RM Infrastructure Income PLC

RMFunds™

Annual Report & Accounts
for the year ended 31 December 2023

Responsible investing

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

2023

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rm-funds.co.uk

About us

At a General Meeting held on 20 December 2023, RM Infrastructure Income plc ("RMII" or the "Company") adopted a revised Investment Objective in order to facilitate a managed wind-down of the Company.

The Company aims to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

Prior to this, the Company's investment objective was 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 13, 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 2023)

6.5p
Dividend pence per share

£104.5m
Gross assets

0.969x
Dividend cover

3.16%
NAV Total Return

Portfolio at a glance

Operational highlights

> Diversified portfolio with gross assets of £104.5m invested across 31 loans and one wholly owned asset, across 8 sectors and 14 sub-sectors.

> A low interest rate sensitivity portfolio, with an average duration of circa 1.69 years and a weighted average yield of 10.91%.

> NAV Total Return over the last twelve months of 3.16% and inception to date of 41.56%.

> As at 31 December 2023, all outstanding debt has been fully repaid with the company now completely ungeared.

Financial highlights

Financial information	Year ended 31 December 2023	Year ended 31 December 2022
Gross asset value (£'000)	**£104,516**	£126,076
Net Asset Value ("NAV") (£'000)	**£104,516**	£108,805
NAV per Ordinary Share (pence)	**88.88p**	92.49p
Ordinary Share price (pence)	**74.25p**	85.00p
Ordinary Share price discount to NAV[1]	**(16.46%)**	(8.1%)
Ongoing charges[1]	**1.84%**	1.86%
Gearing (net)[1]	**nil**	13.1%
Performance summary	**% change[2,4]**	% change[3,4]
Total return – Ordinary Share NAV and dividends[1]	**+3.16%**	+5.0%
Total return – Ordinary Share price and dividends[1]	**-4.63%**	+3.7%

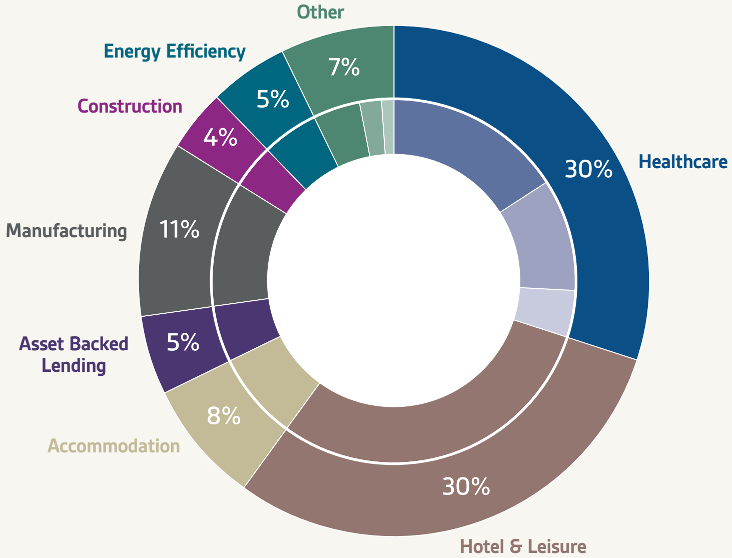
1. These are Alternative Performance Measures ("APMs").
2. Total returns for the year to 31 December 2023, including dividend reinvestment.
3. Total returns for the year to 31 December 2022, including dividend reinvestment.
4. Source: Bloomberg.

As at 19 April 2024, the latest date prior to the publication of this document, the Ordinary Share price was 77p per share and the latest published NAV was 89.18p per share as at 31 March 2024.

Alternative Performance Measures ("APMs")
The financial information and performance summary data highlighted in the footnote to the above table is considered to represent APMs of the Company. Definitions of these APMs together with how these measures have been calculated can be found on pages 74 to 76.

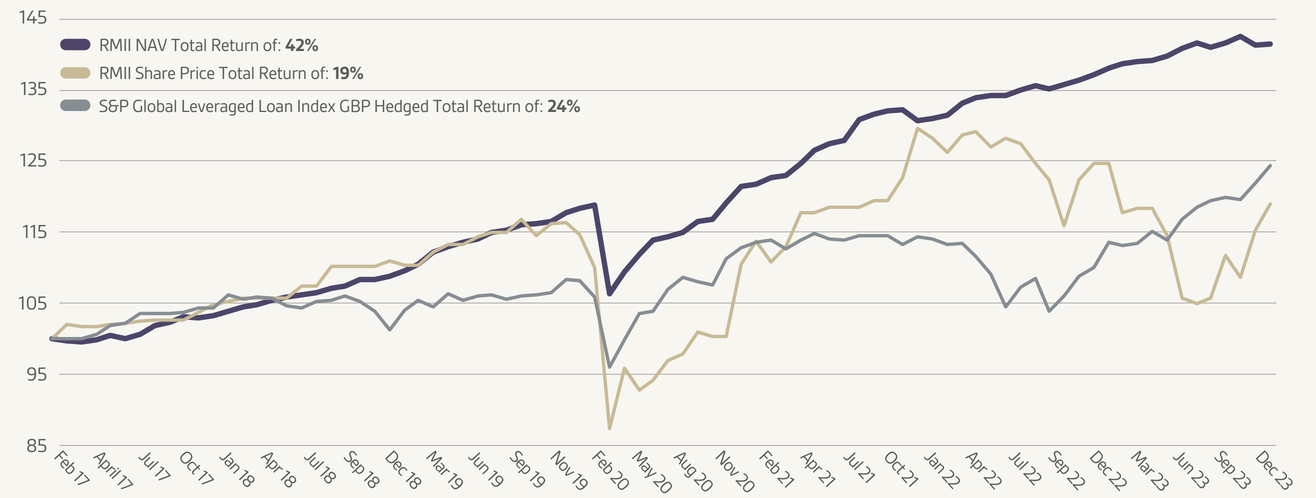
Sector breakdown (as at 31 December 2023)

Healthcare	Care home: **16%** Health and well-being: **10%** Specialist care: **4%**
Hotel & Leisure	Hotel: **30%**
Accommodation	Student accommodation: **8%**
Asset Backed Lending	Asset Backed Lending: **5%**
Manufacturing	Auto parts manufacturer: **11%**
Construction	Construction: **4%**
Energy efficiency	Energy efficiency: **5%**
Other	Childcare & Education: **4%** Transport Assest – Ports business: **2%** Commercial Property – Restaurant: **1%**

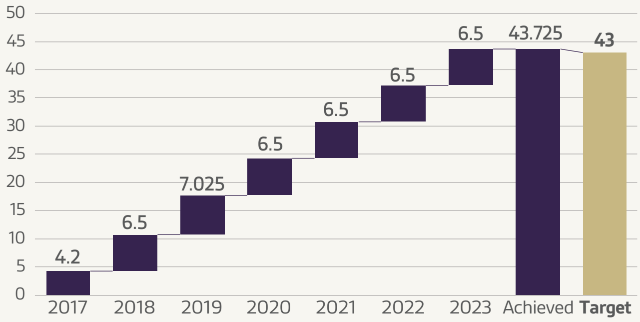


Fund performance since inception

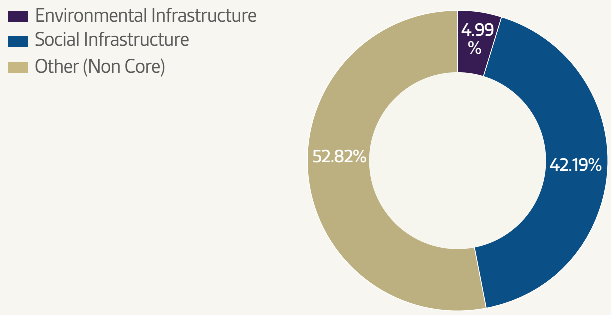
% Total returns to date



Distribution record (pence per share)



Investment portfolio since inception



Portfolio at a glance
continued

Portfolio (as at 31 December 2023)

Largest 10 loans by drawn amounts across the entire portfolio

Business activity	Investment type (Private/Public/Bond)	Valuation† £'000	Percentage of gross asset (%)
Healthcare	Private Loans	12,994	12.40
Manufacturing	Private Loans	9,980	9.50
Healthcare	Private Loans	8,799	8.40
Hotel & Leisure	Private Loans	8,115	7.80
Hotel & Leisure	Private Loans	5,287	5.10
Asset Backed Lending	Private Loans	4,707	4.50
Accommodation	Private Loans	4,434	4.20
Hotel & Leisure	Private Loans	4,178	4.00
Hotel & Leisure	Private Loans	3,691	3.50
Healthcare	Private Loans	3,654	3.50
Ten largest holdings		**65,839**	**62.90**
Other private loan investments		25,127	24.10
Wholly owned asset		2,966	2.80
Total holdings		**93,932**	**89.80**
Other net current assets		10,584	10.20
Gross assets*		**104,516**	**100.00**

* *The Company's gross assets comprise the net asset values of the Company's Ordinary Shares and the Bank loan, which had been repaid at the year end, calculation can be found on page 74.*
† *Valuation of private loans conducted by external Valuation Agent.*

31
Number of loans

10.91%
Average yield

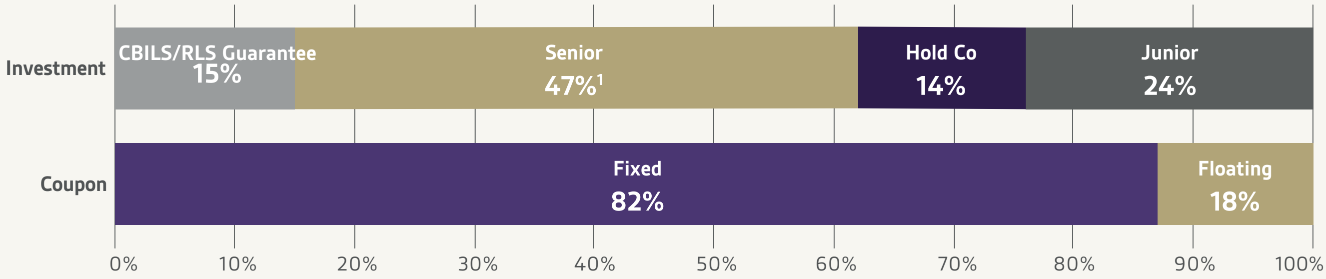
Full portfolio (as at 31 December 2023)

