ahmer Huda (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

25 April 2023

Financial statements

Company statement of comprehensive income

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 Revenue £'000	Year ended 31 December 2022 Capital £'000	Year ended 31 December 2022 Total £'000	Year ended 31 December 2021 Revenue £'000	Year ended 31 December 2021 Capital £'000	Year ended 31 December 2021 Total £'000
(Losses)/gains on investments	3	–	(2,072)	(2,072)	–	1,263	1,263
Income	4	10,768	–	10,768	11,164	–	11,164
Investment management fee	5	(971)	–	(971)	(1,013)	–	(1,013)
Other expenses	6	(1,230)	–	(1,230)	(1,598)	–	(1,598)
Return before finance costs and taxation		8,567	(2,072)	6,495	8,553	1,263	9,816
Finance costs	7	(1,102)	–	(1,102)	(797)	–	(797)
Return on ordinary activities before taxation		7,465	(2,072)	5,393	7,756	1,263	9,019
Taxation	8	(3)	–	(3)	(14)	–	(14)
Return on ordinary activities after taxation		7,462	(2,072)	5,390	7,742	1,263	9,005
Return per ordinary share (pence)	14	6.33p	(1.76p)	1.15p	6.56p	1.07p	7.63p

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 year.

The notes on pages 59 to 76 form an integral part of these financial statements.

Statement of financial position

	Notes	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Fixed assets			
Investments at fair value through profit or loss	3	119,970	126,674
Current assets			
Cash and cash equivalents		2,993	3,310
Receivables	9	5,421	2,684
		8,414	5,994
Payables: amounts falling due within one year			
Payables	10	(2,308)	(1,847)
Bank loan – Credit facility	11	(17,271)	(19,571)
		(19,579)	(21,418)
Net current liabilities		(11,165)	(15,424)
Total assets less current liabilities		108,805	111,250
Net assets		108,805	111,250
Capital and reserves: equity			
Share capital	12	1,176	1,178
Share premium	13	70,168	70,168
Special reserve		44,640	44,813
Capital reserve		(10,221)	(8,149)
Revenue reserve		3,042	3,240
Total shareholders' funds		108,805	111,250
NAV per share – Ordinary Shares (pence)	15	92.49p	94.41p

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 25 April 2023 and signed on their behalf by:

Norman Crighton
Chair

Registered in England and Wales with registered number 10449530.

The notes on pages 59 to 76 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at beginning of the year		1,178	70,168	44,813	(8,149)	3,240	111,250
Return on ordinary activities		–	–	–	(2,072)	7,462	5,390
Buy back of shares	*12*	(2)	2	(173)	–	–	(173)
Share buy back costs		–	(2)	–	–	–	(2)
Dividend paid	*16*	–	–	–	–	(7,660)	(7,660)
Balance as at 31 December 2022		1,176	70,168	44,640	(10,221)	3,042	108,805

For the year ended 31 December 2021

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at beginning of the year		1,184	70,168	45,277	(9,412)	3,167	110,384
Return on ordinary activities		–	–	–	1,263	7,742	9,005
Buy back of shares	*12*	(6)	6	(464)	–	–	(464)
Shares buy back costs		–	(6)	–	–	–	(6)
Dividend paid	*16*	–	–	–	–	(7,669)	(7,669)
Balance as at 31 December 2021		1,178	70,168	44,813	(8,149)	3,240	111,250

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

The capital reserves attributable to realised profits for the year ended 31 December 2021 and 2022 are in a net loss position.

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 59 to 76 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		6,495	9,816
Adjustments for movements not generating an operating cash flow:			
Adjustment for losses/(gains) on investments		1,802	(823)
Adjustment to amortisation costs		–	114
PIK adjustments to the operating cash flow		(2,466)	(2,539)
Adjustments for balance sheet movements:			
(Increase)/decrease in receivables		(2,737)	484
Increase/(decrease) in payables		458	(812)
Net cash flow from operating activities		3,552	6,240
Investing activities			
Private loan repayments/bonds sales proceeds		25,784	56,292
Realisation of investment in subsidiary – non cash adjustment		–	50
Private loans issued/bonds purchases		(18,416)	(44,582)
Purchase of equity investments		–	(5,100)
Net cash flow from investing activities		7,368	6,660
Financing activities			
Finance costs		(1,102)	(684)
ZDP loan principal and accumulated interest paid		–	(12,056)
Ordinary Share bought back	12	(173)	(464)
Ordinary Share buyback costs		(2)	(6)
OakNorth loan facility drawdown		12,550	30,071
OakNorth loan facility repaid		(14,850)	(21,000)
Equity dividends paid	16	(7,660)	(7,669)
Net cash flow used in financing activities		(11,237)	(11,808)
(Decrease)/Increase in cash		(317)	1,092
Opening balance at beginning of the year		3,310	2,218
Balance as at 31 December 2022		2,993	3,310

** Cash inflow from interest on investment holdings was £8,396,000 (31 December 2021: £9,561,000).*

The notes on pages 59 to 76 form an integral part of these financial statements.

Changes in financing liabilities

	Year ended 31 December 2022		Year ended 31 December 2021	
Movement in financial liabilities	OakNorth facility £'000	Intercompany loan £'000	OakNorth facility £'000	Intercompany loan £'000
Balance as at beginning of the year	19,571	–	10,500	11,942
Facility drawdowns during the year	12,550	–	30,071	–
Facility interest payable during the year	1,102	–	595	–
Facility and interest repayments during the year	(15,952)	–	(21,595)	–
Intercompany finance cost-noncash flow	–	–	–	114
Repayment of intercompany loan	–	–	(12,056)	
Balance as at 31 December 2022	17,271	–	19,571	–

Notes to the financial statements

1. General information

RM Infrastructure Income 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 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 return where appropriate.

The registered office is 6th Floor, 125 London Wall, Barbican, London EC2Y 5AS.

2. Accounting policies

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

(a) Basis of accounting

The financial statements have been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared on a historical basis, except for investments measured at fair value.

In preparing these financial statements the directors have considered the impact of climate change as a risk as set out on page 21, and have concluded that there was no further impact of climate change to be taken into account. In line with IAS, investments are valued at fair value and climate change risk is taken into consideration in the valuation of the investments we hold.