Loan ref#	Borrower name	Deal type	Sector	Business description	Nominal (£)	Market value (£)	Valuer	Payment
88	Private Loan – SPV	Bilateral Loan	Healthcare	Care home	12,871,346	12,994,338	V Agent	Cash
39	Beinbauer	Syndicated Loan	Manufacturing	Auto Parts Manufacturer	10,022,097	9,980,275	V Agent	PIK/Cash
76	Gym Franchise	Bilateral Loan	Healthcare	Health and Well-being	8,553,696	8,798,765	V Agent	Cash
66	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	8,504,440	8,115,336	V Agent	Cash
67	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	5,540,560	5,287,063	V Agent	Cash
15	Voyage Care	Bond	Healthcare	Specialist Care	5,000,000	3,654,167	External	Cash
80	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	5,000,000	3,690,514	V Agent	Cash
60	Private Loan – SPV	Bilateral Loan	Asset Backed Lending	Asset Backed Lending	4,693,916	4,707,150	V Agent	Cash
79	Private Loan – SPV	Bilateral Loan	Construction	Construction	4,500,000	3,321,462	V Agent	Cash
12	Private Loan – SPV	Bilateral Loan	Accommodation	Student accommodation	4,430,000	4,434,438	V Agent	Cash
73	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	4,000,000	4,178,126	V Agent	Cash
68	Equity	Equity	Accommodation	Student accommodation	3,600,000	2,966,261	V Agent	N/A
62	Trent Capital	Bilateral Loan	Energy Efficiency	Energy Efficiency	3,259,437	3,026,936	V Agent	PIK
58	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	3,107,657	2,697,306	V Agent	PIK
99	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	2,881,472	2,907,875	V Agent	Cash
92	Private Loan – SPV	Bilateral Loan	Hotel & Leisure	Hotel	2,458,629	1,814,721	V Agent	Cash
95a	Private Loan – SPV	Bilateral Loan	Childcare & Education	Childcare	2,349,061	2,132,123	V Agent	Cash
71	Euroports	Syndicated Loan	Transport Assets	Ports business	1,733,853	1,681,838	External	Cash
96	Private Loan – SPV	Bilateral Loan	Energy Efficiency	Energy Efficiency	1,539,700	1,601,159	V Agent	Cash
97a	Private Loan – SPV	Bilateral Loan	Healthcare	Care home	1,258,536	1,286,099	V Agent	Cash
74	Private Loan – SPV	Bilateral Loan	Accommodation	Student accommodation	930,000	0	V Agent	Cash
87	Private Loan – SPV	Bilateral Loan	Commercial Property	Restaurant	782,623	796,761	V Agent	Cash
76.1	Gym Franchise	Bilateral Loan	Healthcare	Health and Well-being	747,017	765,684	V Agent	PIK
98	Private Loan – SPV	Bilateral Loan	Childcare & Education	Childcare	742,500	791,403	V Agent	Cash
63	Trent Capital (Fusion) RF	Bilateral Loan	Energy Efficiency	Energy Efficiency	612,844	0	V Agent	PIK
97b	Private Loan – SPV	Bilateral Loan	Healthcare	Care home	566,036	568,330	V Agent	Cash
81	Private Loan – SPV	Bilateral Loan	Finance	Wealth Management	500,000	501,839	V Agent	Cash
95b	Private Loan – SPV	Bilateral Loan	Childcare & Education	Childcare	468,212	444,630	V Agent	Cash
91	Private Loan – SPV	Bilateral Loan	Childcare & Education	School	450,000	448,467	V Agent	Cash
94a	Gym Franchise	Bilateral Loan	Healthcare	Health and Well-being	228,170	239,265	V Agent	Cash
52	Private Loan – SPV	Bilateral Loan	Clean Energy	Renewable heat incentive	13,496	13,665	V Agent	Cash
				Total	**101,345,298**	**93,931,896**		

Portfolio at a glance

continued

Portfolio statistics[1] (as at 31 December 2023)

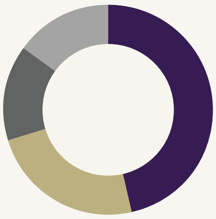


Portfolio analysis (as at 31 December 2023)

Portfolio focused on relatively short dated high yielding fixed rate loans with 100% of the portfolio loan tenor sub 5 years.

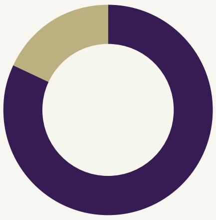
Investments ranking[1]

- Senior: **47%**
- Junior: **24%**
- Hold Co: **14%**
- CBILS / RLS Loans: **15%**



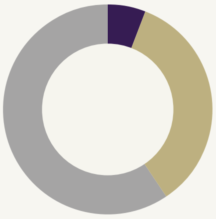
Coupon type

- Fixed: **82%**
- Floating: **18%**
- Index-linked: **0%**



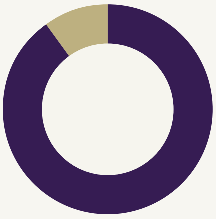
Annualised yield

- < 7.5% yield: **6%**
- 7.5-9.5% yield: **35%**
- > 9.5% yield: **59%**



Maturity profile

- 0-3 years: **90%**
- 3-5 years: **10%**
- > 5 years: **0%**



1. Including wholly owned asset

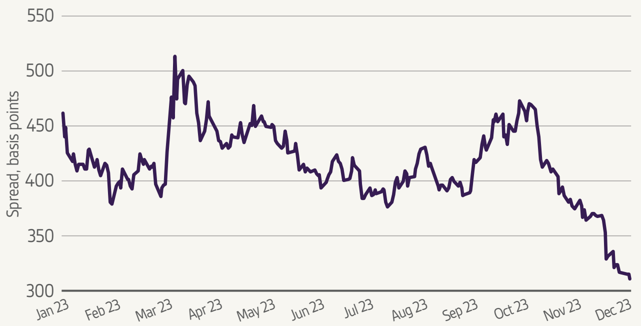
Market

Market environment

For interest rate products, the market was very weak for the first half of the year with UK government bond yields rising from January 2023 and peaking during late June 2023, with 5-year UK yields touching circa 4.9%. The remaining three months of the year saw a sustained rally with 5-year UK yields closing at circa 3.5%. Credit spreads were strong during the reporting period with the Markit iTraxx Crossover Index opening at circa 400 and closing at circa 310 – although the journey was not linear as spreads widened to circa 500 in March 2023, before tightening over the summer to then widen into the autumn before a strong year end saw spreads tighten from 460 in October to close the year at 310.

Overall, whilst the market environment for credit was relatively benign, the high level of the Sterling Overnight Average "SONIA" is providing tighter financial conditions. Borrowers who are seeking a refinance are seeing SONIA levels above 5% currently, which will affect their ability to refinance. In the US markets in particular, we are starting to see this affecting Commercial Real Estate "CRE" and we expect this to continue whilst front end interest rates remain elevated.

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 460bps and softened throughout the year, tightening down to 310bps end of December 2023.

Company objectives

Although the Company has demonstrated strong NAV total return performance over the longer term the discount to NAV per Share at which the Shares trade has been both wide and persistent despite measures taken by the Board to seek to address this through the use of buybacks and the provision of a periodic realisation opportunity. This, coupled with the small scale of the Company and the low levels of liquidity in the Company's shares has restricted the Company's ability to grow.

As set out in the Company's announcement on 23 May 2023, in April 2023 the Board received a non-binding indicative proposal which involved a combination of all the Company's assets with another investment company managed by Gravis Capital Partners (as disclosed on 11 August 2023). The combination was proposed to be structured under section 110 of the Insolvency Act 1986 with no option, partial or otherwise, for you as a shareholder to elect to receive cash.

The proposal was considered alongside a wide array of potential options under a broader review of the Company's future strategy: a potential continuation of the Company's existing investment policy and strategy, a full or partial exit opportunity, a combination of the Company's assets with another suitable investment company or fund and a managed wind-down. The Board consulted with Shareholders on these options and concluded that a partial exit opportunity would only exacerbate the challenges the Company faces, as it would further reduce the size of the Company.

Following the receipt of the first proposal, the Board received two additional business combination proposals, as described in the Company's announcement on 10 July 2023.

Having considered the various proposals in detail, the Board concluded that no better option existed which was likely to receive the required Shareholder consent, and on 6 September 2023, the Board announced its decision to put forward a proposal for a managed wind-down of the Company. Consequently, on 20 December 2023, the Company revised its objective to implement a managed wind-down of the company. Its revised objective is as follows:

Revised objective

> **The Company aims to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.**

The managed wind-down process is monitored closely by the Board further details can be found in the Directors' report on page 24. The Investment Manager keeps the Board updated on latest developments as the managed wind-down process progresses which is also discussed at each of the Company's quarterly Board meetings.

Chair's statement

This year marks the seventh year since the Company's Initial Public Offering ("IPO") on the London Stock Exchange in December 2016 and was significant as the Board of Directors proposed that there would be implemented a managed wind down of the Company which was unanimously approved by Shareholders at a General Meeting convened on 20 December 2023.

41.56%

Inception to 31 December 2023 / NAV Total return

43.725p

Total dividend declared or paid / inception to 31 December 2023

88.88p

NAV as at 31 December 2023

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 2023.

This year marks the seventh year since the Company's Initial Public Offering ("IPO") on the London Stock Exchange in December 2016 and was significant as the Board of Directors proposed the implementation of a managed wind down of the Company which was unanimously approved by Shareholders at a General Meeting convened on 20 December 2023.

Our focus now moves to the realisation of the Company's assets and return of capital to Shareholders.

Income generation and NAV performance

In the seven years since listing, the Company has returned to Shareholders 43.73 pence per Ordinary Share in dividends.

On the 29 February 2024 the Company declared a fourth interim dividend for the year of 1.625 pence per Ordinary Share which was paid on the 2 April 2024, thus total dividends of 6.5 pence per Ordinary Share were declared or paid for the year ended 31 December 2023.

At 31 December 2023 the audited NAV per share was 88.88 pence per Ordinary Share (31 December 2022: 92.50 pence). The NAV percentage per Ordinary Share Total Return for the year was 3.16% (2022: 4.98%) and annualised over 2022 and 2023 gives a 4.15% per annum NAV Total Return. Since inception the NAV percentage Total Return on an annualised basis has been 5.15%.

Chair's statement

continued

Returns to Shareholders

In common with most of the investment trust sector, discounts to net asset values increased sharply over the year. The closing mid-market share price on 31 December 2023 was 74.25 pence per Ordinary Share compared with 85 pence per Ordinary Share and as of 31 December 2022. The 10.75 pence per Ordinary Share decrease, combined with dividends, means the total percentage share price return for the year was -4.63% (2022: -3.75% and since IPO to date 18.97%).

Portfolio overview

The loan portfolio reduced in size as borrowers repaid and no new loans were made during the latter half of the year, instead capital was used to repay borrowing facilities so that at year end these were undrawn. The portfolio size closed at £94m (2022: £126m) of invested capital across 31 loans (38 loans 2022).

The year was much quieter than previous years in terms of investment activity with one new loan made during the year to a children's nursery and one refinance of an existing transaction. There were several smaller drawdowns to existing facilities.

The Investment Manager is now targeting a reduction of the portfolio and an expedient return of capital to Shareholders. No new loans will be made save for the funding of committed facilities and any follow-on funding required to protect value for RMII 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.

Outlook

The Investment Manager is targeting a significant return of capital to shareholders during 2024 and 2025 and is aiming to return a majority of shareholder capital by year end 2025.