The Board has determined by having regard to the currency of the Company's share capital and the predominant currency in which the Company operates, that sterling is the functional and presentational currency. Where presentational recommendations set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued in the UK by the AIC in April 2021, do not conflict with the requirements of UK-adopted international accounting standards ("IFRS"), the directors have prepared the financial statements on a basis consistent with the recommendations of the SORP, in the belief that this will aid comparison with similar investment companies incorporated in the United Kingdom.

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

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

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

(b) Adoption of new IFRS standards

New standards, interpretations and amendments adopted from 1 January 2022

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2022. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

New standards and amendments issued but not yet effective

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

Notes to the financial statements

Continued

2. Accounting policies continued

(c) Going concern

The Directors have adopted the going concern basis in preparing the financial statements. In forming this opinion, the directors continue to consider the ongoing impact of the Covid-19 pandemic, the conflict in Ukraine that has impacted markets throughout the world and the rise in interest rates, however the portfolio remains well positioned through the Investment Manager's focus on creating a portfolio of high yielding and short duration loans that do not hold significant exposure to interest rate movements. The Board does not believe that these situations will affect the Company's viability or going concern status.

Regarding liquidity opportunity consultation

In making their assessment, the Directors have also reviewed income and expense projections and the liquidity of the investment portfolio. The Directors have also considered that should the Company's shares trade at an average discount of more than zero per cent. as measured over the six-month period commencing on 1 October 2022 and ending on 31 March 2023, the Board will seek to bring forward a liquidity opportunity consultation by 12 months i.e. prior to the AGM in 2023. In preparing the financial statements we have considered the upcoming liquidity opportunity consultation. As this consultation will not conclude until after the approval of these financial statements means that there is material uncertainty over the going concern of the Company. Details of the Directors assessment of the going concern status of the Company are given on page 31. The material uncertainty has not resulted in any adjustments.

The Directors have a reasonable expectation that the Company 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 Company's portfolio of loan investments of £120.0 million (2021: £126.7 million) and the cash position of £3.0 million (2021: £3.3 million). The Company's net assets at 31 December 2022 were £108.8 million (2021: £111.3 million). The total expenses (excluding finance costs and taxation) for the year ended 31 December 2022 were £2.2 million (2021: £2.6 million), which represented approximately 1.86% (2021: 1.92%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

The Directors have concluded that there is a reasonable expectation that the Company will have adequate liquidity and cash balances to meet its liabilities as they fall due and continue in operational existence for the foreseeable future and continue as a going concern for the period to 30 June 2024.

(d) Assessment as an Investment Entity

The Company meets the definition of an investment entity on the basis of the following criteria:

1. the Company obtains funds from multiple investors for the purpose of providing those investors with investment management services;
2. the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
3. the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

To determine that the Company meets the definition of an investment entity, further consideration is given to the characteristics of an investment entity, which are that:

- it should have more than one investment, to diversify the risk portfolio and maximise returns;
- it should have multiple investors, who pool their funds to maximise investment opportunities;
- it should have investors that are not related parties of the entity; and
- it should have ownership interests in the form of equity or similar interests.

The Directors are of the opinion that the Company meets the essential criteria and typical characteristics of an Investment Entity.

(e) Investments

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

Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors.

(f) Foreign currency

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

2. Accounting policies continued

(g) Income
Interest income (cash interest) is recognised in the revenue column of the Statement of Comprehensive Income on an effective interest rate basis. Payment-in-kind ("PIK") interest income is recognised on an accruals basis and capitalised to the principal value of the loan.

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

Arrangement fees earned on private loan investments are recognised as an income over the term of the private loans.

For any income which has an uncertainty, a provision should be considered by the Company to reflect this income as a bad debt. The income is written down and excluded from the Profit & Loss account. This methodology ensures large balances should not accrue with counterparties who are unable to pay. The uncertainty is due to:

> **Timing** – when is this income likely to be received? If the receipt is likely to be paid in the medium to long term due to cash flow issues with the borrower then a provision should be considered.

> **Collateral** – if there is strong collateral then this provision can be reviewed as it would increase the probability of being paid the income over the period being considered. Should there be weak collateral then this would reinforce the provision to be taken.

When a bad debt provision is attached to an income line item, the next step is determining the amount of provision as a percentage of revenue due over the period. This is reviewed on a monthly basis including discussion with independent valuers (Mazars LLP) whether the written down amounts and percentage used remain appropriate.

(h) Cash and cash equivalents
Cash and cash equivalents include deposits held at call with banks and other short-term deposits with original maturities of three months or less.

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

(j) Expenses
All expenses are accounted for on an accruals basis.

Management fees and finance costs
The Company is expecting to derive its returns predominantly from interest income. Therefore, the Board has adopted a policy of allocating all management fees and finance costs to the revenue column of the Statement of Comprehensive Income.

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

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

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

(l) Financial liabilities
Bank loan facility and overdrafts are initially recorded at the proceeds received net of direct issue costs and subsequently measured at amortised cost using the effective interest rate. The associated costs of bank loan facility are treated as revenue and amortised over the period of the bank loan facility.

(m) Dividends
Interim dividends to the holders of shares are recorded in the Statement of Changes in Equity on the date that they are paid. Final dividends would be recorded in the Statement of Changes in Equity when they are approved by Shareholders, however the Company currently declares four interim dividends as opposed to any final dividends

Notes to the financial statements

Continued

2. Accounting policies continued

(n) Judgements, estimates and assumptions

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

The Company recognises loan investments at fair value through profit or loss and disclosed in note 3 to the financial statements. The significant assumptions made at the point of valuation of loans are the discounted cash flow analysis and/or benchmarked discount/interest rates, which are deemed appropriate to reflect the risk of the underlying loan. These assumptions are monitored to ensure their ongoing appropriateness. The sensitivity impact on the measurement of fair value of loan investments due to price is discussed in note 19.