The Investment Manager believes the key risks to this repayment schedule relate to several factors linked to either recovery or the ability to refinance for the larger borrowers:

1. The speed and amounts of recovery of the loans secured on the Clyde Street asset which went into administration in December 2023.
2. The ability of the borrower to refinance loans 66 & 67 secured over a portfolio of hotels. To maximise recovery these two loans will likely require to be extended.
3. The ability of the borrower of loan 88, secured over a modern, purpose built operating aged care asset, to secure a refinancing during 2024.
4. The ability of the gym franchise to be able to achieve a refinance or sale during 2025.

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

Norman Crighton
Chair

22 April 2024

Investment Manager's report

Strong and sustainable NAV & income performance

Over the course of the year, the portfolio generated a NAV Total Return of 3.16%, with total dividend distributions attributable to Shareholders for the year totalling 6.5 pence per Ordinary Share. Overall, the NAV per Ordinary Share decreased by 3.61 pence per Ordinary Share, from 92.50 pence per Ordinary Share at 31 December 2022 to 88.88 pence per Ordinary Share at 31 December 2023.

For the year ended 31 December 2023

Net interest income	+6.30p
Change in portfolio valuations	-1.94p
Payment of 2023 Dividends	-6.50p
Forecasted Liquidation Expenses	-1.47p
Net NAV Movement	**-3.61p**

Following the year end, an interim dividend in respect of the period from 1 October 2023 to 31 December 2023 was declared on 29 February 2024 and paid to Shareholders on 2 April 2024. These dividends totalling 6.5 pence per Ordinary Share for the year ending 31 December 2023 bring the total distributions since the Company's launch in December 2016 to 42.10 pence per Ordinary Share, exceeding the target set at IPO.

Share price performance

Negative share price performance combined with the widening of the share price discount to NAV from -8.10% at 31 December 2022 to -16.46% at 31 December 2023 meant that there was a negative share price total return of -4.63%. Since IPO the total percentage share return achieved is 18.97% which, if annualised, since inception brings it to 2.54% per annum.

Market environment

For interest rate products, the market was very weak for the first half of the year with UK government bond yields rising from January 2023 and peaking during late June 2023, with 5-year UK yields touching circa 4.9%. The remaining six months of the year saw a sustained rally with 5-year UK yields closing at circa 3.5%. Credit spreads were strong during the reporting period with the Markit ITraxx Crossover Index opening at circa 400 and closing at circa 310, although the journey was not linear as spreads widened to circa 500 in March 2023, before tightening over the summer to then widen into the autumn before a strong year end saw spreads tighten from 460 in October to close the year at 310.

Overall, whilst the market environment for credit was relatively benign, the high level of the Sterling Overnight Average ("SONIA") is providing tighter financial conditions. Borrowers who are seeking a refinance are seeing SONIA levels above 5% currently, which will affect their ability to refinance. In the US markets in particular, we are starting to see this affecting Commercial Real Estate ("CRE") and we expect this to continue whilst front end interest rates remain elevated.

Financial performance

All debt facilities held with OakNorth Bank were repaid during the year.

Total income generation for the year was £10.9m (2022: £10.8m) and this was split between cash interest £10.6m and £0.3m of Payment In Kind ("PIK"), (2022: £8.0m and £2.8m).

Total operating costs were £5.0m (2022: £3.3m).

Revolving Credit Facility ("RCF") and other finance charges were £1.0m (2022: £1.1m).

For the year ended 31 December 2023

Income	£10,875,596
Total expenses	(£1,521,054)
Finance costs	(£1,003,658)
Total	**£8,350,884**
Dividends	(£7,643,116)
Profit after interest cost and before tax	**£707,768**

There were four dividends paid or declared in respect of the year ending 31 December 2023 totalling 6.5 pence per Ordinary Share.

Period	Payment date	Dividend proceeds
Q1 2023	30 June 2023	£1,910,779
Q2 2023	29 September 2023	£1,910,779
Q3 2023	29 December 2023	£1,910,779
Q4 2023	2 April 2024	£1,910,779

Portfolio performance

As of 31 December 2023, the number of loans in the portfolio reduced over the reporting period as there were several repayments over the year. The number of loans fell to 31 from 38 and the invested capital reduced materially to £94m (2022: £126m).

The overall yield on the portfolio increased over the reporting period by 176bps to 10.91%, from 9.15%.

Only one new investment loan was funded (Loan reference 98), secured on a children's nursery. There was a further transaction (Loan reference 99) which refinanced an existing RMII mezzanine loan secured against a hotel (Loan reference 69). This transaction was structured to reduce the overall leverage within the transaction as the borrower injected cash equity and RMII moved from the junior position to the senior position by providing additional funding that refinanced the senior lender.

Investment Manager's report

continued

There were 18 drawdowns against existing facilities which totalled £1.6m. As of 31 December 2023, the remaining commitments to fund totalled approximately £6m.

There were 15 borrowers that repaid over the period which totalled £33.1m, the significant repayments were:

> Asset Finance, Ref #60: £3.5m
> Asset Finance, Ref #61 £4.5m
> Healthcare, Ref #82: £5m
> Accommodation, Ref #84: £4m
> Healthcare, Ref #83: £2.8m
> Hotel & Leisure, Ref 86: £5m

The portfolio is now going into a realisation phase with no new loans being originated and cash being returned to Shareholders as loans repay. Further loans could be made to existing borrowers to preserve the value of an existing loan and loan maturities can be extended if that is deemed in the best interests of the Company. The initial repayments were used to pay down the leverage facilities of the Company and to retain some liquidity to fund committed but undrawn facilities.

The Company has been pursuing a legal claim against the former main contractor of investment loan reference 68, a wholly owned 79 beds student accommodation located in the city centre of Coventry, UK, since September 2022 via an adjudication process. This claim related to the provision of cladding and other areas of the construction the main contractor took responsibility for. Post Period end, on the 2nd of January 2024, RMII was successfully awarded circa £1.2m by the adjudicator.

The enhanced monitoring watchlist had four assets as of 30 June 2023. Three of these groups of loans were off the enhanced monitoring at year end as described below:

> Loan reference 84 to a purpose-built student accommodation developer was successfully refinanced.
> Loan reference 89 to 5 operational purpose-built student accommodation assets claimed against its CBILS guarantee, successfully recovering the mark.
> Loan references 82, 83 and 88 to purpose built aged care assets were taken off the watchlist as accrued and outstanding balances were paid. Loan references 82 & 83 were subsequently repaid.
> Loan references 58,79,80 & 92 secured on the hotel development and contractor in Glasgow. In December the senior lender appointed an administrator, so these loans are now in workout and remain on the watchlist. The investment manager believes these loans are appropriately marked.

As at 31 December 2023 the enhanced monitoring list was:

> Loan references 58,79,80 & 92 secured on the hotel development and contractor in Glasgow as described above.
> Loan references 66 and 67 secured on two portfolios of 5 operational hotels. Whilst these loans have paid their interest in cash on time since inception in 2019, it is doubtful that the borrower will be able to achieve a successful refinancing ahead of their maturity in April 2024. RM are liaising with the senior lender and borrower about an appropriate solution that protects value for RMII and it is likely this will be some form of amendment and extension of the existing loan facility.

Construction exposure within the portfolio has been closely monitored. During the period three loans (Loan references 82, 83 & 88) which were facilities for the provision of construction funding for new purpose-built aged care homes saw the assets exit the construction phase and enter their operational phase. Loans 82 & 83 were refinanced, and loan 88 saw its maturity extended by 12 months, to April 2025.

The portfolio has exposure to two other construction loans (Loan references 97a & 97b) which is to a separate borrower and relate to the final construction allocations within the portfolio. These Loans have a combined drawn balance of circa £2.2m at the period end with a combined committed balance of circa £6.3m. This is expected to be fully utilised during 2024.

Outlook for 2024

The Investment Manager is focused on realising the portfolio and returning capital to investors as quickly as possible. It is currently expected that material progress will be made during 2024.

Key risks to the realisation of the portfolio are the ability of existing borrowers to be able to refinance RMII loans. Our expectation is that Bank of England rates and the SONIA will come down during 2024 which will be helpful for borrowers in facilitating their refinancing processes. Set against this, we see the tighter financial conditions of the last year affecting credit markets and in particular CRE loans during 2024 in a negative way which could restrict the availability and willingness of other lenders to make property backed loans.

RM Capital Markets Limited

22 April 2024

Investment policy, results and other information

Revised Investment Objective and Investment Policy

At a General Meeting held on 20 December 2023 the following new investment objective and investment policy were adopted:

Revised Investment Objective

The Company aims to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

Revised Investment Policy

The assets of the Company will be realised in an orderly manner, returning cash to Shareholders at such times and in such manner as the Board may, in its absolute discretion, determine. The Board will endeavour to realise all of the Company's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders.

The Company may not make any new investments save for:

a) further secured debt instruments of UK SMEs and mid-market corporates and/or individuals including any loan, promissory note, lease, bond, or preference share ("Loans"), such debt instruments being to an existing borrower which is expected to preserve the value of an existing Loan; or

b) extending the maturity or repayment date or any interest payment date if that is in the best interests of the Company.

The Company will continue to comply with all the investment restrictions imposed by the Listing Rules in order to maintain the Company's admission to the Official List under Chapter 15 of the Listing Rules.

In the event of a breach of the investment guidelines and restrictions, 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 in order to qualify as an investment trust for the purposes of section 1158 of the CTA 2010, and its investment activities will therefore be subject to the restrictions set out above.

Borrowing and gearing

The Company may utilise borrowings for short term liquidity purposes. The Company may also, from time to time, use borrowing for investment purposes on a short term basis where it expects to repay those borrowings from realisation of investments. Gearing represented by borrowings will not exceed 20 per cent. 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.

In accordance with the requirements of the FCA, 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.

Dividend Policy

Since the commencement of the managed wind-down process, the Company expects not to be able to keep paying dividends at the rate of 6.5 pence per share per annum as was previously the case. The Company will instead pay dividends only as required to maintain investment trust status. As the Company's portfolio reduces in size its fixed costs will become a greater proportion of its income.

The Company intends to maintain its investment trust status and listing during this managed realisation process prior to the Company's eventual liquidation. Maintaining the listing would allow Shareholders to continue to trade Shares during the managed wind-down of the Company.

Results and dividend

The Company's revenue return after tax for the year ended 31 December 2023 amounted to £7,407,000 (2022: £7,462,000). The Company made a capital loss after tax of £4,008,000 (2022: capital loss after tax of £2,072,000). Therefore, the total return after tax for the Company was £3,399,000 (2022: £5,390,000).

The first interim dividend of 1.625p per Ordinary Share was declared on 23 May 2023 in respect of the period from 1 January to 31 March 2023. The second interim dividend of 1.625p per Ordinary Share for the quarter ended 30 June 2023 was declared on 14 August 2023 and the third interim dividend of 1.625p per Ordinary Share for the quarter ended 30 September 2023 was declared on 31 October 2023. On 29 February 2024, the Board declared a fourth interim dividend of 1.625 pence per Ordinary Share for the quarter to 31 December 2023.