3. Investment at fair value through profit or loss

(a) Summary of valuation	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Financial assets held:		
Equity investments	3,593	3,600
Bond investments	4,208	7,346
Private loan investments	112,169	115,728
	119,970	126,674

(b) Movements	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Opening valuation	126,674	122,705
Opening gains on investments	5,803	8,276
Book cost at the beginning of the year	132,477	130,981
Private loans issued/bonds purchased at cost	18,415	44,582
Purchase in kind interest (PIK)	2,690	3,126
Purchase of equity investments	–	5,100
Sales:		
– Private loans repayments/bonds sales proceeds	(25,784)	(48,962)
– losses on investment	(298)	(1,763)
– Purchase in kind interest (PIK)	(224)	(587)
Unrealised losses on investments held	(7,306)	(5,803)
Closing valuation at year end	119,970	126,674
Book cost at end of the year	127,276	132,477
Unrealised losses on investment holdings at the year end	(7,306)	(5,803)
Closing valuation at year end	119,970	126,674

The Company received £25.5million (2021: £49.5 million) from investments sold in the year. The book cost of these investments when they were purchased was £25.8million (2021: £41.6 million). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments. The Company's investments are UK-based with the exception of Beinbauer which is based in Germany.

3. Investment at fair value through profit or loss continued

(c) Gains/(losses) on investments	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Realised (losses)/gains on investments	(298)	(1,763)
Unrealised gains/(losses) on investments held	(1,503)	2,473
Other capital gains	217	–
Foreign exchange gains/(losses)	(488)	553
Total gains/(losses) on investments	(2,072)	1,263

At the year end, the Company had three unquoted investments, these equity investments meet the criteria within IFRS 10 as an investment entity and are therefore held at fair value.

1. **Esprit Holdco Limited (Energie Fitness).** The Company participated in a management buyout during 2020 and owns 28% of the business, the registered office and principal of business of Energie Fitness is 1 Pitfield Kiln Farm, Milton Keynes, United Kingdom, MK11 3LW. The Investment Manager valued holdings in Energie Fitness at nil.
2. **Trent Capital Limited.** The Company structured a Loan in 2019, which also offered equity within Trent Capital Limited. The Company has a 70% net equity holding within the business which is registered at 17 Walkergate, Berwick Upon Tweed, Northumberland, TD15 1DJ and the principal business address is Unit 7 Newton Chambers Way, Thornecliffe Industrial Estate, Chapeltown, Sheffield, S35 2PH. The Investment Manager valued holdings in Trent Capital Limited at nil.
3. **Coventry Student Accommodation 1 Limited ("Coventry", wholly owned asset).** The Company holds an unquoted investment in Coventry. As at 31 December 2022, the Company owns 100% of the business. The registered office and principal place of business of Coventry is 6th Floor, 125 London Wall, London EC2Y 5AS. The Investment Manager's valuation of the holdings in Coventry is £3.6 million as at 31 December 2022 (2021: £3.6 million).

4. Income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Income from investments		
Bond and loan – cash interest	7,895	8,581
Bond and loan – PIK interest	2,767	2,277
Arrangement fees	43	102
Delayed Compensation fees received	2	19
Other income	61	185
Total	10,768	11,164

Notes to the financial statements

Continued

5. Investment management fee

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Basic fee:		
100% charged to revenue	971	1,013
Total	971	1,013

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.

There is no performance fee payable to the Investment Manager.

6. Other expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Basic fee charged to revenue:		
Administration Fees	226	246
Auditor's remuneration:		
Statutory audit fee	161	112
Broker Fees	146	141
Consultancy Fees	72	138
Directors' Fees	99	99
AIFM fees	144	151
Registrars fees	32	41
Valuation Fees	81	87
Other Expenses	269	583
Total revenue expenses	1,230	1,598

7. Finance costs

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan arrangement fees	–	–	–	89	–	89
Loan Interest paid	1,102	–	1,102	595	–	595
ZDP Shares finance costs	–	–	–	113	–	113
	1,102	–	1,102	797	–	797

The Company has a £10.5 million revolving credit facility with OakNorth Bank. On 9 April 2021, the Company renewed and amended its revolving credit facility with OakNorth Bank. Under the terms of the amended revolving credit facility, the Company may draw down loans up to an aggregate value of £10.5 million, on materially similar terms as the Company's previous revolving credit facility. The revolving credit facility expires on 26 March 2024.

8. Taxation

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of tax charge/(credit) for the year:						
Corporation tax	–	–	–	14	–	14
Corporation tax – prior year adjustment	3	–	3			
Total current tax charge (see note 6 (b))	3	–	3	14	–	14

(b) Factors Affecting the tax charge for the year:

The effective UK corporation tax rate for the period is 19.00% (2021:19.00%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 24 May 2021). These include increases to the rate to 25% from 1 April 2023.

Notes to the financial statements

Continued

8. Taxation continued

The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	7,465	(2,072)	5,393	7,756	1,263	9,019
UK corporation tax at 19.00% (2021:19.00%)	1,418	(394)	1,024	1,474	240	1,714
Effects of:						
Fair value losses/(gains) not deductible	–	394	394	–	(240)	(240)
Interest distributions paid/payable	(1,455)	–	(1,455)	(1,460)	–	(1,460)
Excess management expenses carried forward	37	–	37	–	–	–
Prior year adjustment	3	–	3			
Total tax charge	3	–	3	14	–	14

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

(c) Deferred tax assets/(liabilities)

As at 31 December 2022, the Company had net surplus excess management expenses of £194,927 (2021: £nil) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of deductible expenses of deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future liabilities.

9. Receivables

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Amounts falling due within one year:		
Bond and loan interest receivable	2,372	1,603
Provided for interest	1,160	783
Loan to non-consolidated subsidiary	1,673	–
Prepayments and other receivables	216	298
Total	5,421	2,684

Provided for interest and Bad debt provisions

Provided for interest account is an interest receivable in relation to the loans of the Company but are not guaranteed. The total amount is offset against the bad debt provisions under the liability account (see note 10).

10. Payables

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Amounts falling due within one year:		
Loan reserves retained	270	454
Taxation payable	3	14
Bad debt provision	1,160	783
Other creditors	875	596
Total	2,308	1,847

11. Bank loan credit facilities

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
OakNorth Bank – Credit facilities	17,271	19,571
Total	17,271	19,571

On 26 March 2021, the Company renewed and amended its revolving credit facility with OakNorth. The Company had entered into an uncommitted 90-day notice revolving loan of £10,500,000 ("Facility A") and a committed term revolving loan of £11,942,000 ("Facility B"), together with Facility A the ("Facilities") with OakNorth for the purposes set out in the credit facility agreement.

Facility A will be provided to be applied in or towards:

> repaying all amounts due from the Company to the OakNorth under its existing loan agreement;

> funding by the Company of customer loans;

> refinancing (where applicable) any customer loans made by the Company;

> purchasing investments by the Company;

> the provision of liquidity to the Company; and

> payment of finance costs (including fees) payable under the loan.

Facility B will be provided to be applied in or towards:

> repaying sums due from the Company to RM ZDP plc;

> funding by the Company of customer loans;

> refinancing (where applicable) any customer loans made by the Company;

> purchasing investments by the Company;

> the provision of liquidity to the Company; and

> payment of finance costs (including fees) payable under the loan agreement.

The rate of interest on the Facilities are the aggregate of the applicable margin and base rate (subject to a base rate floor of 0.10%). The margin is 4.65% p.a. The Facilities expire on 26 March 2024.

During the year, the Company drew cumulative amount of £12.6 million (2021: £30.1 million) from the revolving credit facilities and repaid cumulative amount of £14.9 million (2021: £20.0 million). The remaining balance as at 31 December 2022 amounts to £17.3million (2021: £19.6 million).

Notes to the financial statements

Continued

12. Share capital

	As at 31 December 2022		As at 31 December 2021	
	No. of Shares	£'000	No. of Shares	£'000
Allotted, issued & fully paid:				
Ordinary shares of 1p	117,636,359	1,176	117,840,988	1,178

Share movement

The table below sets out the share movement for the year ended 31 December 2022.

	Opening balance	Shares issued	Shares bought back	Shares in issue at 31 December 2022
Ordinary Shares	117,840,988	–	(204,629)	117,636,359

At the year end, the Company has 117,636,359 Ordinary Shares in issue with voting rights and 4,588,222 Ordinary Shares held in Treasury.

Ordinary Share buy backs

During the year, the Company bought back 204,629 (2021: 523,294) Ordinary Shares for an aggregate cost of £173,935 (2021: £463,838). Since the year end, 50,000 Ordinary Shares have been bought back for an aggregate cost of £42,750.

13. Share premium

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Balance as at beginning of the year	70,168	70,168
Share buybacks	2	6
Share buyback costs	(2)	(6)
Balance as at 31 December 2022	70,168	70,168

14. Return per ordinary share

Total return per Ordinary Share is based on the gain on ordinary activities after taxation of £5,390,000 (2021: gain of £9,005,000).

Based on the weighted average of number of 117,839,605 (2021: 117,976,668) Ordinary Shares in issue for the year ended 31 December 2022, the returns per share were as follows:

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary Share	6.33p	(1.76p)	4.57p	6.56p	1.07p	7.63p

There are no dilutive shares in issue.

15. Net asset value per share

The NAV per share is based on Company's total shareholders' funds of £108,805,000 (2021: £112,750,000), and on 117,636,359 (2021: 117,840,988) Ordinary Shares in issue at the year end.

Nav per ordinary share reconciliation

The table below is a reconciliation between the NAV per Ordinary Share of the Company as announced on the London Stock Exchange and the NAV per Ordinary Share disclosed in these financial statements.

	As at 31 December 2022		As at 31 December 2021	
	Net assets (£)	NAV per Ordinary share (p)	Net assets (£)	NAV per Ordinary share (p)
2022 NAV as published on 16 January 2023 (2021 NAV: Published on 15 January 2022)	108,807,765	92.50	112,949,700	95.85
Prior year tax liability adjustments	(2,852)	(0.01)	–	–
Income adjustment	–	–	(199,500)	(0.17)
Equity revaluation adjustment	–	–	(1,500,000)	(1.27)
Share buyback adjustments	–	–	–	–
NAV as disclosed in these Financial Statements	108,804,913	92.49	111,250,200	94.41

16. Dividend

Total dividends paid in the year

	Year ended 31 December 2022				Year ended 31 December 2021			
	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000
2021 Interim – Paid 25 Mar 2022 (2020: 26 Mar 2021)	1.6250p	1,915	–	1,915	1.6250p	1,918	–	1,918
2022 Interim – Paid 24 Jun 2022 (2021: 25 Jun 2021)	1.6250p	1,915	–	1,915	1.6250p	1,917	–	1,917
2022 Interim – Paid 30 Sep 2022 (2021: 24 Sep 2021)	1.6250p	1,915	–	1,915	1.6250p	1,917	–	1,917
2022 Interim – Paid 30 Dec 2022 (2021: 30 Dec 2021)	1.6250p	1,915	–	1,915	1.6250p	1,917	–	1,917
Total	6.5000p	7,660	–	7,660	6.5000p	7,669	–	7,669

Notes to the financial statements

Continued

16. Dividend continued

The dividend relating to the period ended 31 December 2022, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

Total dividends declared in the year

	Year ended 31 December 2022				Year ended 31 December 2021			
	Pence per Ordinary Share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary Share	Revenue £'000	Capital £'000	Total £'000
2022 Interim – Paid 24 Jun 2022 (2021: 25 Jun 2021)	1.6250p	1,915	–	1,915	1.6250p	1,917	–	1,917
2022 Interim – Paid 30 Sep 2022 (2021: 24 Sep 2021)	1.6250p	1,915	–	1,915	1.6250p	1,917	–	1,917
2022 Interim – Paid 30 Dec 2022 (2021: 30 Dec 2021)	1.6250p	1,915	–	1,915	1.6250p	1,917	–	1,917
2022 Interim – Paid 31 March 2023 (2021: 25 Mar 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
Total	6.5000p	7,656	–	7,656	6.5000p	7,666	–	7,666

**Not included as a liability in the year ended 31 December 2022 financial statements.*

17. Related party transactions

Fees are payable at an annual rate of £36,000 to the Chairman, £33,000 to the Chairman of the Audit and Management Engagement Committee and £30,000 to the other Director. As at 31 December 2022, there were no Directors' fees outstanding. The Directors' fees are disclosed in note 7 and the Directors' shareholdings are disclosed in the Directors Remuneration Report in the Annual Report for the year ended 31 December 2022.

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 31 December 2022 the fee outstanding to the Investment Manager was £80,000 (2021: £84,000).

Arrangement fees are paid by some borrowers to the Investment Manager. The amount the Investment Manager can retain from borrowers in most cases is capped at 1.25% and agreed with the Board. The Company receives any arrangement fees from the Investment Manager in excess of the 1.25% or otherwise agreed with the borrower. During the year to 31 December 2022, the Company received £43,000 (2021: £102,000) in arrangement fees from RM.