Investment policy, results and other information *continued*

Key performance indicators ("KPIs")

During the year under review, the Board measured the Company's success in attaining its investment objective that was in place for the year by reference to the following KPIs:

(i) Dividends

A fourth interim dividend for the quarter ending 31 December 2023 of 1.625p per share was paid to Shareholders on the 2 April 2024 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 3.16% (2022: +4.98%) in the year ended 31 December 2023.

(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 16.46% discount (2022: 8.1% discount) to the NAV as at 31 December 2023. To address the discount, 50,000 shares were bought back during the year at 85.5 pence per share.

(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 2023, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.84% (2022: 1.86%).

Since the Company's investment objective changed on 20 December 2023 the Board measured the Company's success of the managed wind-down process through its regular engagement with the Investment Manager and at its quarterly Board meetings.

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 continued to monitor geopolitical risks, particularly with the ongoing war in Ukraine and increased tensions in the Middle East following the conflict in Gaza. 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.

During the year the Company amended its investment objective/policy in order to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximizing value.

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

Inability of the Company's Investment Manager to realise the Company's assets in accordance with the Company's managed wind-down

The Investment Manager may struggle to meet its obligation to realise the Company's assets in accordance with the company's newly adopted investment policy.

Market sectors

Loans are made to borrowers that operate in different market sectors each of which will have risks that are specific to that particular market sector. Idiosyncratic risks coupled with a downward turning market may increase refinancing risk with actions leading to a loss in value and recoverability in junior and mezzanine positions.

Valuation

The Company's approach regarding the valuation of its investments remains unchanged albeit the methodology to reach said valuation has become more substantive. Fair value write downs continue to be 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 sourced loans and advise on the management there of. The Company has a portfolio of a wide range of loan types and sectors and therefore benefits from diversification.

Investment restrictions have been revised now that the Company is in managed wind-down and are relatively flexible giving the Investment Manager ability to take advantage of exit opportunities as they arise.

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 updated investment objective is to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximizing value. 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 clearly 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 has employed 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.

(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.

Risks and risk management

continued

(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 program.

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.

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. **Broker:** provides 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 can be found on page 54. 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 Manager 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 in 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 53.

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 finding and vetting opportunities and the managed wind-down process. 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. Since the Company commenced its managed wind-down process which was approved by shareholders at a General Meeting held on 20 December 2023, a new incentive fee was approved that is based on any Loan that is repaid or sold at or above NAV and thereby further aligning the Investment Manager to the interest of the Company's shareholders during the wind-down process. 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. During the year, the Board agreed that Singer Capital Markets would act as the Company's sole broker.

Shareholders

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 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

The Board encourages Shareholders to attend and participate in the Company's Annual General Meeting ("AGM") to meet the Board and Investment Manager. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM.

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 revised 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 proposal was considered alongside a wide array of potential options under a broader review of the Company's future strategy. The Board consulted with Shareholders on these options and concluded that a partial exit opportunity would only exacerbate the challenges the Company faces, as it would further reduce the size of the Company.

Following the receipt of the first proposal, the Board received two additional business combination proposals, as described in the Company's announcement on 10 July 2023.

Having considered the various proposals in detail, the Board concluded that no better option existed which was likely to receive the required Shareholder consent, and on 6 September 2023, the Board announced its decision to put forward a proposal for a managed wind-down of the Company.

Stakeholder engagement

continued

Stakeholder	Engagement and key Board decisions
Borrowers	During the year the Board took the opportunity to visit several of the projects funded by Shareholders. In April 2023 the Directors visited the Coventry Student Accommodation and spent several hours with management, discussing the cladding remedial works and other building work which was completed in the Autumn of 2023. In February 2023, the Board visited Southport and Lytham to visit two purpose-built care homes managed by Athena Healthcare Group. 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. During the year under review, and prior to the Company entering managed wind-down, the Investment Manager considered prospective borrowers and took account of two credit considerations: > **how much debt can the borrower afford to take on?** The Investment Manager will assess the maximum level of 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 21 and 22. 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.

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-forresponsible-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 2023, 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 30).

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. The Directors have considered succession planning, however they believe it will be difficult to recruit additional Board members, given the likely short life of the Company now that it is in wind down and have each committed to serve the Company as Board members until it is placed into liquidation or until it is wound up.

Outlook
The outlook for the Company is discussed in the Chair's Statement on page 9.

Strategic report
The Strategic Report set out on pages 1 to 22 of this Annual Report was approved by the Board of Directors on 22 April 2024.

For and on behalf of the Board

Norman Crighton
Chair

22 April 2024

Governance

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2023.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 22.

Corporate governance

The Corporate Governance Statement on pages 30 to 34 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 2023 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.

Following the General Meeting held on 20 December 2023 at which shareholders voted to place the Company into managed wind-down, the IMA was amended so that the management fee will continue to be calculated at the rate of 0.875 per cent. of NAV per annum (payable monthly in arrears), but subject to a minimum fee of £33,300 payable monthly in arrears, subject to renegotiation with the Board, until the earlier of:

> the Company's liquidation;

> the value of the Company's portfolio (excluding cash and other liquid assets) being less than or equal to £35 million; or

> 31 December 2026.

Additionally, an incentive fee will be accrued from 20 December 2023, being the date the Company entered managed wind-down, on any Loan that is repaid or sold at or above the NAV as at that date, save for those Loans where the capital is used to repay any leverage or held as a cash balance for future commitments, of 1.375 per cent. on Loans repaid or sold from now until 31 December 2024 and 1.125 per cent. on Loans repaid during 2025.

To incentivise the Investment Manager to continue to work on the tail of the portfolio, the Incentive Fee will be subject to the following escrow and payment mechanism: (i) 50 per cent. of the fee will be paid in cash to the Investment Manager at the end of each month when a loan is repaid or sold and (ii) the remaining 50 per cent. will, so long as the Shares trade at a discount to the latest published NAV, be used by the Company to buy back Shares on the market, and otherwise held by the Company in escrow.

The newly acquired Shares purchased as a result of the payment of the Incentive Fee under (ii) above will be held by the Company in treasury until the Company is liquidated, and, together with cash amounts held in escrow will vest to the Investment Manager in the following proportions depending on the amount of aggregated net proceeds distributed to Shareholders:

> 100 per cent. – at or above the Reference NAV; or

> 90 per cent. – at or greater than 99 per cent. and less than 100 per cent. of the Reference NAV; or

> 80 per cent. – at or greater than 98 per cent. and less than 99 per cent. of the Reference NAV; or

> 70 per cent. – at or greater than 97 per cent. and less than 98 per cent. of the Reference NAV; or

> 60 per cent. – at or greater than 96 per cent. and less than 97 per cent. of the Reference NAV; or

> 50 per cent. – at or greater than 95 per cent. and less than 96 per cent. of the Reference NAV; or

> 40 per cent. – at or greater than 94 per cent. and less than 95 per cent. of the Reference NAV; or

> 30 per cent. – at or greater than 93 per cent. and less than 94 per cent. of the Reference NAV; or

> 20 per cent. – at or greater than 92 per cent. and less than 93 per cent. of the Reference NAV; or

> 10 per cent. – at or greater than 91 per cent. and less than 92 per cent. of the Reference NAV; or

> 0 per cent. – below 91 per cent. of the Reference NAV.

Any shares held in treasury which vest to the Investment Manager will be transferred to it to settle the Company's obligation to pay the remaining part of the Incentive Fee. The Board notes that for companies with a premium listing, the Investment Association's preference is for no more than 10 per cent. of their shares to be held in treasury but, given the special use of treasury shares in this case, believes the use of treasury shares in this manner is in the best interests of the Company. In the event that the number of treasury shares to be transferred to the Investment Manager were to be equal to or greater than 20 per cent. of the Company's issued share capital at the time, the Company would not deliver those shares and instead accrue a liability to the Investment Manager equal to the number of undelivered shares multiplied by the amount distributed per other ordinary share in the liquidation, to be paid pro rata alongside all other distributions to Shareholders.

In the event that the Shares are trading at a premium to the prevailing NAV, the remaining 50 per cent. of the fee under (ii) above will be held in escrow in liquid funds by the Company. Any dividends paid or declared in respect of the Shares acquired under (ii), together with any capital distributions made to Shareholders, will be held by the Company in escrow until the incentive vests as set out above.

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")

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% or below 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 2023	97.50%	100%

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 the revised terms as stated on pages 24 to 25 and in the Company's circular issued on 30 November 2023, remains in the interests of Shareholders at this time. Such a review is carried out on at least an annual basis. The last review was undertaken at a meeting of the Audit and Management Engagement Committee held on 31 October 2023.

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.

Directors' report

Continued

Share issues

At the Company's last Annual General Meeting held on 30 May 2023, the Board were granted 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, as at 25 April 2023 being the date of the Company's previous Annual Report) and to dis-apply pre-emption rights when allotting those Ordinary Shares and/or selling shares from treasury. Now that the Company has begun its managed-wind down process, the Board are not proposing that the authority to issue shares be renewed at the Company's forthcoming Annual General Meeting.

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. The Company bought back 50,000 Ordinary Shares into treasury during the year ended 31 December 2023. At the date of this Annual Report the Company held 4,638,222 Ordinary shares in treasury.

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.

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.

At the Annual General Meeting held on 30 May 2023, the Board were granted authority to buyback the Company's shares in order to manage the discount at which its shares trade. During the year under review the Company bought back a total of 50,000 Ordinary Shares to be held in treasury, representing 0.001% of the opening issued share capital, at an average discount of 7.6%.

Strategic Review and Managed Wind-down

During the year a strategic review was undertaken by the Board following a non-binding indicative proposal which involved the combination of all the Company's assets with another investment company managed by Gravis Capital Partners. The proposal was considered alongside a wide array of potential options under a broader review of the Company's future strategy: a potential continuation of the Company's policy and strategy, a full or partial exit opportunity, a combination of the Company's assets with another suitable investment company or fund and a managed wind-down. The Board consulted with Shareholders on these options and concluded that a partial exit opportunity would only exacerbate the challenges the Company faces, as it would further reduce the size of the Company.

Having considered the various proposals in detail, the Board concluded that no better option existed which was likely to receive the required Shareholder consent. On 30 November 2023, the Board put forward a proposal for the implementation of a managed wind-down of the Company which was unanimously passed by shareholders at its General Meeting held on 20 December 2023.

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 2023, there were 117,636,359 Ordinary Shares in issue, minus treasury shares. During the year, the Company has bought 50,000 Ordinary Shares, which are held in treasury. Since the year end, the Company has not bought back any shares in the Company.

Significant Shareholders

As at 31 December 2023, 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

Since the year end, the Company has been notified on 8 February 2024 that Mirabella Financial Services LLP has a holding of 8,825,806 Ordinary shares in the Company, equating to 7.5% of the Company's voting rights.

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. As at 31 December 2023 the Company's outstanding balance on its Revolving Credit Facility was nil. The RCF facility expired 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.

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.

Directors' report

Continued

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, as at the date of this report, are required to consider whether they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Following the General Meeting held on 20 December 2023 at which shareholders unanimously voted in favour of a change in the Company's Objective and Investment Policy in order to facilitate a managed wind-down, the process for an orderly realisation of the Company's assets and a return of capital to shareholders has begun. The Company is therefore preparing its financial statements on a basis other than going concern due to the Company being in a managed wind-down.