Borrowers paid the Investment Manager arrangement fees during the year totalling £175,051. The Investment Manager also provides further work and Loan & Security Agency services to some borrowers and during the year charged borrowers £357,298.

As at 31 December 2022, the Investment Manager held 1,316,625 (2021: 1,279,125) Ordinary Shares in the Company. Since the year end, the Investment Manager purchased a further 12,500 Ordinary Shares in the Company, and as of the date of this report, the Investment Manager's total holding of Ordinary Shares is 1,329,125 (2021: 1,291,625).

During the year the Company has total investments of £3,593,000 (2021: £3,593,000) in Coventry Student Accommodation 1 Limited for which investment details can be found in note 3. During the year, the Company provided Coventry Student Accommodation 1 Limited an intercompany loan of £1,673,000 (2021: £nil) as disclosed in note 9.

18. 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
Using unadjusted quoted prices for identical instruments in an active market.

Level 2
Using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data).

Level 3
Using inputs that are unobservable (for which market data is unavailable).

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

	31 December 2022				31 December 2021			
	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	–	4,208	–	4,208	–	7,346	–	7,346
Financial assets – Private loans	–	–	112,169	112,169	–	–	115,728	115,728
Financial assets – Equity investment	–	–	3,593	3,593	–	–	3,600	3,600
Forward contract unrealised (loss)/gain*	–	(162)	–	(162)	137	–	137	
Net financial assets	–	4,046	115,762	119,808	–	7,483	119,328	126,811

**The net unrealised loss of £162,475 (2021: net unrealised gain of £136,729) on forwards is recognised within other creditors whereas net unrealised gain on forwards is recognised within prepayments and other debtors in the Statement of Financial Position.*

As at 31 December 2022, the fair value of the Company's loans is materially equal to the carrying value.

The forward exchange contract has been presented in the fair value hierarchy at net exposure with the net unrealised loss of £162,475 (2021: gain of £136,729) recognised within prepayments and other debtors in the Statement of Financial Position.

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.

There have been no movements between levels during the reporting period.

Notes to the financial statements

Continued

18. Classification of financial instruments continued

Reconciliation of the Level 3 classification investments during the year to 31 December 2022 is shown below:

	31 December 2022			31 December 2021		
	Equity £'000	Loan £'000	Total £'000	Equity £'000	Loan £'000	Total £'000
Balance as at beginning of the year	3,600	115,728	119,328	–	97,692	97,692
New loans during the year	–	13,605	13,605	–	38,253	38,253
New equity investments during the year	–	–	–	3,600	–	3,600
Repayments during the year	–	(15,978)	(15,978)	–	(16,558)	(16,558)
Realised gains during the year	–	(190)	(190)	–	(832)	(832)
Unrealised losses during the year on positions held at year end	(7)	(996)	(1,003)	–	(2,827)	(2,827)
Closing balance as at 31 December	3,593	112,169	115,762	3,600	115,728	119,328

Valuation and existence of bonds and private loan investments

The Company holds assets in bonds and private loan investments. The valuation and existence of these bonds and private loan investments are the most material matter in the production of the financial statements.

The bonds and private loan investments are valued by an independent valuer and the valuations at year end were agreed to the valuers report. The valuation process has been comprehensively reviewed during the year, and is monitored, by the Board, the Manager and the AIFM. The process includes quantitative and qualitative analysis, with the analysis performed on a loan-by-loan basis and the valuation of each loan taking into account the relevant risks and returns associated with that loan. The Audit and Management Engagement Committee reviewed valuation reports and also the procedures in place for ensuring accurate valuation and existence of investments and recommended these to the Board for review and approval.

The Board has appointed a third-party service provider (Mazars LLP) to value the Company's loan investments on a monthly basis, in accordance with IFRS. The Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied and the overall valuation of the investments.

19. Financial instruments – risk profile

The Company invests in private loan and bond investments. The following describes the risks involved and the applied risk management. The Investment Manager reports regularly both verbally and formally to the Board, and its relevant committees, to allow them to monitor and review all the risks noted below.

(i) Market risks

The Company is subject to a number of Market risks in relation to economic conditions. The Company's approach regarding the conservative valuation of its investments remains unchanged, with fair value write downs driven by market risk and idiosyncratic risk, with idiosyncratic risk relating to loan specific information which is reflected within specific loan pricing. Further detail on these risks and the management of these risks are included in the Investment Manager's Report and page 19 of the Risk and Risk Management report.

The Company's financial assets and liabilities at 31 December 2022 comprised:

	Year ended 31 December 2022			Year ended 31 December 2021		
Investments	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
Sterling	114,713	3,593	118,306	116,674	–	116,674
Euro	1,664	–	1,664	10,000	–	10,000
Total investment	116,377	3,593	119,970	126,674	–	126,674
Cash and cash equivalents	2,993	–	2,993	3,310	–	3,310
Receivables	–	5,421	5,421	–	2,684	2,684
Payables*	(17,271)	(2,308)	(19,579)	–	(21,418)	(21,418)
Total	102,099	6,706	108,805	129,984	(18,734)	111,250

Price risk sensitivity

The effect on the portfolio of a 10.0% increase or decrease in the value of the loans would have resulted in an increase or decrease of £11,997,000 (2021: £12,667,000) in the investments held at fair value through profit or loss at the period end date. This analysis assumes that all other variables remain constant.

(ii) Credit risks

The Company's investments will be predominantly in the form of private loans whose revenue streams are secured against contracted, predictable medium to long-term cash flows and/or physical assets, and whose debt service payments are dependent on such cash flows and/or the sale or refinancing of the physical assets. The key risks relating to the private loans include risks relating to counterparty default, senior debt covenant breach risk, bridge loans, delays in the receipt of anticipated cash flows and borrower default, and collateral risks.

The Company is also exposed to the risk of default on cash held at the bank and other trade receivables. The maximum exposure to credit risk on cash at bank and other trade receivables at 31 December 2022 was £2,993,000 and £5,421,000 respectively (2021: £3,310,000 and £2,684,000). None of these amounts are considered past due or impaired and interest is based on the prevailing money market rates.