The Board will endeavour to realise all of the Company's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders.

Whilst the Directors are satisfied that the Company has adequate resources to continue in operation throughout the winding down period and to meet all liabilities as they fall due, given the Company is now in managed wind down, the Directors considered it appropriate to adopt a basis other than going concern in preparing the financial statements. No material adjustments to accounting policies or the valuation basis have arisen as a result of ceasing to apply the going concern basis. All of the balance sheet items have been recognised on a realisation basis, which is not materially different from the carrying amount. The Directors have also made appropriate provisions in order to bring about the orderly wind-down of the Company and its operations.

Viability statement

In accordance with provision 8.2 paragraph 36 of the AIC Code of Corporate Governance, published in February 2019 (the "AIC Code"), the Directors have assessed the future prospects of the Company over a period longer than the 12 months required by the going concern provision. On 20 December 2023, Shareholders unanimously approved a change in investment objective and investment policy allowing the Company to undergo an orderly realisation of assets, returning capital to Shareholders. The Company is therefore preparing its financial statements on a basis other than going concern due to the Company being in a managed wind-down.

The Investment Manager has considered the expected maturity profile of the Company's Loans and believes liquidation of the Company will occur in the second half of 2027. The Investment Manager believes that the maturity profile of the run-off portfolio could be reduced with proactive management.

In making their assessment the Directors have considered the Company's status as an investment entity, its investment objectives, the principal and emerging risks it faces, its current position and the time period over which its assets are likely to be realised and agreed that a four-year period ending 31 December 2027 was appropriate.

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

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

A circular containing the details of the forthcoming Annual General Meeting ("AGM") to be held at 10:00 AM on 30 May 2024 will be sent separately.

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

Jenny Thompson
For and on behalf of
Apex Listed Companies Services (UK) Limited
Company Secretary

22 April 2024

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 2023.

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 2023, 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 2024. 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.

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 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 Home REIT plc. She was formerly Non-executive Director and Chair of the Audit Committee for GCP Student Living plc and Atrato On Site Energy 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 2023 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

In accordance with the AIC Code a Director must stand for annual re-election. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Investment Manager. The Directors have considered succession planning, however they believe it may be difficult to recruit additional Board members, given the likely short life of the Company now that it is in wind down and have each committed to serve the Company as Board members until it is placed into liquidation or until it is wound up.

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 2024.

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 38 and 39.

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.

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 and to consider the Company's strategic review and managed wind-down.

Corporate governance

Continued

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 30 and 31. 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 2023.

Board composition as at 31 December 2023

	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.

Corporate governance

Continued

Internal control

The AIC Code requires the Board to review the effectiveness of the Company's systems 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 40 and a Statement of Going Concern is on page 27. The Report of the Independent Auditor is on pages 41 to 46.

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 1 to 22.

Shareholder relations

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 at 10:00 AM on 30 May 2024 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 "Chair of the AGM" as their proxy. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the AGM circular sent together with this Annual Report. 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.

The Company's Broker 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.

Directors' remuneration policy report

This policy report provides details of the remuneration for the Directors of the Company (the "Remuneration Policy"). The Remuneration Policy will be put forward for approval by Shareholders at the AGM to be held on 30 May 2024. The provisions set out in this policy apply until they are next put forward for Shareholder approval. The Remuneration Policy must be put forward for Shareholder approval at a maximum interval of three years. In the event of any proposed material variation to the policy, Shareholder approval will be sought for the proposed new policy prior to its implementation.

All the Directors are Non-executive Directors, and the Company has no employees.

Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by Shareholders, are subject to re-election by Shareholders at a maximum interval of three years.

Fees

The Directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. The Directors' fees will be paid at fixed annual rates and do not have any variable elements. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The Non-executive Directors shall be entitled to fees at such rates as determined by the Board.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

Statement of consideration of conditions elsewhere in the Company

As stated above the Company has no employees therefore the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Remuneration Policy

The Directors' remuneration will be reviewed on an annual basis by the Board and any changes are subject to approval by the Board. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, demands of the Company on the time to be spent by directors on the proper performance of their duties, the complexity of the Company and prevailing market rates for the investment trust sector.

Effective date

This Remuneration Policy will be put forward for Shareholder approval at the Annual General Meeting to be held on 30 May 2024 and, if approved by Shareholders, will be effective from that date.

Component	Director	Annual fee	Purpose of reward	Operation
Annual fee	Chair of the Board	See note 1 below	For services as Chair of a plc	Determined by the Board
Annual fee	Other Directors	See note 1 below	For services as Non-executive Directors of a plc	Determined by the Board
Annual fee	Chair of the Audit & Management Engagement Committee	See note 1 below	For additional responsibilities and time commitment as Chair of the Audit & Management Engagement Committee	Determined by the Board
Expenses	All Directors	Not applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

1 Annual rates are determined by the Board subject to the £250,000 limit set out in the Company's Articles of Association.

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 41.

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 reviews the fees payable to the Directors on an annual basis. During the year under review the Board agreed to an increase on their fees to £32,500 for Board members and by 8% for the Chair and Audit Chair with effect from 1 January 2024.

In addition, in accordance with the Company's Remuneration Policy and provision 39 of the AIC Code, a one-off payment was made of £10,000 to the Chair and £7,500 to each of the other Board members in recognition of the extra work undertaken by the Board to consider the Company's various strategic options including, but not limited to, the agreed procedure for the Company's wind-down.

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.

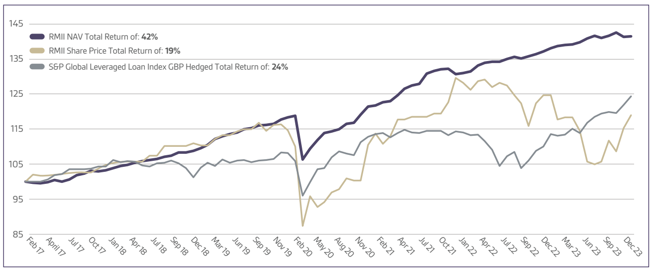
In addition, the Board has purchased and maintains insurance at the expense of the Company for the benefit of such persons indemnifying them against any liability or expenditure incurred by them for acts or omissions as a Director or Officer of the Company.

Director search and selection fees

No Director search and selection fees were incurred in the year ended 31 December 2023.

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 2023 (Audited)

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

	Fees for the year ended 31 December 2023	Fees for the year ended 31 December 2022
Norman Crighton	£46,000[1]	£36,000
Marlene Wood	£40,500[1]	£33,000
Guy Heald	£37,500[1]	£30,000

1 Includes additional one off fees paid to each Board member (£10,000 paid to the Chair and £7,500 paid to each of the other Board members).

There were no taxable benefits claimed during the years ended 31 December 2023 or 31 December 2022. None of the above fees were paid to third parties.

	% change 2020 to 2021	% change 2021 to 2022	% change 2022 to 2023
Norman Crighton	Nil	Nil	27.8
Marlene Wood	Nil	Nil	22.7
Guy Heald	Nil	Nil	25

A non-binding Ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 December 2022 was put forward at the Annual General Meeting held on 30 May 2023. 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 2023 will be put forward for approval at the Company's Annual General Meeting to be held on 30 May 2024.

The Directors' Remuneration Policy on page 35 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 2023 £'000	Fees for the year ended 31 December 2022 £'000
Income	10,876	10,768
Directors' fees	124	99
Investment management fees and other expenses	4,032	2,201
Dividend paid and payable to Shareholders	7,644	7,656

Directors' holdings (Audited)

The Directors had the following shareholdings at 31 December 2023 and as at the date of this report, all of which are beneficially owned.

	Ordinary Shares as at 31 December 2023	Ordinary Shares as at date of this report	Ordinary Shares as at 31 December 2022
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 2023:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year ended 31 December 2023; and

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

Norman Crighton
Chair

22 April 2024

Report of the Audit and Management Engagement Committee

Role of the Audit and Management Engagement Committee

The AIC Code of Corporate Governance (the "Code") 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 2023. 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 2023.

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.

Going concern and viability statements

Now that the Company is in a managed wind down, the Audit and Management Engagement Committee recommended to the Directors that it was appropriate to adopt a basis other than a going concern in preparing the financial statements.

The Audit and Management Engagement Committee also assessed the Company's viability and recommended to the Board that a two year period be appropriate, particularly in light of the Investment Manager's run-off profile of the portfolio that shows an expected remaining life of circa 1.7 years.

The Going concern assessment and viability statements can be found on pages 27 and 28.

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 2023, 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 2023.

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 since the Company's inception on 27 October 2016. The current Audit Partner responsible for the Company's audit for the year ended 31 December 2023 is Ahmer Huda.

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 2023.

Marlene Wood
Audit and Management Engagement Committee Chair

22 April 2024

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;

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

> for the reasons stated in the Directors'/Strategic Report and note 2, the financial statements have not been prepared on a going concern basis.

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.

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

22 April 2024

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 2023 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 to the financial statements, including material accounting policy information.

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 2023 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.

Emphasis of matter

We draw attention to note 2c to the financial statements which explains that the directors have announced the wind-down of the Company as approved by the Shareholders on the 20 December 2023 and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in note 2c. Our opinion is not modified in respect of this matter.

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.

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 £1.05m 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 and valuations teams.

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 maybe from Environmental, Social and Governance matters in investee holdings impacting the attractiveness and valuation of investments. This could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is explained on page 17 in the principal and emerging risks section, 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 as set out in note 1 and concluded that there was no further impact of climate change to be taken into account other than investment valuations. Investment loans are valued by an independent valuer in accordance with valuation Standards. Our audit procedures over valuations are set out in the Key audit matters section of this audit report.

Independent Auditor's report

Continued

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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised gains and losses *(as described on page 38 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 55).*		
The valuation of the investment portfolio at 31 December 2023 was £93.93m (2022: £119.97m) consisting primarily of unquoted private loan investments of £87.31 (2022: £112.17m). The remaining investment portfolio consists of bond investments of £3.65m (2022: £4.21m) and unquoted equity assets of £2.97m (2022: £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 recoverable value and are valued at recoverable value by the Directors using a fair value provided by the independent valuer. 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. Risk of incomplete or inaccurate revenue recognition from the investment portfolio (as described on page 38 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 55). The income recognised for the year to 31 December 2023 was £10.88 (2022: £10.77m), 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 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. We agreed all the unquoted investments held at 31 December 2023 per the investment portfolio to the valuation report as prepared by the independent valuer. We have recalculated the unrealised gains and losses on all investments as at 31 December 2023 using the book cost reconciliation and reviewed the fair value hierarchy disclosure. We have reviewed the financial statements to ensure that there are adequate disclosures regarding valuation uncertainty and assumptions made in the valuation of unquoted investments, including the required sensitivity analysis under IFRS 13 ' Fair value measurement'. We have agreed the investment valuation and existence to independent confirmations received from the Custodian, Lawyers, administrators and/or borrowers as at 31 December 2023. **For the bond portfolio (level 2 investment)** We agreed the prices of the bonds to independent market sources. *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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incorrect valuation or ownership of the investment portfolio, and the resulting impact on unrealised gains and losses Continued		
	For the unquoted loan and equity 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 investments to ensure the valuation is within an expected range. The procedures included: For a sample of investments, 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 changes in the price of risk, benchmark credit curves, and the borrower's own credit risk. Where specific circumstances apply, the specialists performed a quantitative review through the use of a liquidation waterfall analysis assessing whether there is sufficient coverage after accounting for the debt which is senior in the capital structure. We corroborated a sample of inputs used by the independent valuer in the valuation to information which has been substantively tested as part of our audit. We obtained evidence such as collateral valuation reports and/or legal contracts and reviewed them to assess the value and existence of collateral associated with the secured loans.	