Notes to the financial statements

Continued

19. Financial instruments – risk profile continued

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

	As at 31 December 2022		As at 31 December 2021	
	Fair value £'000	Maximum exposure £'000	Fair value £'000	Maximum exposure £'000
Private loan investments	112,169	112,169	115,728	115,728
Bond investments	4,208	4,208	7,346	7,346
Cash and cash equivalent	2,993	2,993	3,310	3,310
Receivables	5,421	5,421	2,684	2,684
Total	124,791	124,791	129,068	129,068

Management of risks

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

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

(iii) Interest rate risks

Private Loans

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

Interest rate sensitivity

Interest Income earned by the Company is primarily derived from fixed interest rates. The interest earned from the floating element of loan and debt security investments is not significant. Based on the Company's private loan investments, bond investments, cash and cash equivalents as at 31 December 2022, a 1.00% increase/(decrease) (2021: 0.50% increase/(decrease)) in interest rates, all other things being equal, would lead to a corresponding increase/(decrease) in the Company's income as follows.

	As at 31 December 2022		As at 31 December 2021	
	1.00% Increase £'000	1.00% Decrease £'000	0.50% Increase £'000	0.50% Decrease £'000
Private loans investments	1,122	(1,122)	579	(579)
Bond investments	42	(42)	37	(37)
Equity investments	36	(36)	18.00	(18.00)
Cash and cash equivalent	30	(30)	17	(17)
Total	1,230	(1,230)	651	(651)

Management of risks

The Investment Manager's investment process takes into account interest rate risk. The investment strategy is to invest in private loans with maturities typically between 2 and 10 years. Exposure to predominantly higher yielding loans and possible floating rate investments can mitigate interest rate risk to some extent. On a monthly basis, Investment Managers review fixed/floating and weighted average life of the portfolio for interest rate risk.

19. Financial instruments – risk profile continued

(iv) Liquidity risks

Liquidity risk is defined as the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The cash and cash equivalent balance at the year end was £2,993,000 (2021: £3,310,000).

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

	31 December 2022 £'000	31 December 2021 £'000
Within one month	–	–
Between one and three months	2,038	1,393
Between three months and one year	–	–
More than one year	17,541	20,025
Total	19,579	21,418

Not withstanding the contractual maturity of the credit facilities, which is 26 March 2024, the loans have been presented as a current liability in the statement of financial position which reflects managements intentions to use the facilities for liquidity purposes and not long term gearing of the Company. The financial liability of £17,541,000 (2021: £20,025,000) is the OakNorth credit facility.

The Investment Manager manages the Company's liquidity risk by investing in a diverse portfolio of loans and secured debt instruments in line with the Company's Investment Policy and Investment restrictions on pages 17 and 18. The Investment Manager may utilise other measures such as borrowing, share issues including treasury shares for liquidity purposes. The Investment Manager performs stress tests on the Company's income and expenses and the Directors, and the Manager remain comfortable that the Company has substantial operating expenses cover and adequate liquidity. A liquidity opportunity consultation will be implemented ahead of the Company's 2023 AGM, should the Company's shares trade at an average discount of more than zero per cent. as measured over the six-month period commencing on 1 October 2022 and ending on 31 March 2023. More information is included on page 30.

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

	31 December 2022 £'000	31 December 2021 £'000
Within one month	–	4,628
Between one and three months	–	–
Between three months and one year	–	855
More than one year	119,970	121,191
Total	119,970	126,674

(v) Foreign currency risks

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company invests in debt security instruments that are denominated in currencies other than sterling.

Accordingly, the value of the Company's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Company will necessarily be subject to foreign exchange risks.

Notes to the financial statements

Continued

19. Financial instruments – risk profile continued

Based on the financial assets and liabilities at 31 December 2022 and all other things being equal, if sterling had weakened against the local currencies by 10%, the impact on the Company's net assets at 31 December 2022 would have been as follows:

	31 December 2022 £'000	31 December 2021 £'000
Euro	230	167
US dollar	–	–
Total	230	167

Foreign currency risk profile

	31 December 2022			31 December 2021		
	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000
Euro	2,087	214	2,301	1,410	262	1,672
US dollar	–	7	7	–	4	4
Total	2,087	221	2,308	1,410	266	1,676

Management of currency risks

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

Fair values of financial assets and liabilities

All financial assets and liabilities of the Company are included in the statement of financial position at fair value or a reasonable approximation of fair value with no material difference in the carrying amount.

Capital management

The Company considers its capital to consist of its share capital of Ordinary Shares of 1 pence each, its distributable reserves, which comprise Revenue reserve, Capital reserve and the Special reserve. In accordance with accounting standards, the Company's Ordinary Shares are considered to be equity.

The Company has a stated discount control policy. The Investment Manager and the Company's brokers monitor the demand for the Company's shares and the Directors review the position at Board meetings. Further details on share issues during the year and the Company's policies for issuing further shares and buying back shares (including the Company's discount management) can be found in the Directors' Report on pages 29 and 30.

During the year the Company bought back 204,629 shares (2021: 523,294) which are held in treasury and bought back a further 50,000 shares following the year end.

The Company's policy on borrowing is detailed in the Directors' Report on page 17.

The details of the Company's OakNorth facilities are discussed in note 12

20. Post balance sheet events

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

Other information

Alternative Performance Measures ("APMs")

APMs are often used to describe the performance of investment companies although they are not specifically defined under IFRS. APM calculations for the Company are shown below.

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

		Page	31 December 2022 £'000	31 December 2021 £'000
Bank Loan – Credit facility		55	17,271	19,571
Total borrowings			17,271	19,571
Cash and cash equivalents		55	2,993	3,310
Total borrowings less cash and cash equivalents	a	55	14,278	16,261
Net assets	b	55	108,805	111,250
Gearing(net)	(a÷b)*100		13.1%	14.6%

Gross asset

The Company's gross assets comprise the net asset values of the Company's Ordinary Shares, and the Bank loan breakdown as follows:

As at 31 December 2022		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	55	108,805	92.49
Bank Loan – Credit facility	c	55	17,271	–
Gross asset value	a+b+c		126,076	n/a

As at 31 December 2021		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	55	111,250	94.41
Bank Loan – Credit facility	c	55	19,571	–
Gross asset value	a+b+c		130,821	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.

Year ended 31 December 2022

		Page	
Average NAV (£'000)	a	n/a	111,126
Annualised recurring expenses	b	n/a	2,067
	b÷a		1.86%

Year ended 31 December 2021

		Page	£'000
Average NAV (£'000)	a	n/a	112,891
Annualised recurring expenses*	b	n/a	2,165
	b÷a		1.92%

** Consists of investment management fees of £971,000 (2021: £1,012,000) and other recurring expenses of £1,096,000 (2021: £1,153,000) Prospectus issue and capital transactions are not considered to be recurring costs and therefore have not been included.*

(Discount)/premium

The amount, expressed as a percentage, by which the share price is (less)/more than the NAV per share.

As at 31 December 2022

		Page	
NAV per Ordinary Share (p)	a	2	92.49
Share price (p)	b	2	85.00
Discount	(b/a)-1		(8.1%)

As at 31 December 2021

		Page	
NAV per Ordinary Share (p)	a	2	94.41
Share price (p)	b	2	95.00
Premium	(b/a)-1		0.6%

Alternative Performance Measures ("APMs")

Continued

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 31 December 2022

		Page	NAV	Share Price
Opening at 1 January 2021 (p)	a	n/a	94.41	95.00
Closing at 31 December 2021 (p)	b	2	92.49	85.00
Dividend payment	c	n/a	1.0715	1.1588
Adjusted closing (d = b x c)	d	n/a	99.1	98.5
Total return	(d/a)-1		5.0%	3.7%

As at 31 December 2021

		Page	NAV	Share Price
Opening at 1 January 2021 (p)	a	n/a	93.26	87.00
Closing at 31 December 2021 (p)	b	2	94.41	95.00
Dividend adjustment factor	c	n/a	1.0631	1.0687
Adjusted closing (d = b x c)	d	n/a	100.37	101.53
Total return	(d/a)-1		7.6%	16.7%

Glossary

Admission	Admission of the Ordinary Shares to the premium listing segment of the Official List of the UKLA and admission of the Shares to trading on the main market for listed securities of the London Stock Exchange.
AIC	Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which Shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the Company in which they are invested.
CTA 2010	Corporation Tax Act 2010.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Leverage	An alternative word for "Gearing". Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which investments can be sold at short notice.

Glossary

Continued

Loans or Secured Debt Instruments	Secured debt instruments of UK SMEs and mid-market corporates and/or individuals including any loan, promissory notes, lease, bond, or preference share such debt instruments.
Net assets	An investment company's assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ordinary Shares	The Company's Ordinary Shares of 1 pence each in the capital of the Company.
Portfolio	A collection of different investments held in order to deliver returns to Shareholders and to spread risk.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.
ZDP Share	Zero dividend preference Share.

Directors, Investment Manager and Advisers

Directors
Norman Crighton (Non-executive Chair)
Guy Heald
Marlene Wood

Investment Manager
RM Capital Markets Limited
4th Floor
7 Castle Street
Edinburgh
EH2 3AH

Joint broker
Singer Capital Markets Advisory LLP
1 Bartholomew Lane
London
EC2N 2AX

Joint broker
Peel Hunt LLP
100 Liverpool Street
London
EC2M 2AT

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

Registered office*
6th Floor
125 London Wall
London
EC2Y 5AS

* Registered in England and Wales No. 10449530

Custodian
US Bank Global Corporate Trust Services
125 Old Broad Street
London
EC2N 1AR

Administrator and Company Secretary
Apex Listed Companies Services (UK) Limited
6th Floor
125 London Wall
London
EC2Y 5AS

AIFM
FundRock Management Company (Guernsey) Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4NA

Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registrar
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

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

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should immediately consult your independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in RM Infrastructure Income plc, please hand this document and the accompanying form of proxy or form of instruction to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting ("AGM") of RM Infrastructure Income plc (the "Company") will be held at 6th Floor, 125 London Wall, London EC2Y 5AS on 30 May 2023 at 12.00 p.m. for the following purposes.

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

Ordinary resolutions

1. To receive the Company's Annual Report and Accounts for the year ended 31 December 2022, with the reports of the Directors and auditors thereon.

2. To approve the Directors' Remuneration Report included in the Annual Report for the year ended 31 December 2022.

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

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

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

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

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

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

9. **Authority to allot relevant securities**
That, without prejudice to any subsisting authorities to the extent unused, the Directors be and are generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot, or grant rights to subscribe for or to convert any security into Ordinary Shares of one pence each in the capital of the Company ("Ordinary Shares") up to an aggregate nominal amount equal to £117,586 (or such other amount as shall be equivalent to 10% of the issued Ordinary Share capital of the Company (excluding shares held in Treasury) at the date of this resolution and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2024, or, if earlier, on the expiry of 15 months from the passing of this resolution but so that the Directors may, at any time prior to the expiry of such power, make an offer or agreement which would or might require Ordinary Shares to be allotted after the expiry of such power and the Directors may allot Ordinary Shares in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

Special resolutions

10. **Disapplication of pre-emption rights**
That, subject to the passing of resolution 9 above, and without prejudice to any subsisting authorities to the extent unused, the Directors be and are empowered, pursuant to section 570 and 573 of that Act, to allot and make offers or agreements to allot Ordinary Shares and/or sell Ordinary Shares held as treasury shares pursuant to the authority referred to in resolution 9 above as if section 561 of the Act did not apply to any such allotment in each case for cash up to an aggregate nominal amount of £117,586 (or such other amount as shall be equivalent to 10% of the issued Ordinary Share capital of the Company (excluding shares held in Treasury) at the date of this resolution) and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2024 or, if earlier, on the expiry of 15 months from the passing of this resolution but so that the Directors may, at any time prior to the expiry of such power, make an offer or agreement which would or might require Ordinary Shares to be allotted after the expiry of such power and the Directors may allot Ordinary Shares in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

11. Authority to make market purchases

That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 17,626,195 (representing 14.99 per cent. of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

(b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1 pence;

(c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5 per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2024 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

12. Notice of General Meeting

That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board

Ciara McKillop
For and on behalf of Apex Listed Companies Services (UK) Limited
Company Secretary

Registered Office: 6th Floor, 125 London Wall, Barbican, London EC2Y 5AS

25 April 2023

Notes to Notice of Annual General Meeting

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from https://rm-funds.co.uk/rm-infrastructure-income/

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at close of business on 25 May 2023 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting.