Independent Auditor's report

Continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of incomplete or inaccurate revenue recognition from the investment portfolio *(as described on page 38 in the Report of the Audit and Management Engagement Committee and as per the accounting policy set out on page 55)*		
The income recognised for the year to 31 December 2023 was £10.88 (2022: £10.77m), 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 Investment Manager's and Administrator's processes and controls surrounding revenue recognition to evaluate the design and implementation of controls. We performed substantive analytical procedures to assess the population of interest income by applying the coupon terms to the notional value of the loans held during the year. We agreed and recalculated the recognition of a sample of interest and payment in kind ('PIK') income from the income report to the coupon terms or loan agreements. We agreed a sample of interest to the bank statements. We agreed a sample of interest payments from coupon terms available from an independent data vendor or loan agreements to the income recorded by the Company to test completeness of the income recorded. We performed a portfolio level completeness check using the opening and year end portfolio to test completeness of the income recorded by the Company. We agreed the interest rates and payment dates to the loan documentation or coupon terms, agreed the principal outstanding and recalculated the interest receivable.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition from the investment portfolio.

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 £1.05 million (2022: £1.09 million), which is 1% (2022: 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% (2022: 50%) of our planning materiality, namely £0.52m (2022: £0.54m. We have set performance materiality at this percentage due to the past history of misstatements.

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 (2022: £0.05m), 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, 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

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 28;
- 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 28;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 28;
- Directors' statement on fair, balanced and understandable set out on page 40;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 34;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 34; and;
- The section describing the work of the audit committee set out on page 38.

Independent Auditor's report

Continued

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 40, 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.

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 through discussions with the Audit and Management Engagement Committee 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 ending 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the periods ending 31 December 2017 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit 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.

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

22 April 2024

Financial statements

Statement of comprehensive income

For the year ended 31 December 2023

		Year ended 31 December 2023			Year ended 31 December 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	*3*	–	(2,441)	(2,441)	–	(2,072)	(2,072)
Income	*4*	10,876	–	10,876	10,768	–	10,768
Investment management fee	*5*	(944)	–	(944)	(971)	–	(971)
Other expenses	*6*	(1,521)	(1,567)	(3,088)	(1,230)	–	(1,230)
Return before finance costs and taxation		8,411	(4,008)	4,403	8,567	(2,072)	6,495
Finance costs	*7*	(1,004)	–	(1,004)	(1,102)	–	(1,102)
Return on ordinary activities before taxation		7,407	(4,008)	3,399	7,465	(2,072)	5,393
Taxation	*8*	–	–	–	(3)	–	(3)
Return on ordinary activities after taxation		7,407	(4,008)	3,399	7,462	(2,072)	5,390
Return per ordinary share (pence)	*14*	6.30p	(3.41p)	2.89p	6.33p	(1.76p)	4.57p

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued by the Association of Investment Companies.

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

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit and total comprehensive income for the year.

The notes on pages 53 to 72 form an integral part of these financial statements.

Statement of financial position

	Notes	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Fixed assets			
Investments at fair value through profit or loss	3	93,932	119,970
Current assets			
Cash and cash equivalents		7,791	2,993
Receivables	9	7,969	5,421
		15,760	8,414
Payables: amounts falling due within one year			
Payables	10	(5,176)	(2,308)
Bank loan – Credit facility	11	–	(17,271)
		(5,176)	(19,579)
Net current liabilities		10,584	(11,165)
Total assets less current liabilities		104,516	108,805
Net assets		104,516	108,805
Capital and reserves: equity			
Share capital	12	1,175	1,176
Share premium	13	70,168	70,168
Special reserve		44,597	44,640
Capital reserve		(14,229)	(10,221)
Revenue reserve		2,805	3,042
Total shareholders' funds		104,516	108,805
NAV per share – Ordinary Shares (pence)	15	88.88p	92.49p

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 22 April 2024 and signed on their behalf by:

Norman Crighton
Chair

Registered in England and Wales with registered number 10449530.

The notes on pages 53 to 72 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2023

	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		1,176	70,168	44,640	(10,221)	3,042	108,805
Return on ordinary activities		–	–	–	(4,008)	7,407	3,399
Buy back of shares	12	(1)	–	(42)	–	–	(43)
Share buy back costs		–	–	(1)	–	–	(1)
Dividend paid	16	–	–	–	–	(7,644)	(7,644)
Balance as at 31 December 2023		1,175	70,168	44,597	(14,229)	2,805	104,516

For the year ended 31 December 2022

	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		1,178	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)
Shares 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

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

The capital reserves attributable to realised profit for the year ended 31 December 2022 and 2023 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 53 to 72 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		4,403	6,495
Adjustments for movements not generating an operating cash flow:			
Adjustment for losses on investments		2,247	1,802
PIK adjustments to the operating cash flow		(2,637)	(2,466)
Adjustments for balance sheet movements:			
Increase in receivables		(2,548)	(2,737)
Increase in payables		2,868	458
Net cash flow from operating activities		4,333	3,552
Investing activities			
Private loan repayments/bonds sales proceeds		33,494	25,784
Private loans issued/bonds purchases		(7,066)	(18,416)
Net cash flow from investing activities		26,428	7,368
Financing activities			
Finance costs		(1,004)	(1,102)
Ordinary Share bought back	12	(43)	(173)
Ordinary Share buyback costs		(1)	(2)
Oaknorth loan facility drawdown		6,621	12,550
Oaknorth loan facility repaid		(23,892)	(14,850)
Equity dividends paid	16	(7,644)	(7,660)
Net cash flow used in financing activities		(25,963)	(11,237)
Increase/(Decrease) in cash		4,798	(317)
Opening balance at beginning of the year		2,993	3,310
Balance as at the year end		7,791	2,993

** Cash inflow from interest on investment holdings was £8,743,000 (2022: £8,396,000).*
** Included in return on ordinary activities before finance costs and taxation was finance costs of £1.00m (2022: £1.10m).*

The notes on pages 53 to 72 form an integral part of these financial statements.

Changes in financing liabilities

	Year ended 31 December 2023		Year ended 31 December 2022	
Movement in financial liabilities	OakNorth facility £'000	Intercompany loan £'000	OakNorth facility £'000	Intercompany loan £'000
Balance as at beginning of the year	17,271	–	19,571	–
Facility drawdowns during the year	6,621	–	12,550	–
Facility interest payable during the year	1,004	–	1,102	–
Facility and interest repayments during the year	(24,896)	–	(15,952)	–
Balance as at 31 December 2023	–	–	17,271	–

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 aims to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

The registered office is 6th Floor, 125 London Wall, 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 realisation basis, except for investments measured at recoverable value (being fair value less cost to sell).

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 initially 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 July 2022, 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 2023

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2023. 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 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of settlement to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted.

Notes to the financial statements

Continued

2. Accounting policies continued

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements
The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

(c) Going concern
The Directors, as at the date of this report, are required to consider whether they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Following the General Meeting held on 20 December 2023 at which shareholders unanimously voted in favour of a change in the Company's Objective and Investment Policy in order to facilitate a managed wind-down, the process for an orderly realisation of the Company's assets and a return of capital to shareholders has begun. The Company is therefore preparing its financial statements on a basis other than going concern due to the Company being in a managed wind-down.

The Board will endeavour to realise all of the Company's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders.

Whilst the Directors are satisfied that the Company has adequate resources to continue in operation throughout the winding down period and to meet all liabilities as they fall due, given the Company is now in a managed wind-down the Directors considered it appropriate to adopt a basis other than a going concern in preparing the financial statements. No material adjustments to accounting policies or the valuation basis have arisen as a result of ceasing to apply the going concern basis. All of the balance sheet items have been recognised on a recoverable basis, which is not materially different from the carrying amount. The Directors have also made appropriate provisions in order to bring about the orderly wind-down of the Company and its operations.

(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. Due to the Company's wind-down status, investments have been recognised at recoverable value, which has been determined as fair value less cost to realise. The difference between the investment's fair value and recoverable value was not material.

(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. The financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

2. Accounting policies continued

(g) Income

Fair value movements attributable to PIK interest and Cash Interest on the investment portfolio are recorded under Income in the Statement of Comprehensive Income.

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.

A simplified credit loss provision has been applied against uncertain interest receivables.

(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 as the proceeds received net of direct issue costs and subsequently measured at amortised cost using the effective interest rate. The associated costs of the bank loan facility are amortised over the period of the bank loan facility. The Directors have also made appropriate provisions in order to bring about the orderly wind-down of the Company and its operations.

(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.

(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.

Notes to the financial statements

Continued

2. Accounting policies continued

As per AIC SORP, where an Investment Company is approaching a wind-up and a provision for liquidation expenses has been made, the Board needs to consider why those expenses have been/are going to be incurred and whether the circumstances meet the maintenance or enhancement test for allocating them to capital. It may also be the case that certain of the costs should be treated as being related to the disposal of the Investment Company's assets. Certain expenses, such as brokerage fees and stamp duty, are incurred as part of the process of buying and selling Investments and, for Investment Companies, it is considered that such expenses are capital in nature.

The liquidation expenses provided for in the accounts are in relation to the disposal of the Company's assets and the ultimate costs of returning the shareholders capital. Thus, these have been included within the Capital section of the Statement of Comprehensive Income.

3. Investment at fair value through profit or loss

(a) Summary of valuation	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Financial assets held:		
Equity investments	2,966	3,593
Bond investments	3,654	4,208
Private loan investments	87,312	112,169
	93,932	119,970

(b) Movements	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Opening valuation	119,970	126,674
Opening losses on investments	7,306	5,803
Book cost at the beginning of the year	127,276	132,477
Private loans issued/bonds purchases at cost	7,066	18,415
Purchase in kind interest ("PIK")	2,637	2,690
Sales:		
– Private loans repayments/bonds sales proceeds	(33,121)	(25,784)
– Losses on investment	(373)	(298)
– Purchase in kind interest ("PIK")	–	(224)
Unrealised losses on investments held	(9,553)	(7,306)
Closing valuation at year end	93,932	119,970
Book cost at end of the year	103,485	127,276
Unrealised losses on investment holdings at the year end	(9,553)	(7,306)
Closing valuation at year end	93,932	119,970

The Company received £33.5 million (2022: £25.5 million) from investments sold in the year. The book cost of these investments when they were purchased was £33.1 million (2022: £25.8 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. The fair value of the investment in Beinbauer amounted to £10.0 million (2022: £9.6 million).

3. Investment at fair value through profit or loss continued

(c) Gains/(losses) on investments

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Realised gains/(losses) on investments	10	(298)
Unrealised gains/(losses) on investments held	(2,247)	(1,503)
Other capital gains	–	217
Foreign exchange losses	(204)	(488)
Total losses on investments	(2,441)	(2,072)

At the year end, the Company had three unquoted investments, which are recorded at fair value as the Company meets the definition of an investment entity within IFRS 10.

> **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.

> **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, Thorncliffe Industrial Estate, Chapeltown, Sheffield, S35 2PH. The Investment Manager valued holdings in Trent Capital Limited at nil.

> **Coventry Student Accommodation 1 Limited ("Coventry", wholly owned asset).** The Company holds an unquoted investment in Coventry. As at 31 December 2023, 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 £3.0 million as at 31 December 2023 (2022: £3.6 million). A credit loss has been recognised under the simplified approach for interest income in note 10.

4. Income

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Income from investments		
Bond and loan – cash interest	10,352	7,895
Bond and loan – PIK interest	294	2,767
Arrangement fees	42	43
Delayed Compensation fees received	–	2
Other income	188	61
Total	10,876	10,768

Notes to the financial statements

Continued

5. Investment management fee

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Basic fee:		
100% charged to revenue	944	971
Total	944	971

The Company's Investment Manager is RM Capital Markets Limited. Under the amended Investment Management Agreement, effective 1 April 2020 which was in place for the year under review, 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.

Following the General Meeting held on 20 December 2023 at which shareholders voted to place the Company into managed wind-down, the IMA was amended so that the management fee will continue to be calculated at the rate of 0.875 per cent. of NAV per annum (payable monthly in arrears), but subject to a minimum fee of £33,300 payable monthly in arrears, subject to renegotiation with the Board, until the earlier of:

- the Company's liquidation;
- the value of the Company's portfolio (excluding cash and other liquid assets) being less than or equal to £35 million; or
- 31 December 2026.

Additionally, an incentive fee will be accrued from 20 December 2023, being the date the Company entered managed wind-down, on any loan that is repaid or sold at or above the NAV as at that date, save for those loans where the capital is used to repay any leverage or held as a cash balance for future commitments, of 1.375 per cent. on loans repaid or sold from now until 31 December 2024 and 1.125 per cent. on loans repaid during 2025.

To incentivise the Investment Manager to continue to work on the tail of the portfolio, the Incentive Fee will be subject to the following escrow and payment mechanism: (i) 50 per cent. of the fee will be paid in cash to the Investment Manager at the end of each month when a loan is repaid or sold and (ii) the remaining 50 per cent. will, so long as the Shares trade at a discount to the latest published NAV, be used by the company to buy back Shares on the market, and otherwise held by the company in escrow.

The newly acquired Shares purchased as a result of the payment of the Incentive Fee under (ii) above will be held by the Company in treasury until the company is liquidated, and, together with cash amounts held in escrow will vest to the Investment Manager in the following proportions depending on the amount of aggregated net proceeds distributed to shareholders:

- 100 per cent. at or above the Reference NAV; or
- 90 per cent. at or greater than 99 per cent. and less than 100 per cent. of the Reference NAV; or
- 80 per cent. at or greater than 98 per cent. and less than 99 per cent. of the Reference NAV; or
- 70 per cent. at or greater than 97 per cent. and less than 98 per cent. of the Reference NAV; or
- 60 per cent. at or greater than 96 per cent. and less than 97 per cent. of the Reference NAV; or
- 50 per cent. at or greater than 95 per cent. and less than 96 per cent. of the Reference NAV; or
- 40 per cent. at or greater than 94 per cent. and less than 95 per cent. of the Reference NAV; or

5. Investment management fee continued

- 30 per cent. at or greater than 93 per cent. and less than 94 per cent. of the Reference NAV; or
- 20 per cent. at or greater than 92 per cent. and less than 93 per cent. of the Reference NAV; or
- 10 per cent. at or greater than 91 per cent. and less than 92 per cent. of the Reference NAV; or
- 0 per cent. below 91 per cent. of the Reference NAV.

Any shares held in treasury which vest to the Investment Manager will be transferred to it to settle the Company's obligation to pay the remaining part of the Incentive Fee. The Board notes that for companies with a premium listing, the Investment Associations preference is for no more than 10 per cent. of their shares to be held in treasury but, given the special use of treasury shares in this case, believes the use of treasury shares in this manner is in the best interests of the Company. To the extent that the number of treasury shares to be transferred to the Investment Manager would otherwise be equal to or greater than 20 per cent. of the Company's issued share capital at the time, the Company will deliver such number of treasury Shares as represents one Share less than 20 per cent of the Company's issued share capital and instead shall pay the Investment Manager upon the liquidation of the Company an amount equal to the number of undelivered Shares multiplied by the amount distributed upon every Share in the liquidation, with such liability to be paid pro rata alongside all other distributions to shareholders.

In the event that the Shares are trading at a premium to the prevailing NAV, the remaining 50 per cent. of the fee under (ii) above will be held in escrow in liquid funds by the Company. Any dividends paid or declared in respect of the Shares acquired under (ii), together with any capital distributions made to shareholders, will be held by the Company in escrow until the incentive vests as set out above.

6. Other expenses

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Basic fee charged to revenue:		
Administration fees	220	226
Auditor's remuneration: – Statutory audit fee	122	161
Broker fees	150	146
Consultancy fees	18	72
Custody fees	15	–
Directors' fees	124*	99
AIFM fees	146	144
Registrars fees	40	32
Valuation fees	107	81
Other expenses	579	269
Total revenue expenses	1,521	1,230
Expenses charged to capital:		
Wind-down costs**	1,567	–
Total expenses	3,088	1,230

** Includes additional one off fees paid to each Board member (£10,000 paid to the Chair and £7,500 paid to each of the other Board members).*
*** The Company has estimated the costs of the managed wind-down process and accordingly made a provision during the year amounting to £1.6 million.*

Notes to the financial statements

Continued

7. Finance costs

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan Interest paid	1,004	–	1,004	1,102	–	1,102
	1,004	–	1,004	1,102	–	1,102

Refer to Note 11 for the details of the Company's revolving credit facility.

8. Taxation

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Analysis of tax charge/(credit) for the year:						
Corporation tax	–	–	–	–	–	–
Corporation tax – prior year adjustment	–	–	–	3	–	3
Total current tax charge (see note 6 (b))	–	–	–	3	–	3

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

The effective UK corporation tax rate for the year is 23.50% (2022:19.00%).

In the Spring Budget 2020, the UK Government announced that from 1 April 2023 the rate of corporation tax will increase to 25% from 19%. A blended rate of 23.5% is used.

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 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	7,407	(4,008)	3,399	7,465	(2,072)	5,393
UK corporation tax at 23.50% (2022: 19.00%)	1,741	(942)	799	1,418	(394)	1,024
Effects of:						
Fair value losses not deductible	–	574	574	–	394	394
Non-deductible expenses	–	368	368	–	–	–
Interest distributions paid/payable	(1,796)	–	(1,796)	(1,455)	–	(1,455)
Excess management expenses carried forward	55	–	55	37	–	37
Prior year adjustment	–	–	–	3	–	3
Total tax charge	–	–	–	3	–	3

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 2023, the Company had net surplus excess management expenses of £426,902 (2022: £194,927) 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 2023 £'000	Year ended 31 December 2022 £'000
Amounts falling due within one year:		
Bond and loan interest receivable	2,133	2,372
Bond and interest receivable with credit loss fully provided	2,741	1,160
Coventry Street Loan	2,686	1,673
Prepayments and other receivables	409	216
	7,969	5,421

Bond and interest receivable with credit loss fully provided

Bond and interest receivable with credit loss fully provided is an interest receivable in relation to the loans of the Company but are not guaranteed. The total amount is offset against the credit loss under the liability account (see note 10).

Notes to the financial statements

Continued

10. Payables

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Amounts falling due within one year:		
Loan reserves retained	270	270
Taxation payable	–	3
Credit loss provision on interest receivable	2,741	1,160
Other payables	2,165	875
	5,176	2,308

11. Bank loan credit facilities

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
OakNorth Bank – Credit facilities	–	17,271
Total	–	17,271

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 £6.6 million (2022: £12.6 million) from the revolving credit facilities and repaid cumulative amount of £23.9 million (2022: £14.9 million). The remaining balance as at 31 December 2023 amounts to nil (2022: £17.3 million).

12. Share capital

	As at 31 December 2023		As at 31 December 2022	
	No. of Shares	£'000	No. of Shares	£'000
Allotted, issued & fully paid:				
Ordinary shares of 1p	117,586,359	1,175	117,636,359	1,176

Share movement

The table below sets out the share movement for the year ended 31 December 2023.

	Opening balance	Shares issued	Shares bought back	Shares in issue at 31 December 2023
Ordinary Shares	117,636,359	–	(50,000)	117,586,359

At the year end, the Company has 117,586,359 Ordinary Shares in issue with voting rights and 4,638,222 Ordinary Shares held in Treasury.

Ordinary Share buy backs

During the year, the Company bought back 50,000 (2022: 204,629) Ordinary Shares for an aggregate cost of £42,750 (2022: £173,935). Since the year end no shares have been bought back.

13. Share premium

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Balance as at beginning of the year	70,168	70,168
Share buybacks	–	2
Share buyback costs	–	(2)
Balance as at the end of the year	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 £3,399,000 (2022: gain of £5,390,000).

Based on the weighted average of number of 117,587,862 (2022: 117,839,605) Ordinary Shares in issue for the year ended 31 December 2023, the returns per share were as follows:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary Share	6.30p	(3.41p)	2.89p	6.33p	(1.76p)	4.57p

There are no dilutive shares in issue.