   Should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Investment Manager, the Board would ask that they ask the question in advance of the AGM by sending it by email to info@rm-capital.co.uk. Answers to all questions will be published on the Company's website after the AGM.

   In the case of joint holders of a voting right, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

Appointment of Proxies

3. Pursuant to Section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

   If Shareholders are not attending the AGM, Shareholders are strongly urged to appoint the Chairman as their proxy to vote on their behalf.

   Section 324 does not apply to persons nominated to receive information rights pursuant to Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 have been sent this Notice of Annual General Meeting and are hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

   Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements. The statement of rights of Shareholders in relation to the appointment of proxies does not apply to nominated persons.

   Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the meeting should they wish to do so.

Proxies' rights to vote

4. On a vote on a show of hands, each proxy has one vote.

   If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

   On a poll, all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, Section 285(4) of the Companies Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

Voting on all Resolutions will be conducted by way of a poll

5. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him/her. As above, Shareholders are strongly urged to appoint the Chair as their proxy to vote on their behalf. As soon as practicable following the meeting, the results of the voting will be announced via a regulatory information service and also placed on the Company's website.

Voting by corporate representatives

6. Any corporation which is a member may appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is, therefore, no longer necessary to nominate a designated corporate representative. Representatives should bring to the AGM evidence of their appointment, including any authority under which it is signed.

Receipt and termination of proxies

7. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Link Group by 12.00 p.m. on 25 May 2023 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Link Group no later than 48 hours before the rescheduled meeting. We strongly urge you to appoint the Chair of the meeting as your proxy.

   On completing the Form of Proxy, sign it and return it to Link Group at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required. A member may terminate a proxy's authority at any time before the commencement of the AGM.

   Termination must be provided in writing and submitted to the Company's Registrar. In accordance with the Company's Articles of Association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

   Alternatively, you may appoint a proxy or proxies electronically by visiting https://www.signalshares.com/. You will need to register using your investor code and follow the instructions on how to vote. Proxies submitted via www.signalshares.com for the AGM must be transmitted so as to be received by the Company's Registrar, Link Group, no later than 48 hours before the time appointed for the meeting (excluding weekends and public holidays) or any adjournment of the meeting. Proxies received after that date will not be valid.

   If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12 p.m. on 25 May 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointment of Proxy through CREST

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 12 p.m. on 25 May 2023 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Group no later than 48 hours before the rescheduled meeting.

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

   > You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.

   > If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

   > Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not he Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

   If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the Meeting

10. Any member attending the meeting has the right to ask questions. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

    > answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    > the answer has already been given on a website in the form of an answer to a question; or

    > it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    As explained in the Notice of Meeting, Shareholders are strongly advised to submit their votes by proxy and appoint the Chair of the meeting as their proxy. Should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Investment Manager, the Board would ask that they ask the question in advance of the AGM by sending it by email to info@rm-capital.co.uk. Answers to all questions will be published on the Company's website after the AGM. Please note all questions should be submitted by close of business on 25 May 2023.

Notes to Notice of Annual General Meeting

Continued

Members' requests under Section 527 of the Companies Act 2006

11. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM for the financial year ended 31 December 2022; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year ended 31 December 2022 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 (requirements as to website availability) of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

Members' rights under Sections 338 and 338A of the Companies Act 2006

12. Shareholders meeting the threshold under sections 338 and 338A of the Act can instruct the Company: (i) to give shareholders (entitled to receive notice of the AGM) notice of a resolution which may properly be proposed and is intended to be proposed at the AGM; and/or (ii) to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be proposed or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective; (b) it is defamatory of any person; or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than the date six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Issued Shares and total voting rights

13. As at the date of this Notice, the total number of shares in issue is 122,224,581 Ordinary Shares of 1p each, with 4,638,222 held in Treasury. The total number of Ordinary Shares with voting rights is 117,586,359.

Communication

14. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

> calling Link Group's Shareholder helpline (lines are open from 9:00 a.m. to 5:30 p.m. Monday to Friday, excluding public holidays) +44 371 664 0300 (calls cost 12p per minute plus network extras); or

> in writing to Link Group. You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Documents available for inspection

15. Copies of letters of appointment between the Company and the Non-executive Directors may be inspected during usual business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this Notice of Annual General Meeting until the date of the AGM and at the place of the AGM from at least 15 minutes prior to the AGM until the AGM's conclusion.

Form of Proxy

RM Infrastructure Income plc

I/We

of

(BLOCK CAPITALS PLEASE)

being (a) member(s) of RM Infrastructure Income plc appoint the Chairman of the meeting, or (see note 1)

of

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 6th Floor, 125 London Wall, London EC2Y 5AS on 30 May 2023 at 12.00 p.m. and any adjournment thereof.

Please indicate with an '✗' in the spaces provided how you wish your votes to be cast on the resolutions specified.

Item	Resolution	For	Against	Withheld	Discretionary
1.	To receive and adopt the Annual Report and Accounts for the year ended 31 December 2022.				
2.	To approve the Directors' Remuneration Report.				
3.	To re-elect Norman Crighton as a Director.				
4.	To re-elect Guy Heald as a Director.				
5.	To re-elect Marlene Wood as a Director.				
6.	To re-appoint Ernst & Young LLP as Auditors to the Company.				
7.	To authorise the Directors to determine the remuneration of the Auditor.				
8.	To authorise declaration and payment of all dividends as interim dividends.				
9.	Authority to allot relevant securities.				
10.	Authority to disapply pre-emption rights.				
11.	Authority to make market purchases.				
12.	Notice of general meeting.				

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as they may think fit.

Signature   Dated this   day of   2023

Notes

1. *If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.*
2. *If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.*
3. *A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.*
4. *The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.*
5. *To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.*
6. *To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power, must reach the registrars of the Company, Link Group not less than forty-eight hours before the time appointed for holding the AGM or adjournment as the case may be.*
7. *The completion of this form will not preclude a member from attending the Meeting and voting in person.*
8. *Any alteration of this form must be initialled. Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Link Group, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so as to arrive before 12.00 p.m. on 26 May 2023.*

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RM Infrastructure Income PLC

RMFunds™

Annual Report & Accounts
for the year ended 31 December 2022

Responsible investing

Through active stakeholder engagement combined with the integration of environmental, social and corporate governance considerations throughout the investment process.

2022