Notes to the financial statements

Continued

15. Net asset value per share

The NAV per share is based on Company's total shareholders' funds of £104,516,000 (2022: £108,805,000), and on 117,586,359 (2022: 117,636,359) 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 2023		As at 31 December 2022	
	Net assets (£)	NAV per Ordinary share (p)	Net assets (£)	NAV per Ordinary share (p)
2023 NAV as published on 16 January 2024 (2022 NAV: Published on 16 January 2023)	106,235,896	90.35	108,807,765	92.50
Revaluation adjustment	(153,000)	(0.13)	–	–
Wind-cost accrual adjustments	(1,566,581)	(1.34)	–	–
Prior year tax liability adjustments	–	–	(2,852)	(0.01)
NAV as disclosed in these Financial Statements	104,516,315	88.88	108,804,913	92.49

16. Dividend

Total dividends paid in the year

	Year ended 31 December 2023				Year ended 31 December 2022			
	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary share	Revenue £'000	Capital £'000	Total £'000
2022 Interim – Paid 31 Mar 2023 (2021: 25 Mar 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
2023 Interim – Paid 30 Jun 2023 (2022: 24 Jun 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
2023 Interim – Paid 29 Sep 2023 (2022: 30 Sep 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
2023 Interim – Paid 29 Dec 2023 (2022: 30 Dec 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
Total	6.500p	7,644	–	7,644	6.5000p	7,660	–	7,660

16. Dividend continued

The dividend relating to the period ended 31 December 2023, 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 2023				Year ended 31 December 2022			
	Pence per Ordinary Share	Revenue £'000	Capital £'000	Total £'000	Pence per Ordinary Share	Revenue £'000	Capital £'000	Total £'000
2023 Interim – Paid 30 Jun 2023 (2022: 24 Jun 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
2023 Interim – Paid 29 Sep 2023 (2022: 30 Sep 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
2023 Interim – Paid 29 Dec 2023 (2022: 30 Dec 2022)	1.6250p	1,911	–	1,911	1.6250p	1,915	–	1,915
2023 Interim – Paid 2 April 2024 (2022: 31 Mar 2023)*	1.6250p	1,911	–	1,911	1.6250p	1,911	–	1,911
Total	6.500p	7,644	–	7,644	6.5000p	7,656	–	7,656

** Not included as a liability in the year ended 31 December 2023 financial statements.*

17. Related party transactions

Fees are payable at an annual rate of £36,000 to the Chair, £33,000 to the Chair of the Audit and Management Engagement Committee and £30,000 to the other Director. During the year an additional one-off payment was made of £10,000 to the Chair, £7,500 to the Audit and Management Engagement Chair and £7,500 to the other Director in recognition of the extra work undertaken to consider the Company's various strategic issues and to progress the wind-down. As at 31 December 2023, there were no Directors' fees outstanding. During the year under review the Board agreed to an increase on their fees to £32,500 for Board members and by 8% for the Chair and Audit Chair with effect from 1 January 2024. The Directors' fees are disclosed in note 6 and the Directors' shareholdings are disclosed in the Directors Remuneration Report in the Annual Report for the year ended 31 December 2023.

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 31 December 2023 the fee outstanding to the Investment Manager was £155,000 (2022: £80,000).

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 2023, the Company received £42,000 (2022: £43,000) in arrangement fees from RM.

Borrowers paid the Investment Manager arrangement fees during the year totalling £286,084. The Investment Manager also provides further work and Loan & Security Agency services to some borrowers and during the year charged borrowers £185,958.

As at 31 December 2023, the Investment Manager held 1,329,125 (2022: 1,316,625) Ordinary Shares in the Company. Since the year end, the Investment Manager purchased a further 52,211 Ordinary Shares in the Company, and as of the date of this report, the Investment Manager's total holding of Ordinary Shares is 1,381,336 (2022: 1,329,125).

During the year the Company has total investments of £3,119,000 (2022: £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 £2,686,000 (2022: £1,673,000) as disclosed in note 9.

Notes to the financial statements

Continued

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 2023				31 December 2022			
	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 – Bond investments	–	3,654	–	3,654	–	4,208	–	4,208
Financial assets – Private loans	–	–	87,312	87,312	–	–	112,169	112,169
Financial assets – Equity investment	–	–	2,966	2,966	–	–	3,593	3,593
Forward contract unrealised loss	–	47	–	47		(162)	–	(162)
Net financial assets including	–	3,701	90,278	93,979	–	4,046	115,762	119,808

The forward exchange contract has been presented in the fair value hierarchy at net exposure with the net unrealised loss of £47,360 (2022: gain of £162,475) 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 transfers between levels during the reporting period (2022: none).

18. Classification of financial instruments continued

Reconciliation of the Level 3 classification investments during the year to 31 December 2023 is shown below:

	31 December 2023			31 December 2022		
	Equity £'000	Loan £'000	Total £'000	Equity £'000	Loan £'000	Total £'000
Balance as at beginning of the year	3,593	112,169	115,762	3,600	115,728	119,328
New loans during the year	–	9,703	9,703	–	13,605	13,605
Repayments during the year	–	(33,121)	(33,121)	–	(15,978)	(15,978)
Realised gains during the year	–	(373)	(373)	–	(190)	(190)
Unrealised losses during the year on positions held at year end	(597)	(1,096)	(1,693)	(7)	(996)	(1,003)
Closing balance as at 31 December	2,996	87,282	90,278	3,593	112,169	115,762

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 (Mazars LLP) 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.

Notes to the financial statements

Continued

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 the Risk and Risk Management report.

The Company's financial assets and liabilities at 31 December 2023 comprised:

	Year ended 31 December 2023			Year ended 31 December 2022		
Investments	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
GB sterling	89,284	2,966	92,250	114,713	3,593	118,306
Euro	1,682	–	1,682	1,664	–	1,664
Total investment	90,966	2,966	93,932	116,377	–	119,970
Cash and cash equivalents	7,791	–	7,791	2,993	–	2,993
Receivables	–	7,969	7,969	–	5,421	5,421
Payables	–	(5,176)	(5,176)	(17,271)	(1,148)	(19,579)
Total	98,757	5,759	104,516	102,099	4,273	108,805

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 £9,393,000 (2022: £11,997,000) 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 2023 was £7,791,000 and £7,969,000 respectively (2022: £2,993,000 and £5,421,000). None of these amounts are considered past due or impaired and interest is based on the prevailing money market rates.

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 2023		As at 31 December 2022	
	Fair value £'000	Maximum exposure £'000	Fair value £'000	Maximum exposure £'000
Private loan investments	87,312	87,312	112,169	112,169
Bond investments	3,654	3,654	4,208	4,208
Cash and cash equivalent	7,791	7,791	2,993	2,993
Receivables	7,969	7,969	5,421	5,421
Total	106,726	106,726	124,791	124,791

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 2023, a 1% increase/(decrease) (2022: 1.00% 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 2023		As at 31 December 2022	
	1.00% Increase £'000	1.00% Decrease £'000	1.00% Increase £'000	1.00% Decrease £'000
Private loans investments	873	(873)	1,122	(1,122)
Bond investments	37	(37)	42	(42)
Equity investments	30	(30)	36	(36)
Cash and cash equivalent	78	(78)	30	(30)
Total	1,018	(1,018)	1,230	(1,230)

Management of risks

The Company aims to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between returning cash to Shareholders promptly and maximising value.

Notes to the financial statements

Continued

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 £7,791,000 (2022: £2,993,000).

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

	31 December 2023 £'000	31 December 2022 £'000
Within one month	–	–
Between one and three months	598	2,038
Between three months and one year	–	–
More than one year	4,578	17,541
Total	5,176	19,579

Notwithstanding 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 management's intentions to use the facilities for liquidity purposes and not long term gearing of the Company.

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. 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.

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

	31 December 2023 £'000	31 December 2022 £'000
Within one month	1,700	–
Between one and three months	–	–
Between three months and one year	26,927	–
More than one year	65,305	119,970
Total	93,932	119,970

(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.

19. Financial instruments – risk profile continued

Based on the financial assets and liabilities at 31 December 2023 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 2023 would have been as follows:

	31 December 2023 £'000	31 December 2022 £'000
Euro	266	230
Total	266	230

Foreign currency risk profile

	31 December 2023			31 December 2022		
	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000
Euro	2,362	302	2,664	2,087	214	2,301
US dollar	–	7	7	–	7	7
Total	2,362	309	2,671	2,087	221	2,308

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 either recorded at fair value in the statement of financial position, or, where they are recorded at amortised cost, such carrying amounts are a reasonable approximation of fair value.

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.

During the year the Company bought back 50,000 shares (2022: 204,629) which are held in treasury. The Company's policy on borrowing is detailed in the Directors' Report. The details of the Company's OakNorth facilities are discussed in note 11.

Notes to the financial statements

Continued

20. Post balance sheet events

Dividend Declaration

On 29 February 2024, the Company declared a dividend of 1.625 pence per ordinary share in respect of the period from 1 October 2023 to 31 December 2023 to shareholders who appear on the register on 8 March 2024. The ex-dividend date is 7 March 2024. This was paid on 2 April 2024.

Legal Claim

The Company has been pursuing a legal claim against the former main contractor of a 79 bed student accommodation based in Coventry since September 2022. This was undertaken via an adjudicator (or circa 1 pence per ordinary share), with circa 90% of said sums now having been received in cleared funds. As of January 2024, the Company has received proceeds totalling £823,980.

Investment Manager's Holdings

On 28 February 2024 RM Capital Markets Limited (the "Investment Manager") acquired 52,211 Ordinary Shares at a price of 76 pence per share. Following the purchase, the Investment Manager's total holding of Ordinary Shares was 1,381,336.

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 2023 £'000	31 December 2022 £'000
Bank Loan – Credit facility		49	–	17,271
Total borrowings			–	17,271
Cash and cash equivalents		49	7,791	2,993
Total borrowings less cash and cash equivalents	a		(7,791)	14,278
Net assets	b	49	104,516	108,805
Gearing (net)	(a÷b)*100		nil	13.1%

Gross asset value

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 2023		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	49	104,516	88.88
Bank Loan – Credit facility	c	49	–	–
Gross asset value	a+b+c		104,516	n/a

As at 31 December 2022		Page	£'000	Per Share (Pence)
Ordinary Shares – NAV	a	49	108,805	92.49
Bank Loan – Credit facility	c	49	17,271	–
Gross asset value	a+b+c		126,076	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 2023		Page	
Average NAV (£'000)	a	n/a	107,826
Annualised recurring expenses*	b	n/a	1,984
	b÷a		1.84%

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%

** Consists of investment management fees of £944,000 (2022: £971,000) and other recurring expenses of £1,040,000 (2022: £1,096,000). 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 2023		Page	
NAV per Ordinary Share (p)	a	2	88.88
Share price (p)	b	2	74.25
Discount	(b/a)-1		(16.46%)

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%)

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 2023		Page	NAV	Share Price
Opening at 1 January 2023 (p)	a	n/a	92.49	85.00
Closing at 31 December 2023 (p)	b	2	88.88	74.25
Dividend payment	c	n/a	1.0731	1.0918
Adjusted closing (d = b x c)	d	n/a	95.38	81.06
Total return	(d/a)-1		3.16%	(4.63%)

As at 31 December 2022		Page	NAV	Share Price
Opening at 1 January 2022 (p)	a	n/a	94.41	95.00
Closing at 31 December 2022 (p)	b	2	92.49	85.00
Dividend adjustment factor	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%

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	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.
Reference NAV	The value at which the loan or asset as included in the Net Asset Value on the reference date (being 90.35 pence per Ordinary Share or 106,233,875 in aggregate). The Reference NAV shall be calculated by deducting from the Reference NAV any cash amounts held in escrow at the Termination Date and the net assets of the Company as at the Termination Date (including an accrual for an estimate of the costs of the Company as determined by the Company's board of directors in its sole discretion acting reasonably and in good faith until its liquidation is completed) but adding back the costs and expenses incurred by the Company in returning cash to shareholders and any other extraordinary expenses or costs outside of the ordinary course of realising the portfolio and operating the Company in accordance with past practice.
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.

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